

Unit 3

THE FEDERALIST ERA

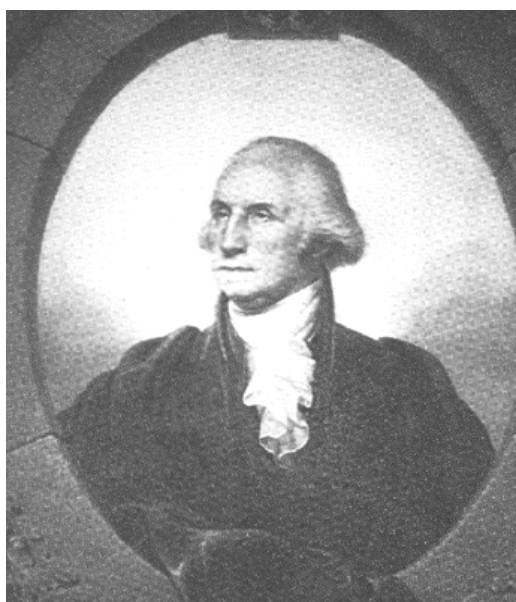
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Chapter 1 The New Nation

A Search for Answers

While the Founding Fathers at the Constitutional Convention debated what powers should be given the president, they agreed on who that man should be. Indeed, when the votes for this office were counted, George Washington was the unanimous choice of the electoral college. No other candidate since has won all of the electoral votes.



**The first President of the
United States**

George Washington would rather have stayed at his beloved plantation, Mount Vernon, but his country had once more called on him to lead it. Reluctantly, Washington prepared himself for his trip to the nation's capital:

My movements to the chair of Government will be accompanied by feelings not unlike those of a culprit who is going to his place of execution...so unwilling am I to quit a peaceful (home) for an ocean of difficulties, without the political skill necessary to manage the Helm.¹

George Washington's reluctance to return to public office was completely understandable because he had already devoted most of his adult life to serving his country. As a leader in the Virginia militia, a member of the

House of Burgesses, a delegate to the Second Continental Congress, commander of the American army during the Revolution, and President of the Constitutional Convention,

Washington had faced many challenges. His job as President of the United States would require all of the skills needed in his previous positions and more. Both Washington and the new nation would face enormous problems over the next eight years.

Lack of Unity

The population of the United States in 1789 was just under 4,000,000, and the states as well as the people were anything but united. They were divided by climate and geography into northern, middle, and southern states. The stern Puritans fishing for cod off the coast of Massachusetts had little in common with their more easygoing countrymen who held the plantations of the South. Unlike the northern and southern states, the middle states, which served as the nation's breadbasket, were the home of prosperous farmers. Differences between rich and poor, town and country, master and slave, farmer and merchant, and landed and landless, created divisions within each state and the nation as a whole.

¹ Quoted in Marcus Cunliffe, *George Washington, Man and Monument*, (The New American Library: New York, 1984), p. 129.

Political disunity could be expected in a country of such contrasts, but the differences during Washington's term of office were greater than expected. The farmers of Rhode Island so distrusted their countrymen that they had not sent even one delegate to the Constitutional Convention. The suspicious Rhode Islanders were joined by North Carolina in refusing to ratify the new Constitution. Meanwhile, Governor Clinton of New York tried to keep his state out of the union, agreeing to join only when New York City threatened to cut itself off from the rest of the state. In Massachusetts, where debtors still resented the suppression of Shays' Rebellion, John Hancock and Sam Adams opposed the new government. Those opposed to the Constitution feared the government would become an "aristocratic engine," depriving people of their liberties. They predicted a return to a monarchy similar to England's. Others thought the new Constitution, even with all its new powers, was far too weak. Alexander Hamilton called it a "frail and worthless" document. Many in his camp believed that only a King and hereditary nobles could truly rule this country effectively.

The Economy and Foreign Relations

The United States still had not recovered from the American Revolution. Because Great Britain had supplied the colonies with most of their imports and bought the vast majority of their exports, the United States was particularly hard hit by a revolution against this significant trading partner. As George Washington made his way to the nation's capital in New York, ships stood at anchor and goods for trade piled up on overloaded wharves. Sailors stood by idly staring into empty oceans while waiting for a chance to ply their trade.

Because of an unfavorable balance of trade, the United States lacked gold and silver to coin into money. During the Revolution, Congress resorted to printing paper money. By 1781, \$400,000,000 of worthless paper had been printed. This money lost so much of its value that the public willingly exchanged \$40.00 of paper money for \$1.00 in gold. But with a shortage of cash, states continued the practice of printing paper dollars, which also lost most of their value.

In order for trade with Great Britain to begin again, a treaty had to be made and ratified. But the British were not about to make a treaty with their former colonies. They pointed out that the new government was too weak to enforce a treaty and joked that it would be necessary to complete separate agreements with each of the thirteen colonies.

Great Britain also demonstrated its lack of respect for the United States by failing to live up to its own treaty agreements. Despite their pledge to the contrary, the British refused to leave their forts in Ohio, Michigan, and upper New York. The British used the plausible excuse that Americans had failed to return land to Loyalists as agreed to in the Peace of Paris in 1783. In truth, these issues could not be resolved until the new nation was strong enough to compel respect from its former colonial masters, and to enforce the treaties it made with foreign countries.

Another danger threatened in the southern part of the nation. Spain, which controlled the city of New Orleans and the lower banks of the Mississippi, closed the river to navigation by Americans. Efforts to negotiate a treaty that would open this valuable route, which carried three-eighths of American exports, found the Spanish unwilling to make concessions.

Money and Credit

During the American Revolution, the U.S. government had not been able to pay its own bills. Indeed, it was only able to continue the war because it issued paper money, sold bonds, received gifts

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from France, and borrowed heavily from bankers in Europe. After the fighting stopped, Dutch bankers were generous in providing new loans. Nevertheless, many bills had not been paid.

The main reason for the government's continued financial problems was the states' unwillingness to contribute to the national government. The Articles of Confederation had not given Congress the power to collect taxes; it could only ask for voluntary contributions from the states. Of some \$11,000,000 the states were asked to contribute after the Revolution ended, less than \$2,000,000 was actually paid. Furthermore, the government's credit could hardly have been worse; its bonds sold for about one-fifth of the value that the government promised to repay. Not counting the money owed by the states, the national debt exceeded \$50,000,000, of which \$15,000,000 was unpaid interest, a shattering amount for those days.*



Washington was inaugurated

George Washington Takes Office

George Washington's spirits were lifted as he traveled north from his home in Virginia to the nation's temporary capital in New York City. Everywhere along his route people turned out to wish him luck. Church bells rang their encouragement and cannons roared their support. A wildly enthusiastic crowd, nearly as large as the city itself, greeted Washington in Philadelphia. When his triumphant tour finally brought him to the banks of the Hudson River, a barge specially built for the occasion carried him across. That night the city rocked with fireworks and a chorus singing new words to the old tune of "God Save the King."

Congress had already been in session for several weeks before the President arrived. It had been locked in debate over matters great and small. One hotly debated issue was what to call the president. The Senate was ready to accept Vice-President John Adam's suggestion that the chief executive be addressed as "His Highness, President of the United States and the Protector of their Liberties." More democratic than the Senate, the House of Representatives was shocked with this regal form of address. The final solution to this problem was adopting the simple title, Mr. President, which seemed more suitable for a country proud of its democratic tradition.

The issue of addressing the president was much more important for its symbolic value than its effect on the country's future. Many more important problems faced the nation; these issues, which form the basis of this unit, included:

- In establishing credit and a uniform currency, should the government seek the support of the rich, as argued by Alexander Hamilton, or follow policies intended to help poor and middle-income people, as Thomas Jefferson suggested? (Chapters 3 and 4)
- Should the government seek to establish its authority over the states (Hamilton) or give them as much power in local matters as possible (Jefferson)? (Chapters 3, 4, and 5)
- Would it be more important for the government to make sure the people obey its laws (Hamilton) or to protect the rights of its people (Jefferson)? (Chapters 5 and 7)

* (A comparable amount today – when our nation is nearly 80 times larger and the dollar worth 200 times more - would be around \$8 trillion dollars, nearly 50% more than the 2001 debt.)

- In its relations with other countries, should the government follow a policy of meeting its treaty commitments (Jefferson) or protecting its interests (Hamilton)? (Chapter 6)

Selection of a Cabinet, the Federal Courts and the Bill of Rights

If George Washington had made up his mind on how to address these important issues when he took office, he gave no clue by his choice of personal advisors. However, he set an important precedent in creating four special executive departments, each charged with a different governmental role. These departments were state (foreign affairs), treasury, war, and attorney general. For the head position in the War Department, Washington chose Henry Knox, his capable artillery commander during the Revolution. To serve as the nation's first Attorney General, Washington selected former Virginia governor Edmund Randolph. As Secretary of the Treasury, the new President selected Alexander Hamilton, his former personal secretary and advocate for a stronger national government. Finally, for Secretary of State, Washington selected someone with a political philosophy completely at odds with Hamilton's – Thomas Jefferson.

While Washington was selecting his cabinet, Congress continued its work. During its first session, the Congress debated establishing a system of federal courts under the Supreme Court. Advocates of states' rights argued that there was no need for federal courts other than the Supreme Court. They claimed that all disputes could be handled by state courts. James Madison, however, was able to counter this argument by pointing out that the states could not be trusted to uphold federal laws contrary to their interests. His argument carried the day.

Madison also led the fight to introduce the Bill of Rights as part of the first amendments to the Constitution. Lack of such a bill had been one of the main objections to the Constitution and an effective argument against ratification. Advocates for a bill proposed over 200 amendments, and Madison made sure that they didn't deprive the federal government of the powers it needed to govern effectively. In the process of arguing for a limited bill of rights in Congress, Madison became a champion of limiting the power of the national government by protecting the rights of the governed. Under his leadership, twelve amendments were agreed upon by Congress and sent to the states. Ten of the twelve were ratified, the first eight being our Bill of Rights – protecting the rights of speech, press, assembly, and religion; the right to bear arms; to be free from soldiers stationed in homes; the freedom from unreasonable search and seizure; and numerous rights of the accused including a trial by jury, representation by counsel, being informed of charges against oneself and facing ones accusers, the right against self-incrimination, the right to bail, and freedom from cruel and unusual punishment. Amendment IX stated that the assertion of some rights in the bill did not mean that others, not mentioned, were denied. Amendment X granted the states or the people all powers not given the federal government or specifically denied the states. This Bill of Rights has formed the basis for American's civil liberties, and was one of the crowning achievements of our first Congress.

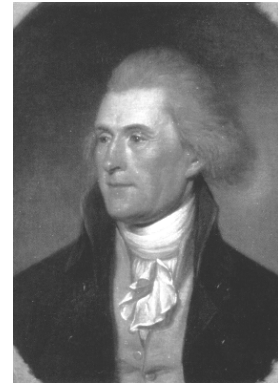
Student Exercises:

1. How was George Washington qualified to become the nation's first President and why was he reluctant to assume the position?
2. What were the major problems facing the United States at this time?
3. Describe three important accomplishments of the first Congress.

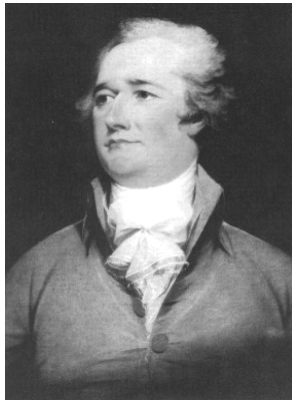
Chapter 2

Hamilton and Jefferson— The Men and Their Philosophies

He was born with a silver spoon in his mouth, yet he claimed to speak for the vast majority of average Americans and not the wealthy. He owned slaves, but wrote the Declaration of Independence declaring that all men were born with God-given, unalienable rights. He believed in limiting the powers of the national government, but as President greatly extended its powers. It was said that he was not practical, but he is known for his inventions, his brilliance as an architect, and his careful notes on the geographical features of his home state. He was a poor public speaker, but a brilliant writer and conversationalist. The name of the man who encompassed such a bundle of contradictions was Thomas Jefferson, honored and revered for his service to his country as ambassador, Secretary of State, and President.



Thomas Jefferson



Alexander Hamilton

He was born in the West Indies to parents who were not married, but became a devoted patriot. He involved himself in the Revolution against British tyranny, but was a life-long admirer of Britain and its government. His origins were truly humble, but he spent his life dedicated to the cause of the rich and wealthy. He practically apprenticed himself as George Washington's secretary during the Revolution, but never truly admired the man. His friends and acquaintances enriched themselves following his lead, but he died in poverty and debt. He thought the Constitution was a "weak reed," but was responsible for making the government established under it successful. He favored large government but helped establish the political party currently known for its devotion to states' rights. The name of the man whose life and career sheltered

such contradictions was Alexander Hamilton, first U.S. Secretary of the Treasury.

The careers of Hamilton and Jefferson were among the most interesting in American history. Few men played more pivotal roles in the period between 1770 and 1800; few were further apart on important political issues during the 1780s and 90s. Each became a political leader and played a major role in forming the first real political parties in the United States. Although each did his best to stop the other, both made unique contributions to their nation as they served President Washington in their capacities as Secretary of the Treasury and Secretary of State.

Since Alexander Hamilton and Thomas Jefferson had such an influence in the development of our country, it is fitting that we study their lives and philosophies.

Alexander Hamilton

Alexander Hamilton, born to an unwed mother, taught himself to read and write while still living in his native West Indies. At age 14, he was managing an important trading business; at 15 he wrote an essay that caught the attention of wealthy Americans who brought him to New York for an education. He attended Kings College (now Columbia) for one year where he worked out many of the political theories he championed the remainder of his life. During this time, he also became involved in political protest against Great Britain.

During the Revolution, Hamilton attracted George Washington's attention. Washington made Hamilton his personal secretary, with the rank of lieutenant-colonel. Before the war ended, the restless Hamilton found time to write hundreds of letters for his general, study and practice law, become one of the country's leading lawyers, play a major role in the battle of Yorktown, serve in Congress, and meet, court, and marry Elizabeth Schuyler, the beautiful daughter of one of New York's most influential and wealthy men, General Philip Schuyler.

After the war, Hamilton played a leading role in calling the Constitutional Convention. At the Convention, he worked hard to give more power to the national government and to the rich and well born, and less voice in government to the states and the poor and uneducated. Outvoted at the Convention by the two other delegates from his state, Hamilton left the Convention to return to New York. Returning to the Convention, Hamilton argued passionately against including a bill of rights. He harbored great reservations about the Constitution, which he regarded as too weak and too democratic. Nevertheless, Hamilton worked hard and effectively in getting the Constitution ratified in New York. He made a name for himself during this period by combining with James Madison and John Jay in writing a series of 85 essays on the Constitution. Originally published in newspapers, these influential writings have been collected in book form. Known as *The Federalist Papers*, they are still regarded as one of the best examples of political writings by Americans.

As Washington's Secretary of the Treasury, Hamilton's ideas formed the basis for the government's economic policies. These policies helped establish the financial credit of the U.S. government, provided the country with a uniform currency, established a National bank, and influenced foreign policy. While holding his post, Hamilton found time to advance the cause of the Federalist Party in hundreds of newspaper articles, backstage deals, and personal letters.

Hamilton, also influential in the administration of Washington's successor, John Adams, continued to play an important role in New York State politics. His activities there brought him into a deep personal rivalry with his political foe, Jefferson's Vice-President, Aaron Burr. To prove he was not a coward, Hamilton accepted when Burr challenged him to a duel. He died with Burr's bullet in his chest in Weehawken, New Jersey, on July 12, 1804.

Thomas Jefferson

Unlike Hamilton, Thomas Jefferson was an aristocrat by birth and a democrat by conviction. At age 14, the young Jefferson inherited his father's plantation and slaves. Soon afterwards he entered William and Mary College, where he studied ancient history, literature, and law. He did not begin to practice law, however, until he was 24. Two years later, he was elected to the Virginia House of Burgesses and soon became involved in the movement for independence. As Virginia's delegate to the Second Continental Congress, Jefferson gained lasting fame by writing the Declaration of Independence, an expression of the ideals on which this country was founded.

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Returning to Virginia in 1779, Jefferson was elected its governor. He served for two years, but temporarily retired from politics following the death of his beloved wife. Though Jefferson never remarried, he resumed an active political career. In his native state, Jefferson worked for freedom of religion, a system of public education, and an expanded right to vote. As a member of Congress under the Articles of Confederation, Jefferson spearheaded a drive to prohibit slavery in the Northwest Territory, which included present-day Ohio, Indiana, Illinois, Michigan, and Wisconsin.

Between 1785 and 1789, Jefferson served as America's ambassador to France, where he lived with one of his slaves and allegedly fathered a child by her. More important, he played a role in the events leading to the French Revolution. Returning from France in time to enter Washington's cabinet, Jefferson was critical of the new U.S. Constitution, which not only lacked a bill of rights but also, according to Jefferson, was too aristocratic.

While serving as Secretary of State, Jefferson opposed Hamilton on virtually every issue. Though he lost most of his battles with Hamilton, Jefferson managed to organize an opposition political party, called the Republicans (the forerunner of the present Democratic Party). Following his term as Secretary of State, Jefferson served as Vice-President under John Adams, 1797-1801, and two terms as President, 1801-1809.

After completing his term in office as President, Jefferson busied himself with taking care of his plantation, maintaining a huge personal correspondence, entertaining an endless series of guests, writing his Notes on Virginia (a keen observation of the customs, manners, and geography of his native Virginia), and devoting himself to his invention. He died on July 4, 1836, the same day that marked the death of his friend and sometimes rival John Adams. Jefferson left his personal library to the U.S. Government; it became the basis for the current Library of Congress.

Contrasting Philosophies of Hamilton and Jefferson

The following are among the best-known ideas from the writings of Hamilton and Jefferson. As you read them, try to understand not only the differences between these men, but also the consistencies in the thoughts of each.

Whose Support Is Needed Most: The Rich or the 'Great Mass of People'

Hamilton

All communities divide themselves into the few and the many. The first are the rich and the well-born; the other, the mass of the people. The people are turbulent and changing; they seldom judge or determine right. Give therefore to the first class a distinct and permanent share in the government.

Our great error is that we suppose mankind more honest than they are. Our prevailing passions are ambition and interest; it will be the duty of a wise government to control these passions in order to make them subservient to the public good.²

Jefferson

Men...are naturally divided into two parties. Those who fear and distrust the people [and] those who identify themselves with the people and have confidence in them as the most honest and safe [for keeping a government in check]...Whenever the people are well informed, they can be trusted with their own government.

The mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately by the grace of God.³

On Rebellions

Hamilton

Beware, my dear sir, of magnifying a riot into an insurrection, by employing in the first instance an inadequate force. 'Tis better far to err on the other side. Whenever the government appears in arms, it ought to appear like Hercules, and inspire respect by the display of strength.^{4,5}

Jefferson

A little rebellion now and then is a good thing, and necessary in the political world as storms in the physical. It is a medicine necessary for the sound health of government.⁶

² Adapted from Max Farrand, ed., *The Records of the Federal Convention of 1787* (New Haven, CT: Yale University Press, 1966).

³ Quoted in, Thomas Bailey, *The American Spirit*, (D.C.Heath: Boston, MA, 1965), p. 143.

⁴ Ibid.

⁵ Ibid., pp. 154-45.

⁶ Ibid., p. 143.

National Government or Local Control

Hamilton

There is no reason to keep state governments the way we have them today. They are not necessary for any great purpose—neither for agriculture, commerce, revenue, or defense. Yes, they are necessary to administer laws—but not to make them. The states need not continue to have any great authority. We can all but abolish them and have one government for all the people of the country.⁷

Jefferson

Our country is too large to have all its affairs directed by a single government. Public servants at such great distance from under the eye of their constituents must be unable to administer and overlook all the details necessary for good government...and will invite public agents to corruption and plunder, and waste...Let the general government be reduced to a very simple organization and a very inexpensive one; a few plain duties to be performed by a few public servants.⁸

⁷ Ibid.

⁸ Ibid.

On the Need for a Bill of Rights

Hamilton

A bill of rights is not only unnecessary in the proposed Constitution, but would even be dangerous. They would contain various exceptions to powers not granted; and on this very account, would afford a usable pretext to claim more than were granted. For why declare that things shall not be done which there is no power to do? Why, for instance, should it be said that the liberty of the press shall not be restrained, when no such power is given by which restrictions may be imposed?⁹

Jefferson

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.

A bill of rights is what the people are entitled to against every government on earth.¹⁰

On Industrializing America

Hamilton

It is in the interest of nations to diversify the industrious pursuits of the individuals who compose them; that the establishment of manufacturers is calculated not only to increase the general stock of useful and productive labor, but even to improve the state of agriculture...¹¹

Jefferson

For the general operation of manufacture, let our workshops remain in Europe. It is better to carry provisions and materials to workmen there than bring them (here). The loss by the transportation of commodities across the Atlantic will be made up in happiness and permanence of government. The mobs of great cities add to government, as sores do to the strength of the human body.¹²

Suggested Student Exercises:

1. Summarize the beliefs of either Jefferson or Hamilton on at least four of the issues raised in this chapter. Come to class prepared to argue favoring the views of one and opposing the views of the other. Include a short statement on the biography of either man to support your case.

⁹ Adapted from The Records of the Federal Convention of 1787.

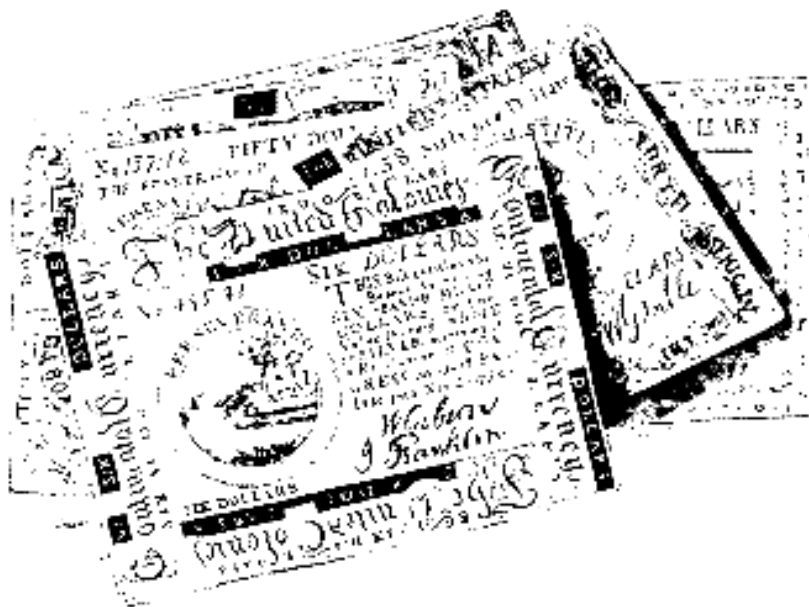
¹⁰ Saul Padover, Thomas Jefferson and Democracy, (New American Library: New York 1958), p. 47.

¹¹ Quoted in Richard Hofstadter, Great Issues in American History, (New York: Vintage Books, 1958), p. 176.

¹² Saul Padover, op. cit., p. 70.

Chapter 3

Paying The National Debt



During the American Revolution, the Continental Congress often was unable to collect taxes from the states. Without money the National government could not fight the war effectively. It therefore used two necessary and practical means to raise funds. It printed paper money—about \$400,000,000 worth. The money was used to pay soldiers and government officials and to buy supplies. Congress also borrowed money by selling bonds. Bonds usually sold for about \$75; with interest payments, the government was obligated to pay back \$100. Including these interest payments, the national debt mounted to \$50,000,000; the states, which had also borrowed money to fight the British, owed another \$20,000,000.

So much paper money had been printed that it lost almost all of its value. In 1780, then Congressman Alexander Hamilton suggested the government buy or mint gold coins and exchange them at the rate of \$1 in gold for every \$40 in paper. Hamilton's advice was followed, and this new gold currency replaced the old paper money. In the process, the money the United States needed to pay back in gold was reduced from \$400,000,000 to \$10,000,000.

When the Constitution was written in 1787, most \$100 government bonds were selling for about \$20 because people thought the government would never pay back the original face value (the amount printed on the face of the bond). The Constitution stated that the existing debts would be paid by the new government. Most Americans thought that the bonds, like the paper money, would be paid off at some fraction of the original (face) value.

With the first session of Congress coming to an end in November 1789, the issue of repaying the federal debt had not been raised. Congress had taken care of more immediate business. This business included organizing the executive branch of government, approving appointments to the cabinet and other positions, establishing the federal courts, levying taxes on imports to raise money for the

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government, and drawing up the Bill of Rights. As Congress was about to adjourn, it received a petition from bondholders. They wanted the government to make good on its promise to pay full face value for their bonds. Congress decided to ask Secretary of Treasury Alexander Hamilton to study the problem and suggest a solution.

Hamilton and others concluded there were three choices:

1. Pay the bonds at *face* value (the amount originally printed on the bonds).
2. Pay the bonds at *market* value (the price an owner of a 100 dollar bond could get for it) —in the neighborhood of \$20.
3. Pay the original holders of the bonds at face value and those who bought the bonds from the original holders in order to make a quick profit at market value. Those who sold the bonds would be paid the difference between face and market value. This plan was called *discrimination* because it discriminated in favor of the original holders of government bonds.

This chapter invites the reader to decide which option should be used to pay the \$50,000,000 national debt. It also examines whether the national government should pay the states' debts.

The Case for Face Value

Congress expected Hamilton to suggest paying market value for the bonds. In his report to Congress, however, Hamilton argued against reducing the government debt to save money. The National government would have to borrow money again, he reasoned. The best way for the government to establish credit would be to earn a reputation for paying its debts.

*Public Credit can be achieved only by a punctual performance of contracts. States, like individuals, who observe their engagements, are respected and trusted; while the reverse is the fate of those who pursue an opposite conduct.*¹³

Hamilton also warned against making distinctions between the original holders of the bonds and those who bought them from the original holders. He pointed out that the bonds specifically promised to pay anyone who owned them.

In the debate over paying the debt, Congressman Fisher Ames supported Hamilton, saying:

We all agree that the main reason governments are formed is to protect the property of people. Shall it be said that one of the first acts of this Government shall be to deprive citizens of this country of millions of dollars to which they are justly entitled? We may choose to cheat bondholders today. But, then how can we expect people to trust the Government to protect their safety and their liberty in the future? ¹⁴

The Case for Market Value

While Congress debated how the debt should be repaid, many Congressmen and others with inside knowledge, including Hamilton's own assistant, began to buy government bonds. Since the market value

¹³Adapted from *Annals of Congress, First Congress 1789-91* (February 9, 1790).

¹⁴Adapted from *Annals of Congress* (February 9, 1790).

of these bonds was about \$20, many unsuspecting bondholders sold theirs for far less than the \$100. Though Hamilton did not buy bonds for himself, many of his friends and political allies bought the bonds at market value and expected to collect face value.

One strong argument against paying the bonds as Hamilton proposed was that most of the money would go to the people who had purchased the bonds based upon inside information that the government planned to pay face value. Another argument was the amount it would cost the government – \$50,000,000. A third argument was that the bonds had been bought at a time of inflation, when prices were high. Congressman Livermore made the last of these three arguments:

Much of our debt was lent in exchange for worthless paper money, or for goods and provisions sold at more than their real worth. It is very well known that those during the war who sold goods for these bonds raised their prices from six dollars (on the average) to ten dollars at the least.

There are many good reasons we should consider these bonds worth far less than their face value. Indeed, every bondholder has considered them worthless from time to time. There was a time when they were considered of no greater value than 15 to 20 cents on the dollar. If that is what people thought they were worth, why should Congress pay them more? ¹⁵

The Case for Discrimination

Originally Hamilton thought that James Madison would support his plan to pay face value, but Madison realized that much of the money would be paid to speculators living north of his native Virginia—and that many would be Congressmen and others with inside information. Madison therefore came up with a plan that would pay the bonds back at face value only to the original holders of the bonds—those who bought them during the war when the money supported the country. Madison did not want to help the speculators to whom he proposed paying market value:

Only one course of action can be followed. Let the present holders of the bonds have the highest prices for which the bonds have sold, and let the rest go to the original holders. This will do more real justice and perform more of the public faith than any other plan. The present (holders) can not complain because they will get their investment back and more. The original holders who kept their bonds will get full face value. And the original holders who have sold their bonds will get the difference between the current (market) price and the value of their bonds. Thus they will get at least a token payment from the country for lending money in time of its need.¹⁶

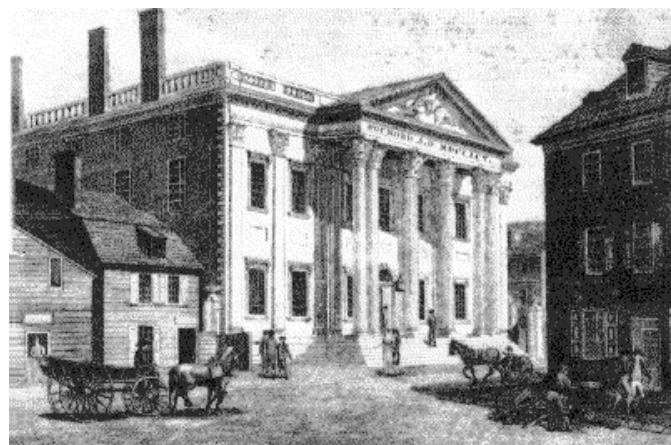
The Political Issue

Payment of the debt at face value, market value, or by discriminating between current and original holders was not merely a financial issue. It was a political issue as well. Hamilton never denied his intention was to win the support of wealthy businessmen. He thought their loyalty and willingness to invest their money in productive enterprises and to lend money to the Federal government was essential to its success as well as to the nation's prosperity. Madison advocated discrimination to secure "more perfect justice" for the original creditors, and give more help to his friends and political allies in the South. Livermore hoped to save the government money by paying at something far less than face value, and not rewarding those who could afford to lend money during war-induced inflation.

¹⁵Adapted from *Annals of Congress* (February 11, 1790).

¹⁶Adapted from *Annals of Congress* (February 11, 1790).

Assumption of State Debt



In addition to paying the debts of the national government at face value, Alexander Hamilton called for the federal government to assume (i.e. pay) the war debts still owed by the states. This would increase the national debt by approximately \$20,000,000. Since some states had paid most of their war debts and others had not, assumption was as hot an issue as paying national government bonds at face value. Because Hamilton would not agree to separate paying the national debt from paying the state war debts, Congress had to vote for or against the entire package.

Hamilton's proposal for paying both the state and national debts would cost the government about \$70,000,000, a staggering sum for those days. Just paying the interest on the debt would cost the U.S. government 40 percent of its entire operating budget. One wonders, therefore, why Hamilton insisted on paying the state debt. His reason, most historians would agree, was to get wealthy Americans to look toward the national government, rather than the states, for financial favors and rewards.

After all, Hamilton believed that the U.S. government could only succeed with the support of the rich and well-born and that the country would prosper only if those people would invest their money in developing it.

Student Exercises:

1. Explain the difference between paying the debt at face value, market value, and by discriminating between the original holders and speculators.
2. Prepare to state the case for one of the following options for handling the national debt:
 - paying the entire debt at face value
 - paying the national debt at market value and letting the states pay their own debt
 - paying the entire debt by discriminating between current and original holders
3. Elaborate on the case you have made to pay the debt by showing what is wrong with at least one other proposal, as well as indicating what is right about your own.

Chapter 4

Hamilton, Jefferson, and the First National Bank of the United States

Imagine going to a bank to borrow money. You want to go into business making stagecoaches. Ten are already on order, but you need \$1000 to buy necessary tools and materials and to pay workers. You need money to start your business.

You meet with the president of the bank. He is impressed with your plans, and he would be willing to loan you the money. Unfortunately, he has already lent all of the gold in the bank's vault. You cannot start your business, and you, your customers, and your workers suffer as a result.

First Bank of the United States, built between 1795-97, and still standing in the 21st century.

This story would likely not have happened in 1789 in England. A national bank in England could in effect print money to lend to borrowers. Though much of this money did not represent either gold or silver coins in the bank, all of the paper money could be exchanged for gold. It could also be created to meet the needs of borrowers with good credit, collateral, or excellent business prospects.

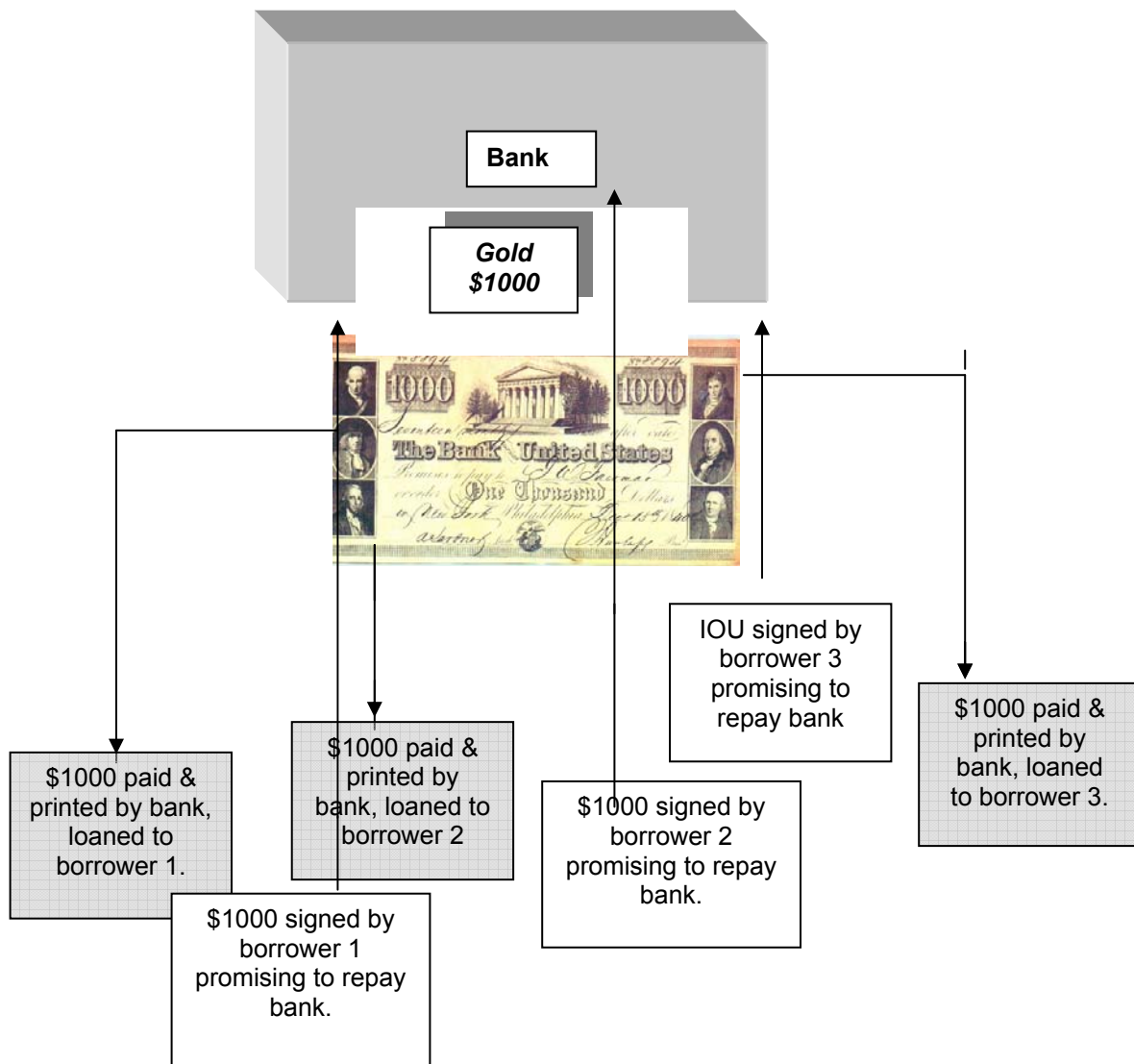
Alexander Hamilton knew how the Bank of England created money and wanted the U.S. government to start its own bank with branches in various states. Such a bank could create a uniform currency circulating through all the states and provide a place for the national government to deposit its money or borrow money when needed. Thomas Jefferson opposed this plan. He thought states should charter banks that could issue money. Jefferson also believed that the Constitution did not give the national government the power to establish a bank. Hamilton disagreed on this point too. The argument between Hamilton and Jefferson over the bank led to a sharp debate between these two members of Washington's cabinet. The bank became an important political issue in 1791, and for years to come.

This chapter explains how banks actually could print money to lend people. In addition, the chapter examines the related questions of whether a national bank was needed and whether the U.S. Constitution granted Congress the power to establish one.

How Banks Created Money

The diagram below provides a highly simplified view of how the Bank of England created money. As the reader can see, the original \$1,000 of gold on deposit in the bank generated loans totaling \$3,000. The money was only partially backed with gold. It was also backed by the written promises of borrowers to pay their loans back with interest.

A danger of this system was that depositors of the money originally lent to the borrowers would want to exchange the bank's paper money for gold or silver coins. The bank might not have enough gold in its vaults to back up all of the money lent. To reduce this risk, banks were cautious to only loan about \$3 for every dollar of gold in their vaults.



Hamilton Proposes the National Bank

Alexander Hamilton was well aware of the ideas on banking explained in these pages. In fact, he was a great admirer of the Bank of England. He paid this bank the greatest possible compliment by proposing to establish a national bank in the United States based on the principles used by its British counterpart. To be more specific, Hamilton drew up a plan to establish a bank that would:

- Have branches in every major city throughout the land.
- Issue money that would be equally acceptable in all parts of the nation.
- Help in the creation of new money through borrowing.
- Loan money to the government when needed.
- Serve as a place for the government to deposit its money.

On December 16, 1790, Alexander Hamilton presented his *Report on a National Bank* to Congress. In this report, Hamilton made the following specific proposals about his bank:

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- The bank's stock would be worth \$10,000,000.
- 20,000 shares would be sold privately at \$400 per share
- Stockholders would pay \$100 in gold and silver coin for each share and \$300 in government bonds.
- 5,000 shares or \$2,000,000 of bank stock would be bought by the U.S. government.
- The bank would be run by a 25-man board of directors—20 chosen by the shareholders and 5 by the government.
- The bank's president would be elected by the board of directors.
- Notes and bills (money) issued by the bank would be redeemable on demand in gold and silver coin and would be accepted by the U.S. government for all payments due.
- The bank's charter would run for 20 years and would be subject to renewal by Congress.
- The bank would be allowed to establish branch offices in other cities; its main branch would be in Philadelphia, the nation's capital.

Jefferson's Objections to the Bank

Thomas Jefferson objected strongly to Hamilton's proposal for a national bank. Among the reasons he and his followers gave for their opposition, the following were the most important:

- With its special powers and privileges, the U.S. bank would hinder the development of state banks.
- The bank would be of far more help to wealthy businessmen in cities than to farmers in the country.
- The bank would be run by wealthy stockholders and would help this privileged class become more rich and powerful.
- The Constitution did not give the national government the power to establish a bank.

The Debate Over the Bank

The argument between Hamilton and Jefferson over the bank finally boiled down to one question: was it constitutional? Jefferson and his supporters lost that argument in Congress, which passed the Bank Bill in February 1791. Their last hope to stop the bank was to convince President Washington not to sign the bill into law. Jefferson sat down to write his argument proving the Constitution did not give Congress the right to establish the bank. He finished on February 15th and hurriedly placed his report on Washington's desk. Hamilton saw Jefferson's composition and swiftly penned a reply, which he finished eight days later.

Both Jefferson's and Hamilton's arguments were based on the Constitution's Preamble, the "elastic clause" (Article I, Section 8, clause 18), and Amendment X. The elastic clause gave Congress the right to make laws "necessary and proper" to carry out other powers given Congress. Did these words mean that Congress could start such a large institution as a government bank? Jefferson answered no—because Amendment X to the Constitution stated that any powers not specifically given the national government or specifically denied the states were given to the states or the people. But the Preamble to the Constitution stated the purposes for creating a new government, including forming a more perfect union and promoting the general welfare. Wouldn't chartering a bank fall under these purposes?

Hamilton Favoring a Bank

...(A) restrictive interpretation of the word “necessary” is also contrary to this sound maxim of construction: namely, that the powers contained in a constitution ought to be construed liberally in advancement of the public good.

The means by which national exigencies (needs) are to be provided for, national prosperity promoted, are of such infinite variety, extent, and complexity, that there must of necessity be a great latitude of choice in the selection and application of these means. Hence, the necessity of exercising the authorities entrusted to a government on principle of liberal construction.

...If the *end* (purpose of a law) be clearly comprehended within any of the specific powers, and if the measure have an obvious relation to the end, and is not forbidden by any particular provision of the Constitution, it may be safely deemed to come within the compass of the national authority.

Jefferson in Opposition

I consider the foundation of the Constitution that “*all powers not delegated to the United States, nor prohibited by it to the States, are reserved to the States, or to the people*” (10th Amendment). To take a single step beyond the boundaries that are specifically drawn around the powers of Congress, is to take possession of a boundless field of power, no longer susceptible of any definition.

It has been much urged that a bank will give great convenience in the collection of taxes...yet the Constitution allows only the means which are “necessary,” not those which are merely “convenient”...there is not one (power) which ingenuity may torture *into convenience, in some instance or other, to someone of so long* a list of enumerated powers. It would swallow up all the delegated powers, and reduce the whole to one power...Therefore it was that the Constitution restrained them to the *necessary* means; that is to say, to those means without which the grant of the power would be nugatory (useless).¹⁷

President Washington read both arguments carefully, and agreed with...?

Suggested Student Exercises:

1. Explain in detail how banks can increase the supply of money.
2. What were the particular provisions of Hamilton’s bank bill that were absolutely necessary to the success of the bank, and which provisions seemed to put more power than necessary in the hands of a small, unelected elite?
3. Were Hamilton’s arguments for the Bank better than Jefferson’s arguments against it? Your answer should be based on:
 - a. the need for a bank – was it necessary under the elastic clause definition of that word, or simply convenient?
 - b. the precedent that would be set if a bank were created – would it provide needed powers to the national government or needlessly weaken the states?

¹⁷ Richard Hofstadter, *Great Issues in American History* (Vintage Books, New York, 1958), pp. 160-69.

Chapter 5

The Whiskey Rebellion

A tax on whiskey? To Alexander Hamilton and the Federalists in the east, it seemed to be a good idea. Hamilton believed that industries that could bear the burden should pay taxes. To the average American family, which drank six gallons of whiskey a year, such a tax would cost about \$1.50 annually. But to farmers in western Pennsylvania, Virginia, and the Carolinas, this was considered a tax on one of life's necessities. In the west, whiskey was used freely at weddings to toast the bride and at funerals to mourn the dead. Whiskey was believed to warm the body in winter and refresh the spirit in summer.

Whiskey had an even more important function in the western counties of Pennsylvania where whiskey was used in the place of money. Whether in notes issued by the Bank of the United States, currency printed by state banks, or coins minted by the U.S. Treasury, money was seldom seen by farmers living in these remote areas. Whiskey was their main source of cash. Twelve hundred pounds of wheat, oats, or rye could easily be distilled into 20 gallons of spirits, weighing 160 pounds. The liquor could then be loaded in jugs, slung across the backs of mules, and hauled some 300 miles from Pittsburgh to Philadelphia. There it would be sold at the price of \$1 per gallon. Whiskey therefore became the one cash-producing product for these western farmers. Since it could so readily be exchanged for money, it was often used in the place of cash. For example, farmers paid for their dry goods with whiskey, and merchants exchanged it for their next year's supplies. Even ministers' small salaries were often paid in part with this liquid.

Alexander Hamilton knew the independent ways of these western farmers. He also knew that a tax on whiskey would raise about \$800,000 a year. The money was needed to help pay the national and state debts. While the tax of some 25 cents per gallon would cost most families no more than \$1.50 a year, it would take about \$6 of the \$20 the average farm family in western Pennsylvania saw in 12 months. To the farmers in this part of the state, who did not benefit from the payment of the debt at face value, \$6 seemed to be a very high tax.*

The tax on whiskey led to a rebellion. In response, Hamilton called for a show of strength. He convinced Washington to raise an army of 13,500 soldiers to suppress the rebellion. This chapter raises the question of whether the rebellion was justified and whether the government was correct in putting the rebellion down instead of repealing the tax.

*whiskey was not the only industry singled out for an excise tax. Snuff and lump sugar manufacturers were charged with a similar internal duty. These businesses survived by passing the cost of the tax on to the consumer by raising prices.

The Debate Over the Whiskey Tax

Alexander Hamilton's suggestion for a tax on whiskey in 1791 caused a heated debate in Congress. James Jackson of Georgia thought the whiskey tax unfair and proposed as an alternative a tax on "salaries, pensions, and lawyers." When told that the people should drink less whiskey, Jackson defended their right to get drunk. Hugh Williamson of North Carolina proposed that a tax be laid on beer and cider consumed in New England. He complained of the injustice of taxing people who opposed Hamilton's policy of paying face value for bonds and gained least from it. A common complaint among farmers was that raising money would benefit the wealthy speculator who "had bought the bonds for a song and then corruptly influenced the government to pay them at face value."¹⁸ Those who supported the tax pointed out that alcohol was a luxury (and a sinful one at that) and not a necessity. Others suggested the farmers raise the price of their whiskey and pass the tax on to the consumer. Many pointed out that the rich were already paying a tariff of eight percent on imports, costing them far more than \$6 in taxes each year.

James Madison and Thomas Jefferson remained silent on the issue of the whiskey tax in part because they had made a deal with Alexander Hamilton. The deal involved moving the nation's capital from Philadelphia to Washington D.C., in exchange for the federal government's assuming the states' unpaid revolutionary war debts. The whiskey tax was Hamilton's chosen method of paying for part of this obligation, and the two leaders did not suggest an alternative.

The Whiskey Rebellion



Artist's depiction of whiskey rebels tarring and feathering a tax collector.

After the tax was passed, many of the farmers in the west remembered how the colonists had protested against England's policies. Tax collectors were tarred and feathered by angry mobs. Liberty poles with slogans against unjust taxation were planted in the ground. Committees of correspondence were formed, and several towns and counties passed resolutions stating why they opposed the whiskey tax.

Alexander Hamilton was quick to warn President Washington about the dangers of revolution. He advised the president to raise an army in order to stop the Whiskey Rebellion. Washington preferred to get voluntary obedience. He issued a proclamation calling for people to pay the tax and obey the

law. He asked Congress to pass a law that would bring people accused of interfering with tax collection or law enforcement to trial in Philadelphia, some 300 miles from Pittsburgh—the scene of the disturbances. Opponents were quick to point out that their government was acting like George III, who wanted to bring colonists 3,000 miles to stand trial in England.

For some two years, the hated tax was collected without much open opposition. In 1794, however, violence broke out once more. Tax collectors were attacked, and U.S. soldiers coming to their aid were surrounded. A federal officer was killed and an army of some 5,000 rebels prepared to march on

¹⁸ Leland D. Baldwin, *Whiskey Rebellion: The Story of a Frontier Uprising*. (University of Pittsburgh Press: Pittsburgh, 1939), p. 62.

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Pittsburgh. On August 4, 1794, Supreme Court Justice and Founding Father James Wilson declared the western counties of Pennsylvania to be in open rebellion against the U.S. government.

The Rebellion Is Suppressed

Following Justice Wilson's announcement, President Washington made hasty preparations to suppress the Whiskey Rebellion. He raised an army of 13,500 men that marched from Philadelphia with the president in command. After five days Washington turned back and left Treasury Secretary Alexander Hamilton in charge of the army, which was almost as large as any commanded by Americans during the Revolution.



President Washington reviews the troops as they prepare to march against the whiskey rebels

The advance of this huge force and a terrible rainstorm brought a quick end to the rebellion. Nevertheless, Hamilton insisted on keeping the army in the western counties through October and November. Hundreds of suspects were rounded up, and many were kept in corrals. There was only enough evidence to put 20 men on trial for conspiracy to commit rebellion. These men were brought 300 miles to Philadelphia, arriving on Christmas Day, 1794. They were jeered and taunted by townsfolk as they were herded through the streets. Their trials

lasted till the following summer.

Hamilton and Jefferson on the Whiskey Rebellion

"Beware my dear sir," Hamilton had once written, "of employing an inadequate force to put down a riot." Only the fear of punishment, the Secretary of the Treasury thought, would hold a nation together: "The government ought to inspire respect with a display of strength." At another time he had written that communities divided themselves into the few (the rich and well-born) and the many (the masses of people). The rich and well-born, Hamilton believed, ought to rule. They would check the unsteadiness of the people and maintain good government.

Thomas Jefferson believed that the purpose of government is to protect the unalienable rights of its citizens, and that these rights include life, liberty, and the pursuit of happiness. The people have the right to rebel, Jefferson had written in the Declaration of Independence, when the government deprives them of their rights. He had also once written that a little rebellion now and then was a good thing—a medicine necessary for "the sound health of government." Although Jefferson had resigned from the cabinet by the time of the Whiskey Rebellion, he commented, "the first error was to pass it (the whiskey tax); the second was to enforce it; and the third, to make it the means of splitting this Union."

In Philadelphia, the federal court found only two of the 20 rebels guilty of conspiracy against the government of the United States. Using the power of his office, President Washington pardoned them both. For the next six years, the whiskey tax was collected, but it is doubtful that the revenue from the tax

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actually exceeded the cost of suppressing the rebellion. After he became president in 1801, Thomas Jefferson had the tax repealed.

Student Exercises:

1. Considering the alternatives, was the Whiskey tax fair? Was it necessary?
2. Describe the Whiskey Rebellion and the events leading to it.
3. Prepare an argument in favor of repealing the tax or suppressing the rebellion. Consider whether the tax was fair, and whether the government should appear reasonable and just or strong and unyielding.

Chapter 6

Neutrality And The Jay Treaty

To live up to your agreements by helping an old friend in times of trouble, or to look out for your own country? This was the problem facing President Washington in 1793, while he was waiting for a visitor from France. The visitor, Edmund Genet, had recently been appointed French ambassador to the United States.

Washington knew that France and Britain had just gone to war and that Genet was going to ask for America's help. After the United States had signed a treaty with France in 1778, the French had given the United States invaluable aid during the American Revolution. In this treaty, the United States promised to come to France's aid in case of a defensive war with Great Britain.

Now the French wanted to use American ports as bases from which to launch attacks on British commerce and to hire U.S. sailors to wage war on British merchant ships. Such acts undoubtedly would lead to counterattacks by Great Britain and could even involve America in another war with her former mother country. Washington's problem was to decide what to tell Genet: that the U.S. would provide aid as promised in its treaty with France or that the U.S. would declare neutrality to avoid a destructive war with England.

The French Alliance and the French Revolution

No one knew better than George Washington just how much the United States owed France. Without French money, French soldiers, and help from the French navy, the United States would probably have lost the American Revolution. Washington also knew the United States had committed itself to fighting on France's side in case of a defensive war with England.

The original treaty had been signed with King Louis XVI. The help his government had provided cost France dearly. It was partially responsible for an enormous financial crisis which led the bankrupt French government to call its Parliament (the Estates General) into session for the first time in 175 years. Once the Estates General convened, it was not satisfied with merely raising taxes for a spendthrift king and his government. The French people had lived under dictatorship for centuries and yearned to have a greater voice in how they were ruled. The Estates General began to make long-overdue reforms to improve the lives of the French people.

Many of the French nobles realized that changes were necessary and allowed the Estates General to proceed. It freed political prisoners and allowed people to speak out against the government of King Louis XVI. The new Parliament took away the rights of nobles to control the lives of peasants living on their land. Emboldened by the spirit of reform, French peasants revolted and seized the lands they had worked for centuries without pay. Meanwhile, the Estates General continued the attack on the old order by stripping the Catholic Church of its lands and special privileges.

News of these changes caused great rejoicing among Americans who thought France was becoming a democracy. Indeed, the French had issued a proclamation of the rights of man that echoed the Declaration of Independence. As time went on, however, the French Revolution became more radical. Deprived of their special privileges, French nobles fled to Austria and Prussia (now Germany). Here they plotted to invade their own country in order to restore the old government and their place in it. King Louis XVI secretly slipped out of Paris to join them, but the royal coach was recognized and the King was

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brought back to the capital. As rumors of plots against the Revolution spread through Paris, the King and his wife Marie Antoinette were put on trial for their lives. On January 21, 1793, the long blade of the guillotine crashed down on Louis XVI's neck; moments later, his severed head was held up to a cheering crowd. Others accused of opposing the Revolution were later killed in the "reign of terror," in which some 2,600 Frenchmen met the same fate as their hapless king.

News of the King's death did not arrive in America until April 1793. At the same time, word arrived that France had gone to war with Britain and that Ambassador Genet was on his way to ask for American aid.

Advice from Hamilton and Jefferson

As in other times of national crisis, President Washington consulted with his cabinet. Once again, he received contradictory advice from Alexander Hamilton and Thomas Jefferson.

Hamilton wanted to avoid war with Great Britain. A full 75 percent of America's tax revenues came from tariffs collected when British goods were brought to the United States. A war with Britain would immediately stop this trade and the revenues that came from it. This would all but obliterate the financial system that Hamilton had taken such great pains to put together. Hamilton told the President that the United States should not feel itself bound to its 1778 treaty with France. The French treaty, the Secretary of Treasury told Washington, was signed with King Louis XVI and his government. When the French executed their King they released the United States from its obligations to help France. Hamilton regarded the revolutionaries as a "monster with teeth."

Thomas Jefferson, on the other hand, was a great friend of France. He was thrilled that the French had adopted America's democratic ideals. The execution of the King and many of his nobles did not trouble Jefferson who believed that the "tree of liberty must occasionally be watered with the blood of tyrants." America's loyalties must be greater to this democratic republic than to the government of Louis XVI and his ancient tyranny. Jefferson thought it was better to risk war with Britain, a former enemy, than to insult a true friend. Failure to live up to the 1778 treaty, he warned, would give France just cause for war with the United States.

Even Jefferson was not completely opposed to turning France down and proclaiming neutrality. Rather than make that announcement as a free gift to Britain, however, he urged that the U.S. should get Britain to give something in exchange. Hamilton, however, thought that the United States' selling its neutrality to the highest bidder was as immoral as a woman selling her body.

The Proclamation of Neutrality

When Edmund Genet finally arrived in Philadelphia (he came overland after landing in Charleston, South Carolina), President Washington received him in a room decorated with a huge portrait of Louis XVI, the King Genet's government had executed. If this were not enough to tell Genet that the United States would not aid France, the proclamation issued a few days later made that point. The proclamation warned American citizens not to aid France and committed the government to pursuing "a conduct friendly and impartial towards the..." countries at war. Once again, Hamilton had triumphed in his continuous feud with Jefferson.

Mounting Tensions with England and Jay's Mission

If President Washington thought his proclamation would avoid difficulties with Britain, he was wrong. While fighting France, Britain would not allow the French to trade with neutral nations. Thus,

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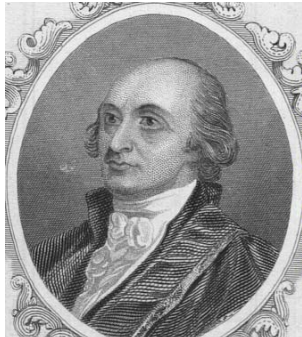
U.S. ships carrying food to France were forced into British ports and treated as prizes of war. Britain captured more than 350 American ships in the West Indies. Furthermore, claiming the men were British citizens serving on U.S. ships, British sea captains often forcibly removed American sailors and compelled them to serve in the British navy.

Britain's insults did not stop with attacks on the high seas. In 1794, Great Britain still occupied forts it had promised to leave in the treaty ending the American Revolution eleven years earlier. The British not only began building new forts on U.S. national soil, but also were believed to be arming native Americans and promising them this land in the event of a war with the United States.

Though Jefferson had left Washington's cabinet at the end of 1793, his followers in Congress wanted to retaliate against Britain. Despite the many provocations, the Federalists still hoped to avoid war. In a final attempt to negotiate a settlement, Washington sent Supreme Court Chief Justice John Jay, a staunch Federalist and friend of England, to Great Britain. Hamilton had recommended this appointment, but only after learning that he himself could not go. Predictably, the appointment of the pro-British John Jay was bitterly opposed by Jefferson's followers.

The Jay Treaty

John Jay found the British unyielding on all the points he wished to negotiate. They would not allow American trade with France or with the French West Indies. Nor would the British promise to stop kidnapping U.S. sailors. The United States, however, had to promise not to let France use her ports to launch attacks on British ships. John Jay was unable to make any progress on those issues.



Negotiator of the unpopular treaty that bares his name

Britain gave in on a few points, however. The British agreed to leave the forts in the Northwest, though not for another two years. They promised to pay for goods taken from Americans in the West Indies, but only if America agreed not to trade molasses, sugar, cotton, or tea to any other country.

Although the Jay Treaty was very unpopular in the United States,

President Washington advised that it be ratified by the Senate. Better a bad treaty, the President said, than none at all. Hamilton, who by this time had also resigned from his cabinet post, agreed. Rejecting the treaty, Washington warned, would risk war with Great Britain.

James Madison disagreed. He told Congress that Great Britain would not make war on a country that was the best market in the world for its manufactured goods. He claimed, moreover, that the British had made no significant concessions to the U.S., and the few they made were so dependent on disparaging U.S. concessions they were practically worthless.

According to the U.S. Constitution, a treaty can only be ratified when two-thirds of the Senate votes in favor of ratification. Twenty of the thirty senators were Federalists; ten were Republicans. The Federalists, therefore, had to hold all their votes in the Senate in order to win ratification.

Student Exercises:

1. Summarize the key points of this chapter.
2. What do you think the main purpose of a nation's foreign policy should be:
 - a. protect its interests, b. further its ideals, c. support its friends.
3. Based on your answer to the above question, do you think that:
 - a. the U.S. should have proclaimed neutrality instead of adhering to the terms of its alliance with France?
 - b. the U.S. should have ratified the Jay Treaty?

Chapter 7

The Sedition Act and the Virginia and Kentucky Resolutions

In 1795, the U.S. Senate ratified the Jay Treaty by a vote of 20 to 10. All twenty Federalists in the Senate voted for the Treaty; all ten anti-Federalists voted against it. As the Federalists predicted, the treaty improved relations with Great Britain. Trade was restored, and war avoided. As the Republicans had warned, the treaty led to a complete breakdown in relations with France.

The Jay Treaty so angered France that this former U.S. ally began a policy of interfering in U.S. affairs. The French began by demanding that President Washington retire from politics and be replaced by someone more favorable to French interests. The French then expressed their displeasure by attacking and capturing some 300 American ships.

Unrelated to French pressure, President Washington retired from politics when his second term in office ended in 1797. In his farewell address, Washington warned the nation “to steer clear of permanent alliances, with any portion of the foreign world,” asking Americans not to “entangle our peace and prosperity in the toils of European ambition.” He also spoke of the “baneful effects of the spirit of party,” which he warned, “serves always to distract the public council and enfeeble the public administration.”¹⁹

Washington was succeeded by John Adams, who was at least as hostile to France as the French were to the United States. The French response to Adam’s election was to expel Adams’s ambassador to France. Meanwhile, French leaders continued to spread their revolutionary doctrines, and French armies went on the warpath, attacking Austria, Prussia, and several Italian city-states. They made plans to cross the channel and invade Great Britain.

The XYZ Affair and Preparations for War

Hoping to avoid a war with France, President Adams appointed a special delegation of three well-known Americans, including a Republican, to negotiate with the French. These diplomats, Elbridge Gerry (the Republican), Charles C. Pinckney, and John Marshall, left the United States in November 1797. When they arrived in Paris many weeks later they found the French diplomats were not ready to meet them. Instead, they were informed by French agents identified only as X, Y, and Z that they would have to pay for the privilege of meeting French Foreign Minister Talleyrand. The price was a bribe of \$250,000 and a loan to France of \$12,000,000. The dumbfounded Americans were also told that the U.S. delegates had to denounce an alleged insult against France made by President Adams.

While Elbridge Gerry remained in France hoping for a French change of heart, Marshall and Pinckney returned to America. When the full extent of this diplomatic insult became known throughout the country, Americans were infuriated. “Millions for defense, but not one cent for Tribute,” became the watchword of American patriots. War with France suddenly seemed all but inevitable. Rumors abounded that the French were preparing for an invasion of the United States with an army of 200,000. Their plans,

¹⁹Quoted in Richard Hofstadter, *Great Issues in American History* (Vintage Books, New York, 1958), pp. 217-18.

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it was said, called for a slave rebellion in the South, and with the aid of a “party of mad Americans” a plot to burn Philadelphia to the ground, and to capture the West.

Congress began making preparations for this oncoming war by committing \$250,000 to defend harbors, build ships, and raise an army of 10,000. Adams convinced George Washington to come out of retirement to lead the army, and Major-General Alexander Hamilton needed no Presidential encouragement to begin recruiting and equipping soldiers to do the actual fighting.

The Sedition Act

In the midst of this war scare, Federalist leaders were under constant verbal attack. While in office even President Washington had not been immune from slander; among other affronts he had been called the “scourge and misfortune of our country.” President Adams was roasted as “the blasted tyrant of America” and the “foremost in whatever is detestable.” This violent criticism of the U.S. president at a time of national emergency prompted Congressman Allen of Connecticut to warn:

Let gentlemen look at certain papers, and ask themselves whether an unwarranted and dangerous combination does not exist to overturn the Government by publishing the most shameless falsehoods against Representatives of the people.²⁰

Under pressure from Allen and others, the Federalist Congress passed a bill entitled, “an act for the punishment of certain crimes against the United States.” More popularly called the Sedition Act, it made the following acts illegal:

Write, print, or publish any false, scandalous, and (emphasis added) malicious statements against the government, Congress and the President of the United States, with the intent to bring them into contempt or disrepute.

But it allowed:

Any person prosecuted under this act to give as evidence in his defense, the truth of the matter contained in the publication.*

Arguments for and Against the Sedition Act

Those opposing the Sedition Act claimed that it was a direct violation of the First Amendment to the Constitution, which stated:

Congress shall make no law abridging freedom of speech or of the press.

In defense of this Act, Congressman Allen argued:

Am I free to falsely call you a thief, a murderer, a person who does not believe in God? The freedom of press and opinions was never understood to give the right of printing lies and slanders, nor of calling for revolution and slaughter.

²⁰*Annals of Congress*, 5th Congress, 2nd Session, pp. 2093-94.

*The Naturalization and Alien Acts were passed at the same time; the former extended the period before an immigrant could become a citizen from five to fourteen years and the latter gave the President the power to expel foreigners by executive decree. Most immigrants voted anti-Federalist.

Are we bound hand and foot that we must watch these deadly attacks on our liberty? God deliver us from the liberty of vomiting on the public, floods of lies and hatred to everything we hold dear. If any gentleman doubts the effects of such freedom, let me direct his attention to France; it has made slaves of thirty millions of men.²¹

An equally strong argument against the Sedition Act was made by Congressman Albert Gallatin of Pennsylvania:

This bill makes anyone speaking or writing against the present Administration an enemy of the Constitution. If you put the press under any such restraint, you thus deprive the people of the means of getting the facts about their government and make the right of free elections worthless. This bill must be considered only as a weapon to be used by the party in power in order to keep their authority and present place.²²

Despite Gallatin's warnings, the House of Representatives and Senate passed the Sedition Act. It was to last a little under two years, expiring the day before the next president was inaugurated.

Ragged Matt, The Democrat

One intended target of the Sedition Act was Mathew Lyons of Vermont. Lyons had earned the hatred of Federalists for spitting in the face of Federalist Congressman Roger Griswold, who had criticized Lyons's military record during the Revolution. Lyons had been attacked in a Federalist newspaper. He was called a "wild beast whose pelt resembles a wolf, is carnivorous, but has never been detected in having attacked a man, but reports say he will beat women."

Lyons's legal troubles started only after passage of the Sedition Act. Among other documents he had written was the following strong attack on President Adams:

In this man we see every consideration of the public good swallowed up in a continual grasp for power, and an increasing thirst for ridiculous dress, foolish praise, and selfish greed.²³

At another time, Lyons published the following letter, written by a Frenchman, as a campaign document:

After hearing what insults President Adams had made of France, we [the French people] wondered why America's Congress had not ordered him sent to a mad house. Instead, the Senate repeated his speech with more slavishness than ever King George the Third experienced from Parliament.²⁴

²¹ *Annals*, pp. 2097-98.

²² *Annals*, p. 2110.

²³ Quoted in James Smith, *Freedom's Fetters* (Cornell University Press: Ithaca, NY, 1956), p. 226.

²⁴ Quoted in Francis Wharton, *State Trials of the United States During the Administration of Washington and Adams*, (Philadelphia, PA: 1849), p. 334.

Mathew Lyons was soon indicted for “knowingly and maliciously” publishing certain false, scandalous, and seditious writings; he was subsequently brought to trial for violating the Sedition Act.

The Trial of Ragged Matt

Mathew Lyons served as his own lawyer at his trial. He gave a two and one-half hour speech in his defense. In it he claimed his writings were not published with “bad intent”; what he said was true, and the Sedition Act was unconstitutional. He presented no other evidence than a cross-examination of the presiding judge, William Paterson of New Jersey. Lyons asked Paterson if he had dined with Adams and observed ridiculous pomp. Paterson replied that, on the contrary, he had seen “a great deal of plainness and simplicity.”

The prosecution in the case argued that the Sedition Act was constitutional, but Judge Paterson told the jury it was not competent to rule on the question of constitutionality. The prosecution also claimed Lyons’s statements were obviously false, malicious, and intended to harm the reputation of President Adams. Judge Paterson informed the jury that it had to determine whether Lyons had proved his statements true and, if not, whether his lies were malicious with the intent to defame.

Altogether, 15 individuals were prosecuted under the Sedition Act. They were all Republicans, political opponents of the Federalist president and his supporters in Congress and the judiciary. Ten, including the editors of three leading Republican newspapers and Mathew Lyons, were found guilty. Lyons served four months in jail, winning re-election to Congress while in prison. Since the presidential election was decided by the House of Representatives because no candidate had the majority of electoral votes, Lyons had the satisfaction of casting the deciding vote for President Thomas Jefferson! The Sedition Act expired on March 3, 1801, the day before Thomas Jefferson was inaugurated to succeed John Adams as president of the United States; Jefferson made no effort to revive the act.

Suggested Student Exercises:

1. What events led up to passage of the Alien and Sedition Acts?
2. Does it seem to you that in time of national emergency, such as the one described in this chapter, that some limits must be placed on freedom of speech? Do you think the Sedition Act, with its emphasis on false, scandalous, **and** malicious writings or speeches against members of the government, went too far in the direction of limiting freedom of speech guarantees in the First Amendment to the Constitution.
3. Do you think that Mathew Lyons should be convicted under the Sedition Act, or do you think his case just shows that the Federalists were out to prevent political opponents from expressing their views?



Matt Lyons "duking it out" with Roger Griswold

Epilogue: The Virginia and Kentucky Resolutions

It might be said that in politics, as in physics, every action has an equal and opposite reaction. The Republicans reacted to the Sedition Act by introducing and passing resolutions in the state legislatures of Virginia and Kentucky. The authors of these famous resolutions were none other than James Madison and Thomas Jefferson.

Both resolutions argued that the Sedition Act was unconstitutional. They pointed out that Amendment I to the Constitution states that "Congress should make no law...abridging the freedom of speech or the press." Jefferson went further than Madison, implying that individual states could declare acts of Congress null and void. The Kentucky Resolution stated that the Sedition Act, which does abridge the freedom of the press, is not law, but is altogether void and of no effect. In writing this resolution, Thomas Jefferson suggested that the states, which he said wrote the Constitution, could decide what laws the federal government had the right to make and enforce. Having called the Sedition Act unconstitutional, he invited other state legislatures to follow Kentucky's example.

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I. Resolved, that the several States composing the United States of America, are not united on the principle of unlimited submission to their general government; but that by compact under the style and title of a Constitution for the United States and of amendments thereto, they constituted a general government for special purposes, delegated to that government certain definite powers, reserving each State to itself, the residuary mass of right to their own self-government; and that when so ever the general government assumes undelegated powers, its acts are unauthoritative, void, and of no force: That to this compact each State acceded as a State, and is an integral party, its co-states forming, as itself, the other party: That the government created by this compact was not made the exclusive or final judge of the extent of the powers delegated to itself; since that would have made its discretion, and not the Constitution, the measure of its powers; but that as in all other cases of compact among parties having no common Judge, each party has an equal right to judge for itself, as well of the mode and measure of redress.

Jefferson and Madison failed in their attempts to have other state legislatures declare the Sedition Act unconstitutional. In fact, nine states rejected the states' rights theory of the Virginia and Kentucky Resolutions. The Massachusetts lawmakers predicted that the states' rights theory would reduce the national government "to a mere cypher (zero) with the form and pageantry of authority without the energy of power."

Rejection of his theory by other states did not change Jefferson's thinking. In 1799 he wrote his friend Madison to express his willingness to "sever ourselves from the union we so much value, rather than give up the right of self-government which we have reserved, and in which alone we see our liberty and happiness." Jefferson's states' rights theory and his willingness to put liberty above Union was used many times over the next 70 years to oppose laws that states did not like. In 1860-1861, it was used to justify secession. Similar arguments have been used to justify continued racial segregation and non-payment of taxes.

Student Exercises:

1. Summarize the states' rights argument used by Jefferson to oppose the Sedition Act.
2. Which do you think is a greater threat to our country—laws limiting free speech, such as the Sedition Act, or the states' rights theory supported by Jefferson and Madison?

Chapter 8

The Election of 1800

The question is – whether to have Adams, God, and a religious President, or Jefferson, no God, and violence, plunder, riot and the worst form of dictatorship.

Adams says that some men should be born Kings, and some should be born nobles. He is a confessed MONARCHIST. Will you by your vote let him saddle you with political Slavery?

Does it seem possible that the men referred to in these political speeches were none other than John Adams and Thomas Jefferson? Both men today are considered true patriots, and great Americans. But in the year 1800, the United States was in the midst of a political campaign. John Adams was the Federalist candidate for President. During his first term, 1797-1801, Congress had passed the Sedition Act, managed finally to avoid war with France, and carried out other Federalist policies of George Washington and Alexander Hamilton. Now, President Adams was being accused of plotting to establish a monarchy in America. One argument against him, in fact, was that he had sons whom he planned to have succeed him to the Presidency.

Thomas Jefferson was the Republican's candidate to unseat President Adams. Jefferson had served as Washington's Secretary of State and later as Vice President under John Adams. He had opposed most of the Federalists' policies during the 1790s—from paying the domestic debt at face value to passing the Sedition Act. He had opposed the Federalists' anti-French, pro-British foreign policy. Because of his support for France and the French Revolution, Jefferson was often accused of favoring a violent revolution in America.

Perhaps the real lesson from the election of 1800 is that things said during political campaigns should not be taken too seriously. But there were important issues before the American people in 1800, and the accusations at the start of this chapter highlighted some of them. The election campaign is reviewed in this chapter; you will be asked to decide whether the Federalists deserved re-election.

Twelve Years of Federalist Rule

When George Washington took his oath of office in April 1789, not many people were convinced that this nation would survive. The government was deeply in debt and had almost no income. It survived chiefly with the support of Dutch bankers. There was little national trade and no national currency. There had been a rebellion in Massachusetts, and the nation was further split along regional, class, and political lines. Wars with England and Spain were possibilities, and the country had no army or navy to defend itself from Great Britain along the Great Lakes or from Spain along the lower Mississippi.

After twelve years of Federalist rule, trade had been restored and the economy was sound. The nation's credit was excellent: bonds were being traded for 100 cents on the dollar and they had been used to pay for the National Bank. The Bank had branches in seven different states, and its printed notes served as a widely accepted national currency. The nation's laws were being enforced. Furthermore, war with England had been avoided, and the British had left some of the forts in the Northwest.

This is not to say that there were no problems caused or at least blamed on Federalist policies. Many of the bondholders who sold at market value still felt the government had unfairly rewarded

speculators who bought bonds with inside information. With the tax on whiskey to help pay for these bonds, it was believed, the government was favoring wealthy Americans at the expense of the poor. Furthermore, it was feared that the Federalists took far too much power. The Bank was understood as an example. Nowhere in the Constitution was the government specifically given the power to establish a Bank and the use of the elastic clause to start the Bank was seen as setting a dangerous precedent of expanding the federal government's powers that would deprive the states and people of their rights. The Sedition Act was understood to be an even greater threat. Many thought that the Constitution was being twisted and the First Amendment guaranteeing free speech, forgotten. Political opponents were jailed for criticizing the government. In western Pennsylvania, a few years earlier, farmers who opposed a tax on their money were hauled some 300 miles to face trials in far off courts after an army of 13,500 men had spent two months rounding up suspects. The government, many thought, sided with the rich, and jailed those who disagreed with its policies.

A Dialogue on Federalist Rule

"Not so," Federalists might have responded. "The government of George Washington and John Adams had solved the nation's financial problems, built a strong national government, used the elastic clause as was intended in the Constitution, enforced the law, and curbed false and malicious criticisms. Furthermore, the Federalists kept the nation out of war!"

"Only by violating our agreement with France," anti-Federalists might reply, "and by signing a one-sided treaty with England in which we crawl for the sake of peace. Yes, we establish credit by paying the debt at face value—but then killed our credit in foreign affairs. What foreign country would ever trust a country that would not keep its promises?"

"Jefferson and the Republicans seem to love France more than their own country. They do not realize that most of our government's income comes from our trade with England. We can not at this time risk war with a country on which we depend for trade."

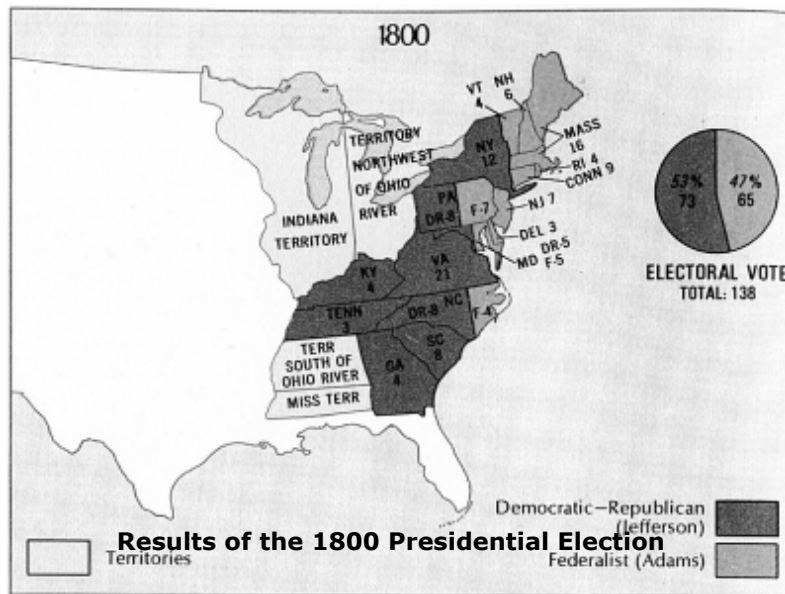
"Rather dead than Fed", Republicans might retort. "Elect Adams, and you have the beginning of a monarchy in the United States."

"Elect Jefferson, and you will have revolution in America."

Federalists and Republicans

Behind all of the fighting and disagreement, it was clear that two distinctly differing political parties had been formed in the U.S. The Federalist Party was composed of people who had worked for and supported the Constitution. Their leaders included George Washington, Alexander Hamilton, John Adams, and Charles Pinckney. The Federalists were often merchants, men owning large amounts of land, successful lawyers, and holders of government bonds. Whether as store owners, merchants, ship owners and captains, or men who lent money at interest, they were often involved in trade. They hoped to unite the country under the umbrella of a strong government, uniform currency, excellent credit, and a respect for law. Their foreign policy tended to favor England, just like their programs at home favored the political and economic ideals represented by the old mother country.

The Republicans (formerly anti-Federalists, later known as the Democratic-Republicans, and finally as the Democrats we know today) were the first opposition party. Their leaders included Thomas Jefferson, James Madison, Aaron Burr, and Elbridge Gerry. Although they spoke mainly for the moderately successful, middle-class farmer throughout the nation, they also tried to appeal to workers in the cities and planters on Southern plantations. The people they represented generally asked little from



the national government and opposed granting special favors to well-to-do speculators or investors. They looked toward the states to protect their liberties. They admired the ideals of the French Revolution and their foreign policy generally favored France.

The campaign literature was misleading when it placed the question of Jefferson and revolution versus Adams and monarchy at the forefront. The key issue, rather, was whether after twelve years in office, the Federalists deserved to be re-elected. The reader of today, just like the citizens of those days, should try to answer that question.

Suggested Student Exercises:

1. What would you say were the real issues in the election of 1800?
2. Based on the following issues, state why you would have supported Federalists or Republicans.
 - a. Philosophy of Hamilton and Jefferson
 - b. Payment of the domestic debt: face, market or discrimination
 - c. Establishment of the First National Bank
 - d. Interpretation of the elastic clause
 - e. The Whiskey tax
 - f. The way the Whiskey Rebellion was suppressed
 - g. The Proclamation of Neutrality and the Jay Treaty
 - h. The Sedition Act and its interpretation in the Lyons case
3. Write a short speech or poem or draw a cartoon supporting the election of either Jefferson or Adams.
4. Write an essay on why the Federalists either did or did not deserve to be re-elected. Note: you may use one of the following thesis statements (with foreshadowing included):

The Federalists deserved to be re-elected because they helped the economy, created a strong national government, and kept the nation out of war.

The Federalists did not deserve to be re-elected because they favored the rich over the poor, betrayed an ally, and suppressed the opposition.

Epilogue: The Election Results

After a hard-fought election campaign, neither Adams nor Jefferson had gained a majority of the country's electoral votes. The problem was that each elector was allowed to cast two votes, and the candidate with the most votes was to become President. Jefferson received the most votes, but each

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Republican elector voted for Jefferson and his vice-presidential candidate Aaron Burr. As a result, both Jefferson and Burr had 73 electoral votes while Adams had 65, and his running mate, Thomas Pinckney received 64. In other words, neither candidate had a majority.

According to the Constitution, when any candidate fails to get a majority of the electoral votes, the election is thrown into the House of Representatives with each state allowed one vote. In order to prevent Jefferson from becoming President, most of the Federalists, who controlled the House of Representatives, supported Burr. On the first ballot, not cast till February 10, 1800, 8 states voted for Jefferson, 2 for Burr, and 2 were divided. So the count stood through the next 36 ballots. Finally, on the 37th ballot, the delegate from Delaware switched his vote from Burr to Jefferson, making the latter the third President of the United States. Interestingly, this change of heart was encouraged by Alexander Hamilton who was able to rise above his hatred for Jefferson and encourage the election of the man he considered the most honorable. Therefore, Hamilton worked tirelessly behind the scenes in order to secure the election of his long-time rival, Thomas Jefferson.

Chapter 9

Jeffersonians In Office

Politicians are often accused of making campaign promises they do not intend to keep. This charge was made against Thomas Jefferson and James Madison. While the Federalists had held the presidency, Madison and Jefferson opposed paying the national debt at face value, opposed the Bank of the United States, opposed the Jay Treaty, and opposed a broad interpretation of the Constitution's elastic clause. Yet, once in power, they changed their position on each of these issues. As you read this chapter on what Thomas Jefferson and James Madison did as presidents, try to decide whether these men were hypocrites who changed their political philosophies, or if they just did what they thought was best for the country. In addition, examine the actions of the Federalists who also changed their positions on several crucial issues and try to decide whether they too were political chameleons.

Jefferson's Election and Inaugural Address

In his inaugural address, Thomas Jefferson stated his own philosophy of government in words almost as eloquent as those he used in the Declaration of Independence.

(A)ll, too, will bear in mind this sacred principle, that though the will of the majority is in all cases to prevail, that will to be rightful must be reasonable; that the minority possess their equal rights, which equal law must protect, and to violate would be oppression.

(E)very difference of opinion is not a difference of principle. We have called by different names brethren of the same principle. We are all Republicans, we are all Federalists. If there are any amongst us who would dissolve this Union or to change its republican form, let them stand undisturbed as monuments of the safety with which error of opinion may be tolerated where reason is left free to combat it.

Sometimes it is said that man cannot be trusted with the government of himself. Can he, then, be trusted with the government of others?

A wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.²⁵

It still remained to be seen just how much Thomas Jefferson would differ from the two Federalists who preceded him.

Jefferson as President

²⁵Quoted in Richard Hofstadter, *Great Issues in American History*, Volume I (Vintage Books: New York, 1958), pp. 187-88.

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Once in office Jefferson's style of leadership differed from that of Washington and Adams. He abandoned the Federalist practice of holding weekly receptions, much in the style of British and French kings. Nor did he deliver his speeches to Congress, but sent them by messenger to be read. Unlike his married predecessors, Jefferson, who was a widower, held few formal state dinners. He did hold frequent informal receptions in the morning, when all who wanted could come and visit.

President Jefferson disappointed members of his own party by not removing Federalists from government jobs and replacing them with loyal Republicans. Furthermore, Jefferson did not reverse long-established Federalist policies that seemed to be working. For instance, he did not try to re-negotiate the Jay Treaty, close the national bank, or scale down the federal debt, as many Federalists feared he would.

Nevertheless, Jefferson did follow his own policies in regard to the Sedition Act and the whiskey tax. The former was allowed to expire on March 3, 1801, with Jefferson making no attempt to renew it. The latter was repealed, saving western farmers and costing the U.S. government \$650,000 per year. To save money, Jefferson drastically reduced the size of the army and the diplomatic force, keeping the government "frugal" if not "wise."

In 1800, Americans received disturbing news from abroad. France, under Napoleon's leadership, had taken Spain and thereby secured New Orleans as well as the vast territories west of the Mississippi River. New Orleans was the most important port in America, accounting for the distribution of three-eighths of all U.S. foreign trade.

The Louisiana Purchase

Hoping to avoid a confrontation with France over New Orleans, Jefferson sent James Monroe to negotiate a treaty with France. Monroe was instructed to offer no more than \$10 million for New Orleans and its immediate surrounding territories. If France refused, Monroe was to go to Britain and negotiate an alliance against France.

Fortunately for the United States, Monroe never had to approach the British. A slave rebellion in Haiti, followed by an outbreak of yellow fever, changed Napoleon's plans for New Orleans. Without a secure base in the Caribbean and with the likelihood of a renewed war with Great Britain, Napoleon decided to sell New Orleans and the entire western bank of the Mississippi and Missouri as far west and north as Montana (see map on next page). This area was one-third the size of the present United States. At the asking price of \$15,000,000 or 3 cents an acre, Napoleon offered the United States the best land bargain in recorded history.

Though not authorized to spend more than \$10,000,000, James Monroe dared not wait to get President Jefferson's approval before accepting this tempting offer. He feared that Napoleon might change his mind at any time. So James Monroe and John Livingston, U.S. ambassador to France, signed the treaty for what is known as the Louisiana Purchase.

Upon learning of the treaty, Republicans in the United States were joyous. But Jefferson harbored some last-minute reservations. Though he wanted to obtain this new land for his country, Jefferson hesitated because the Constitution did not specifically grant him the right to purchase land from foreign countries. Jefferson considered waiting to pass a Constitutional amendment that would allow the Federal government to purchase large tracts of land. Realizing that this might take years, Jefferson put his constitutional scruples aside and reasoned that the elastic clause could be used to justify the purchase of Louisiana, just as it had been used to charter the national bank. Surprisingly, objections to using the elastic clause in this manner rose not from Republicans, but from Federalists. Forgetting their own part in

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acquiring a \$70,000,000 debt and stretching the elastic clause to establish the Bank of the United States, Federalists voiced their objections to the Louisiana Purchase. It was too expensive, they claimed, and the nowhere in the Constitution was Congress specifically granted the power to buy land from foreign countries.

The Federalists' real fear concerning the Louisiana Purchase was not the integrity of the Constitution or the ability of the United States to pay its debts. The real objection was that these new territories would be settled by farmers and become states that would vote Republican.

The Louisiana Purchase and the Federalists' opposition to it served to discredit their party, and highlighted four successful years of Republican rule. As a result, Jefferson was re-elected in 1804 with 62 electoral votes, compared to 14 for Federalist Charles C. Pinckney of South Carolina.

QuickTime™ and a
TIFF (Uncompressed) decompressor
are needed to see this picture.

http://www.worldbook.com/wb/spotlight/lewis_and_clark/pushing_purchase

American Neutrality Revisited

The gratification of Jefferson's electoral victory, however, was short-lived. Not long after selling Louisiana to the United States, Napoleon resumed his armed conflict with Great Britain, which lasted for ten years. During most of this period, the United States was a pawn in a global chess game between the two greatest powers on earth.

For two years, Americans profited because the shortage of supplies in Europe provided a ready market for American goods. Then Great Britain, the greatest power in the oceans of the world, attempted to blockade France, the greatest power on the continent of Europe. Both tried to deny the other the opportunity to trade with the United States. Great Britain insisted on the right to search all U.S. vessels sailing to Europe. France seized all U.S. ships that had stopped in Great Britain or submitted to searches by British officials.

Violations of American neutrality rights became ever more blatant, as the life-and-death struggle in Europe became more lethal. In 1807 the British resorted to an old-time practice of theirs—seizing U.S. sailors on American ships and forcing them to serve in the British navy. If this was not bad enough, the British made a bold assault on an American ship only a few miles from U.S. shores. In 1807, the British H.M.S. *Leopard* opened fire on the U.S.S. *Chesapeake* because the latter refused to submit to a search for British deserters. The British killed three sailors, boarded the ship and dragged off four alleged deserters. Public opinion in the United States was so angered by British violations of U.S. neutrality rights that Jefferson feared he might force him to declare war against Great Britain. Rather than go to war, Jefferson was willing to forsake neutrality rights and international trade. Consequently, in late 1807, President Jefferson announced a new U.S. policy—a total prohibition on trade with every foreign country.

Embargo

The embargo, as this prohibition was called, was designed to hurt the British and stop their violations of American neutrality. Due to bumper harvests and new trade routes to Spain the British were not seriously affected by the quarantine on trade with England. However, the embargo backfired on the American economy and did its greatest damage in New England. American ships were forced to remain idle in harbors, goods piled up on wharves, and unemployment became a way of life. Secret and illegal trade with Canada began but was not enough to make up for the lost trade with Europe. The embargo became so unpopular that Congress gave in to pressure and repealed the act shortly before the end of Jefferson's second term of office.

A dejected Jefferson now turned over the difficult problems of defending America's maritime rights to his chosen successor, Secretary of State James Madison. It became Madison's unpleasant task to enforce a newly passed substitute for the embargo. Known as the Non-Intercourse Act of 1809, this law formally re-opened trade with all nations except Great Britain and France. In 1810, a new wrinkle was added to this policy by a law known as Macon's Bill #2. Under this new legislation, trade with Britain and France was resumed, with a twist. Once either of the countries ceased violating the United States' neutrality rights, the U.S. pledged to stop trade with the country that continued to violate those rights.

Pressure to Wage War Against England

France's Emperor Napoleon Bonaparte decided to use provisions of Macon's Bill to fool the inexperienced American diplomats and government officials. He claimed to have repealed his orders

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prohibiting exports to Great Britain. On the strength of Napoleon's claims (which in fact France did not honor), the United States stopped trading with the British in November 1810. With this act, the movement leading to war with Britain began in earnest.

In 1811, Congress met and elected Henry Clay of Kentucky as its Speaker. Clay was the outspoken leader of a group of Congressmen representing Ohio, Kentucky, and Tennessee, known as "War Hawks." One of their objectives was to invade Canada and make it part of the United States. They also intended to defeat the Native Americans in the Ohio River Valley whose attacks on American settlers were blamed on Great Britain. By clearing the British out of Canada, the War Hawks expected to stop border raids and expand U.S. boundaries northward. Pressured by the "Hawks," President Madison asked for a declaration of war against Great Britain, which was quickly granted on June 18, 1812.

The United States had real grievances against the British. Between 1808 and 1811, some 6,000 sailors had been taken off U.S. ships and forced to serve in the British navy. The British claimed all these men were British deserters, but many were Americans. If the aim of the war had been to defend America's rights as a neutral country, however, it should have been stopped before it began. Two days before Congress voted to declare war (but many weeks before U.S. leaders received this welcome news) the British announced they were ready to re-open trade with the United States. Most of the support for this war, however, did not come from the states whose ships and sailors were affected. Instead, the support came from states far inland which were interested in taking Canada and/or stopping the British from aiding Native Americans in the West.

Several Defeats and a Glorious Victory



Setting Washington on fire

America was totally unprepared for the War of 1812. Several attempts to invade Canada failed, partially because the New York State militia refused to fight in Canada. Control over the Northwest actually fell into British hands before Oliver Perry won a naval victory on Lake Erie, and General William Harrison defeated the British and their Native American allies in the Battle of Thames. An American raid on the Canadian capital ended with the burning of the Parliament building. The British retaliated by capturing Washington, D.C., and burning its government buildings. The British army, however, was defeated outside of Baltimore (on the night that Francis Scott Key wrote the "Star Spangled Banner") and sailed out to sea.

The most decisive battle of the war was fought in New Orleans. Over 2,000 British soldiers were killed or wounded in this contest; American losses amounted to fewer than two dozen. Andrew Jackson was the American commander; his untrained soldiers included frontiersmen, pirates, state militia, and two companies of free black Americans. Since a peace treaty had already been signed in Ghent, Belgium, two weeks before, the battle did not affect the outcome of the war. However, it gave the United States a military hero: Andrew Jackson, and filled the United States with national pride for having inflicted such a decisive defeat on the British.

The War of 1812 ended on Christmas Eve, 1814, with the signing of the Treaty of Ghent. The treaty stated that both sides would stop fighting and return all conquered territory to the other. It said nothing about the violation of U.S. neutrality rights, which supposedly had been the cause of the war. Since fighting in Europe had ended and British violations had ceased and there was no need to reach an agreement on that topic. Other unresolved issues between the United States and Great Britain were

referred to arbitration. The War of 1812 marked the final armed conflict between the United States and Great Britain.

The Downfall of the Federalists and the Acceptance of Their Policies

For the New England Federalists, the war had been an economic victory but a political disaster. Trade with the enemy flourished throughout the war, and Federalist New England emerged as the most prosperous section of the country. Federalist-controlled state governments either refused to provide soldiers or militia and/or refused to fight outside state boundaries. Furthermore, Federalists discouraged individuals and banks from lending money to the hard-pressed government during the war.

In their final folly, New England Federalists met in Hartford, where they made a series of suggestions to reduce the power of the national government, to limit the terms of the President, and to exclude naturalized citizens from serving in Congress. They even hinted at secession if their proposals weren't adopted. With incredibly bad timing, the Federalists arrived in Washington, D.C., just as word of Jackson's victory in New Orleans reached the nation's capital.

The Federalists' desire to reduce the power of the federal government and their less-than-patriotic actions during the war contrasted sharply with the national pride felt in the rest of the country. As a result, the Federalist Party was held in contempt outside of New England and ceased to exist as a national political force.

While the War of 1812 led directly to the downfall of the Federalist Party, it also brought Republicans to accept Federalist programs. Because of the difficulty of waging war without a centralized banking system, President Madison proposed the re-establishment of a national bank. His proposal was accepted by a Republican Congress, and the second Bank of the United States was chartered in 1816. Madison also called for a protective tariff, and in 1816 his Republican Congress passed the first such tariff in America's history. Based upon a strict interpretation of the elastic clause Madison vetoed a bill for the U.S. government to finance state roads, but he approved funds for the continuation of the national road which he regarded as a military necessity.

Suggested Student Exercises:

1. Give examples of both Jefferson and Madison appearing to abandon the principles they upheld before taking office, and upholding principles they had always supported.. Does it appear that they were inconsistent in applying their own political philosophies, or did they continue adhering to their core principles?
2. Could a similar claim of inconsistency be made against the Federalists?
3. Note the several different methods used to avoid war with Britain and France. Do you think they were wise? Do you believe the United States should have gone to war against Great Britain to protect American neutrality rights? Or do you think that the real reason for going to war had less to do with neutrality rights and more to do with expansion?