

6 Testing the Republic (1789–1815)

KEY EVENTS

1789: Washington becomes President

1794: Whiskey Rebellion

1797: John Adams becomes President

1798: Alien and Sedition Acts

1803: Louisiana Purchase

1812: War with Britain begins

1814: Treaty of Ghent

1 The Government Takes Shape

Section Focus

Key Terms bond ■ public debt ■ capitalism ■ tariff ■ strict construction ■ loose construction

Main Ideas As President, George Washington took steps to establish a strong and independent executive branch. His Treasury Secretary, Alexander Hamilton, designed financial policies that would strengthen the credit and authority of the government.

Objectives As you read, look for answers to these questions:

1. How did George Washington affect the structure of the American government?
2. What views did Alexander Hamilton hold about money and business?
3. What financial policies did Washington's administration adopt?

New York was festive the last day of April 1789. It was Inauguration Day. At dawn thirteen cannon had boomed. The streets were bedecked with banners. Church bells pealed. Crowds gathered in front of Federal Hall, the temporary home of Congress.

At noon George Washington arrived at Federal Hall. He was in formal dress: white silk stockings, silver buckles on his shoes, sword at his side, hair powdered white. His new suit was made of a rare material: brown cloth manufactured in the United States.

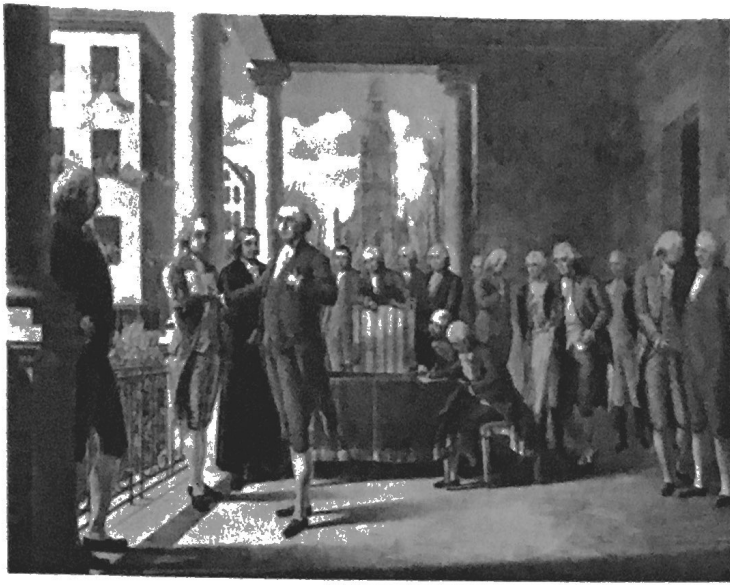
Washington took the oath of office on a balcony of Federal Hall. When the short ceremony was over, the crowd shouted, "God bless our President." Washington began the task of leading the infant republic. "I walk on untrodden ground," he wrote. "There is scarcely any part of my conduct which may not hereafter be drawn into precedent." In other words, Washington knew his actions would help define the office of President for future generations.

ESTABLISHING A STRONG EXECUTIVE

As President, Washington set a tone that was aloof, even royal. He had never adopted the democratic habit of shaking hands, preferring a slight bow instead. Despite his aristocratic manner, Washington was completely dedicated to the republic and to the Constitution on which it rested.

The new government began to take shape that summer of 1789 in New York City. One of the first questions Congress faced was what to call the President. Some senators wanted to call him "His Elective Majesty." The House of Representatives thought such a title too pompous and refused to go along. In keeping with the simplicity of a republic, Washington remained simply "Mr. President."

The First Congress established three executive departments: a Department of the Treasury, a Department of State, and a Department of War. It also created the Office of Postmaster General and the Office of Attorney General. Washington appointed Alexander Hamilton as Secretary of the Treasury, Thomas Jefferson as Secretary of State,



George Washington took the oath of office as the first President on the balcony of Federal Hall in New York City. He wore an American-made brown broadcloth suit. **POLITICS** What impression does the painting give of Washington?

and Henry Knox as Secretary of War. The President would at times gather these department heads together to discuss issues. From this practice emerged the tradition of the Cabinet acting as an advisory body to the President.

Washington's Vice President was John Adams. Adams, an experienced diplomat, had been selected in part to give geographical balance to the administration. But Washington did not consider Adams an adviser and did nothing to create a role in the government for him. Except for the constitutional duty of presiding over the Senate, Vice Presidents since Adams have had little to do in the government.

Washington's aloofness set another precedent: an executive acting as independently of Congress as possible. The Constitution said that the President should seek the "advice and consent" of the Senate in the matter of treaties and appointments. Early in his presidency, Washington personally went to the Senate to discuss a proposed Indian treaty. The visit was a disaster. Washington was used to being obeyed, not questioned. Therefore, when the Senate started questioning him on the treaty, he was dismayed. He left, vowing never to return. Henceforth, Washington and succeeding Presidents acted first and then sought the Senate's consent. Washington's example strengthened the power of the executive and weakened that of the Senate.

Washington also fended off attempts by Congress to increase its power at the expense of the

executive. In one instance, legislators wanted the heads of the executive departments to report directly to Congress because Congress had created the executive departments in the first place. Washington wanted department heads to report to the President. Washington won the argument.

Thus, step by step were laid the precedents that would become part of America's unwritten Constitution. Such precedents helped make the executive branch a strong part of the government.

THE DEBT PROBLEM

The most pressing problem facing Washington was financial. The government needed a source of income, and it needed to pay its debts. There was the foreign debt owed to France and Holland. There was the debt owed to American citizens—thousands of whom had financed the Revolution by buying government bonds—certificates issued in exchange for a loan of money. In addition there was state debt. This included the debts the states had incurred to fight the Revolutionary War. The sum of these national and state debts was the public debt.

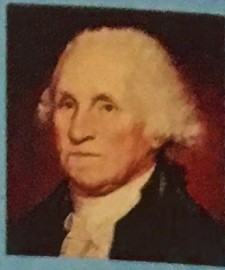
Few Americans understood finance. Hard coins in one's pocket, a profit selling a piece of land—these the people understood. Most did not understand how a bank worked. After all, there were only three banks in the United States.

Washington knew little about finance and depended completely on his Treasury Secretary, Alexander Hamilton. Hamilton believed in a strong central government which encouraged business and industry. In his efforts to get the United States on a firm financial footing, Hamilton would become the most powerful man in the government.

THE INFLUENCE OF ADAM SMITH

Hamilton's ideas showed the strong influence of Adam Smith. Smith, a Scottish philosopher and the first great modern economist, published his *Wealth of Nations* in 1776. In it Smith described capital both as the money with which one buys something and as an asset that produces wealth. Money that circulates, according to Smith, produces more wealth than money that lies under a mattress. Banks encourage the circulation of

THE PRESIDENTS



George Washington

1789-1797

1st President, Federalist

- Born February 22, 1732, in Virginia
- Married Martha Custis in 1759; no children
- Surveyor; delegate to First and Second Continental Congresses; commander-in-chief of Continental Army
- Lived in Virginia when elected President
- Vice President: John Adams
- Died December 14, 1799, in Virginia
- Key events while in office: Bill of Rights; Vermont, Kentucky, and Tennessee became states; Jay's Treaty; Whiskey Rebellion

money because they take the savings of some people and lend them out to other people. The money thus "works" to create more money and more productivity in the economy. Smith therefore favored the development of banking and paper money.

Adam Smith also favored private enterprise over the existing practice of mercantilism. He thought the government should set as few limits as possible over business, trade, and manufacturing. Today Adam Smith's ideas go by the name of **capitalism**. This economic system has two main features: (1) Most businesses are privately owned and operated. (2) Competition and the free market primarily determine prices and production.

HAMILTON'S FINANCIAL PLAN

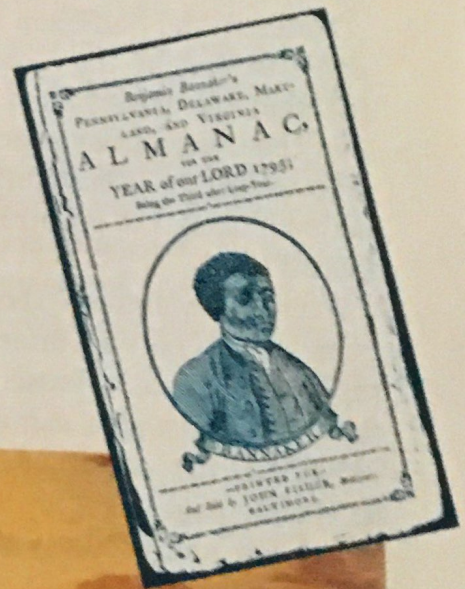
The main purpose of Hamilton's financial plan was to strengthen the national government. In doing

so, he hoped to create the conditions that would encourage business enterprise and therefore bind the business class to the government.

Hamilton tackled the issue of the public debt head on. He wanted the government to pay interest on all bonds and assume all state debts left over from the Revolutionary War. If the government did not stand by its debts, he argued, no one would want to lend it money in the future. The southern states balked at this. Most of them had already paid their debts. Why, they asked, should they help the northern states pay theirs?

The impasse was resolved when Alexander Hamilton and Thomas Jefferson met one afternoon to take a stroll. They discussed the state debt controversy as well as the inability of Congress to agree on a permanent location for the national capital. For the time being it was New York, but each section of the country hungered for the prestige of having the capital. By the end of their walk, the two men had struck a bargain. They agreed that the southern states would support the assumption of state debts. In return, northerners would support locating the capital in the South.

Benjamin Banneker, the son of a freed slave, taught himself mathematics and published an almanac of astronomical and tidal calculations. Banneker worked as a surveyor for the Capitol building (whose Senate wing is pictured below). **POLITICS** Describe the compromise that determined the location of the nation's capital.



Congress also followed Hamilton's lead in raising revenues. The main source of income for the government would be tariffs—taxes on imported goods. Tariffs would be highest on products that Americans could manufacture for themselves. Such tariffs would thus do double duty. They would raise money and encourage domestic manufacturing.

THE BANK DEBATE

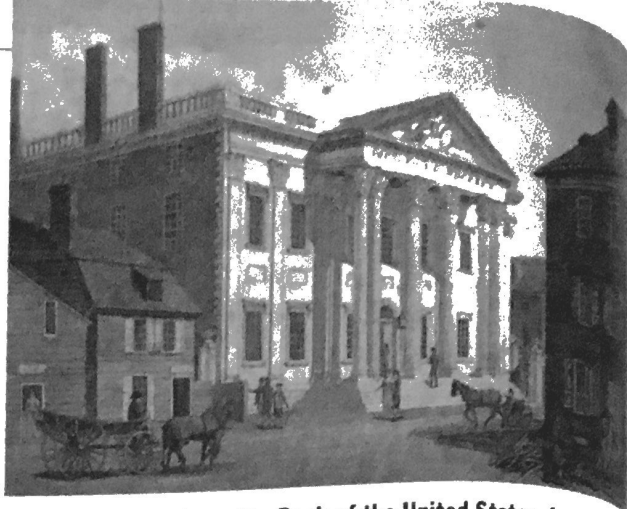
Hamilton also proposed that a national bank be set up. It would be called the Bank of the United States. The government would deposit its revenues there and, when necessary, borrow from it. The bank would encourage the circulation of money by issuing paper money and making loans to individuals as well as the government.

The bank proposal brought forth howls of protest from James Madison and Thomas Jefferson. These men argued that the bank would create a class of moneyed men. Southern farmers such as Madison and Jefferson thought the best kind of wealth was land. Suspicious of people who earned wealth in any other way, they feared that a class of moneyed men could threaten the nation's liberty.

Madison and Jefferson also believed in a **strict construction** of the Constitution. That is, they felt that the government has only those powers that the Constitution specifically gives it. In their view, since the Constitution does not mention a national bank, the government had no right to establish one.

Hamilton countered the strict construction argument with his own interpretation of the Constitution. Known as a **loose construction**, it states that the government can do anything the Constitution does not say it cannot do. He cited the elastic clause (page 128), arguing that the bank was "necessary and proper" to carrying out the government's financial duties.

Jefferson and Hamilton quarreled so heatedly over the issue they never again would be friends. Each tried to persuade President Washington of his point of view. Washington, ever mindful of his responsibility to the Constitution, at first planned to veto the bank bill as unconstitutional. But Hamilton brought Washington around to his point of view, and Washington signed the bill.



This illustration shows the Bank of the United States, founded in Philadelphia in 1791 through the efforts of Alexander Hamilton. **ECONOMICS** Why did southern planters, including Madison and Jefferson, oppose the bank's creation?

The debate over the national bank had two important effects on the young republic. First, it revealed a basic disagreement among Americans concerning the Constitution. This disagreement—strict construction versus loose construction—has remained to this day. Second, Hamilton's financial program was a great success. It established the good credit of the government and strengthened the influence of the national government. It laid the basis for the astounding economic development of the country in the century that followed.

SECTION REVIEW

- 1. KEY TERMS** bond, public debt, capitalism, tariff, strict construction, loose construction
- 2. PEOPLE AND PLACES** New York City, George Washington, Alexander Hamilton, Thomas Jefferson, John Adams, Adam Smith, James Madison
- 3. COMPREHENSION** What precedents of Washington helped establish a strong and independent executive?
- 4. COMPREHENSION** How did each part of Hamilton's financial plan help strengthen the government and the nation as a whole?
- 5. CRITICAL THINKING** Take one of Washington's decisions and imagine his making the opposite choice. Then describe that choice and tell what impact it might have had on our government traditions.