



Launching the New Government



Explore These Questions

- How did George Washington's actions set an example for future Presidents?
- How did Alexander Hamilton plan to strengthen the nation's economy?
- Why did some people oppose Hamilton's economic plan?

Define

- inauguration
- precedent
- Cabinet
- national debt
- bond
- speculator
- tariff
- protective tariff

Identify

- Judiciary Act
- District of Columbia
- Bank of the United States
- Whiskey Rebellion

SETTING the Scene

The new Congress met for the first time in the spring of 1789. Vice President John Adams brought up a curious question. How should people address the President?

For three weeks, members of Congress debated the issue. Some favored the simple title "President Washington." Others felt that it lacked dignity. Instead, they suggested titles such as "His Elective Highness" or "His Highness the President of the United States and Protector of the Rights of the Same."

Finally, Washington let Congress know he was content with "President of the United States." By choosing a simple title, Washington showed he was not interested in the kind of power that European monarchs had. In this decision, like many others, Washington set an example for later Presidents.

The New Government

George Washington was inaugurated in New York City on April 30, 1789. A President's **inauguration** is the ceremony at which the President officially takes the oath of office. A witness reported that the new President looked "grave, almost to sadness." Washington no doubt was feeling the awesome responsibility of his office. He knew that Americans were looking to him to make their new government work.

As the first President, Washington had no one to imitate. While the Constitution provided a framework for the new government, it did not explain how the President should govern from day to day. Washington knew he was setting an example for future generations. "There is scarcely any part of my conduct," he said, "which may not hereafter be drawn into precedent." A **precedent** (PREHS uh dehnt) is an act or decision that sets an example for others to follow.

Washington set one important precedent at the end of his second term. In 1796, he decided not to run for a third term. Not until 1940 did any President seek a third term.

The first Cabinet

The Constitution said little about how the executive branch should be organized. It was clear, however, that the President needed talented people to help him carry out his duties.



Connections With Civics

The President who finally broke Washington's two-term precedent was Franklin D. Roosevelt. In 1940, he ran for and won a third term. Four years later, Roosevelt was elected yet again. Today, the Twenty-Second Amendment to the Constitution prohibits any President from being elected more than twice.



Viewing HISTORY

The First President

George Washington traveled on horseback to his inauguration in New York City. Along the way, crowds gathered to cheer their new President. Here, women and children scatter flower petals in Washington's path. ★ How can you tell this painter greatly admired Washington?

Mug honoring President Washington's inauguration ▶



In 1789, the first Congress created five executive departments. They were the departments of State, Treasury, and War and the offices of Attorney General and Postmaster General. The heads of these departments made up the President's **Cabinet**. Members of the Cabinet gave Washington advice and directed their departments.

Washington set a precedent by carefully choosing well-known leaders to serve in his Cabinet. The two most influential were the Secretary of State, Thomas Jefferson, and the Secretary of the Treasury, Alexander Hamilton.

The federal court system

The Constitution called for a Supreme Court. Congress, however, had to organize the federal court system. In 1789, Congress passed the **Judiciary Act**. It called for the

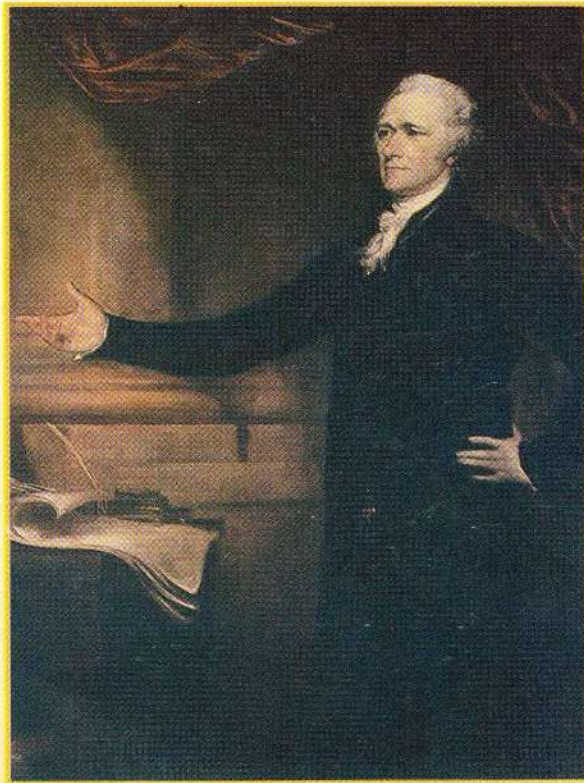
Supreme Court to have one Chief Justice and five Associate Justices.* Washington named John Jay to serve as the first Chief Justice of the United States.

The Judiciary Act also set up a system of district courts and circuit courts across the nation. Decisions made in these lower courts could be appealed to the Supreme Court, the highest court in the land.

Battling the National Debt

As Secretary of the Treasury, Alexander Hamilton wanted to build a strong economy. He faced many major problems, however. Among the most pressing was the large national debt. The **national debt** is the total sum of money a government owes to others.

* Today, the Supreme Court has eight Associate Justices.



Biography Alexander Hamilton

Alexander Hamilton was born on the Caribbean island of Nevis in 1755. As a boy, he faced poverty, but he worked his way up in a local trading company. He later came to New York, served as an officer in the American Revolution, and became the first Secretary of the Treasury. This portrait was painted by John Trumbull, one of the most famous early American artists.

★ **How did Alexander Hamilton help strengthen the new nation?**

During the Revolution, both the national government and the individual states needed money to pay soldiers and buy supplies. They borrowed money from foreign countries and ordinary citizens.

Then, as now, governments borrowed money by issuing bonds. A **bond** is a certificate which promises to repay the money loaned plus interest on a certain date. For example, if a person pays \$100 for a bond, the government agrees to pay back \$100 plus interest in five or ten years.

By 1789, most southern states had paid off their debts from the Revolution. Other states and the federal government had not.

Hamilton insisted that all these debts be repaid. After all, he asked, who would lend money to the United States in the future if the country did not pay its old debts?

Hamilton's Plan

Hamilton developed a two-part plan to repay both the national and state debts. First, he wanted to buy up all the bonds issued by the national and state governments before 1789. He planned to sell new bonds to pay off those old debts. When the economy improved, the government would be able to pay off the new bonds. Second, he wanted the national government to pay off debts owed by the states.

Many people, including bankers and investors, welcomed Hamilton's plan. Others attacked it.

Madison leads the opposition

James Madison led the opposition to Hamilton's plan. Madison argued that the plan was unfair because it would reward speculators. A **speculator** is someone willing to invest in a risky venture in the hope of making a large profit.

During the Revolution, the government had paid soldiers and citizens who supplied goods with bonds. Many of these bondholders needed cash to survive. They sold their bonds to speculators. Speculators paid only 10 or 15 cents for bonds that had an original, or face, value of one dollar.

If the government repaid the bonds at face value, speculators stood to make great fortunes. Madison thought that speculators did not deserve to make such profits.

Hamilton disagreed. The United States had to repay its bonds in full, he said, in order to gain the trust and help of investors. The support of investors, he argued, was crucial for building the new nation's economy. After much debate, Hamilton convinced Congress to accept his plan of repaying the national debt.

As a southerner, James Madison also led the fight against the other part of Hamilton's plan. It called for the federal government to pay state debts. Many southern states had already paid their own debts in full. They

thought other states should do the same. As a result, southerners bitterly opposed Hamilton's proposal.

Hamilton's compromise

To win support for his plan, Hamilton suggested a compromise. He knew that many southerners wanted to move the nation's capital to the South. He offered to persuade his northern friends to vote for a capital in the South if southerners supported the repayment of state debts.

Madison and other southerners accepted this compromise. In July 1790, Congress passed bills taking over state debts and providing for a new capital city.

The capital would not be part of any state. Instead, it would be built on land along the Potomac River between Virginia and Maryland. Congress called this area the **District of Columbia**. It is known today as Washington, D.C. Congress hoped that the new capital would be ready by 1800. Meanwhile, the nation's capital was moved from New York to Philadelphia.

Building Up the Economy

Hamilton's compromise with the South had resolved the problem of the national debt. Now he took steps to build up the new nation's economy.

A national bank

Hamilton called on Congress to set up a national bank. In 1791, Congress passed a bill creating the first **Bank of the United States**. The national government deposited the money it collected in taxes in the Bank. The Bank, in turn, issued paper money. The government used the paper money to make loans to farmers and businesses. By making loans to citizens, the Bank encouraged the growth of the economy.

The Bank also used the paper money to pay government bills. The new government had many expenses. It had to pay its employees, build the new capital, and keep up the army and navy.

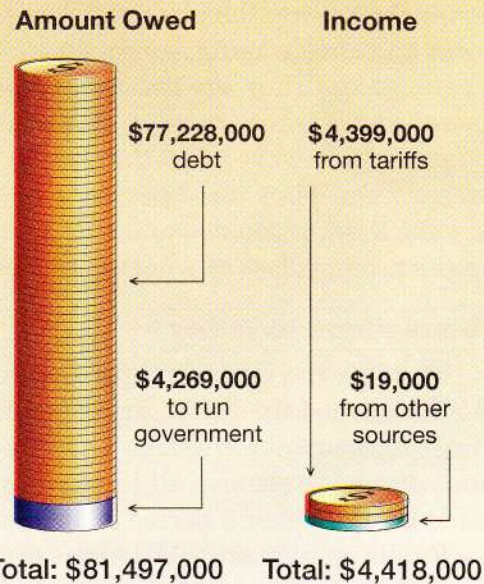
Protecting American industry

Another part of Hamilton's economic program was designed to give American manu-

facturing a boost. He proposed that Congress pass a **tariff**, or tax, on all foreign goods brought into the country. Hamilton called for a very high tariff. He wanted to make imported goods more expensive to buy than goods made in the United States. Because such a tariff was meant to protect American industry from foreign competition, it was called a **protective tariff**.

In the North, where factories were growing, many people supported Hamilton's plan. Southern farmers, however, bought more imported goods than northerners did. They did not want a protective tariff that would make these goods more expensive.

Money Problems of the New Nation, 1789–1791



Source: *Historical Statistics of the United States*

Graph Skills

As Secretary of the Treasury, Alexander Hamilton sought ways for the government to meet its expenses.

- 1. Comprehension** What was the government's total income between 1789 and 1791?
- 2. Critical Thinking** According to the graph, if the national debt was paid, would there be enough money to run the government? Explain.



In the end, Congress did pass a tariff bill. However, its purpose was to raise money for operating the government, rather than protect American industries. For this reason, it was much lower than the protective tariff called for by Hamilton.

The Whiskey Rebellion

Congress also passed a bill that taxed all liquor made and sold in the United States. Hamilton wanted this tax to raise money for the Treasury. Instead, the whiskey tax led to a rebellion that tested the strength of the new government.

A hated tax

Like many other Americans, farmers in the backcountry grew corn. However, corn was bulky to haul over rough backcountry roads. Instead, farmers converted their corn into whiskey, which they could easily ship in barrels to markets in the East.

Backcountry farmers protested the whiskey tax. They compared it to the hated taxes Britain had forced on the colonies in the 1760s. Many farmers refused to pay the tax. A backcountry poet wrote:

“Some chaps whom freedom’s
spirit warms
Are threatening hard to take up
arms. . . .
Their liberty they will maintain,
They fought for’t, and they’ll fight
again.”

In 1794, officials in western Pennsylvania tried to collect the tax. Farmers rebelled. Soon, thousands were marching through Pittsburgh. They sang Revolutionary songs and tarred and feathered tax officials.

A show of strength

Washington responded quickly to this challenge to authority. He called up the militia and sent them to Pennsylvania. When the rebels heard that 15,000 troops were marching against them, they scattered. Washington later pardoned the leaders of the rebellion.

The **Whiskey Rebellion** was a critical test of the strength of the new government. Washington had shown those who disagreed with the government that violence would not be tolerated. The President’s quick response proved to Americans that their new government would act firmly in times of crisis.

★ Section 1 Review ★

Recall

1. **Identify** (a) Judiciary Act, (b) District of Columbia, (c) Bank of the United States, (d) Whiskey Rebellion.
2. **Define** (a) inauguration, (b) precedent, (c) Cabinet, (d) national debt, (e) bond, (f) speculator, (g) tariff, (h) protective tariff.

Comprehension

3. Describe one precedent that George Washington set for future governments of the United States.
4. (a) Why did Alexander Hamilton think it was important to pay off government bonds?

(b) Why did James Madison oppose Hamilton’s repayment plan?

5. Describe two proposals Hamilton made to raise money for the new government.

Critical Thinking and Writing

6. **Linking Past and Present** By the late 1990s, the Cabinet included the heads of 13 separate departments. Why do you think the Cabinet has grown so much since Washington’s time?
7. **Forecasting** What do you think might have happened if Washington had not taken strong action to put down the Whiskey Rebellion?



Activity Acting a Scene The year is 1789. Your family owns government bonds, but you are not sure whether the bonds will be repaid at full value. With a partner, act out a scene between two members of the family. Discuss whether you should hold onto the bonds or sell them to a speculator.



The Rise of Political Parties

As
You
Read

Explore These Questions

- How did political differences lead to the rise of two political parties?
- What role did newspapers play in politics?
- How did the election of 1796 increase political tensions?

Define

- faction
- unconstitutional

Identify

- Democratic Republicans
- Federalists

SETTING the Scene

When President Washington took office in 1789, the United States had no political parties. In fact, most American leaders opposed the very idea of forming parties. “If I could not go to heaven but with a party,” said Thomas Jefferson, “I would not go at all.”

Still, deep divisions began to form in the Cabinet and Congress. Jefferson described the unpleasant mood:

“Men who have been [friends] all their lives cross streets to avoid meeting, and turn their heads another way, lest they should be obliged to touch their hats.”

By the time Washington left office in 1797, there were two parties competing for power.

A Distrust of Political Parties

Americans had reason to distrust political parties. They had seen how **factions**, or opposing groups within parties, worked in Britain. British factions were made up of a few people who schemed to win favors from the government. Most were more interested in personal gain than in the public good.

Americans also saw political parties as a threat to national unity. They agreed with George Washington, who warned Americans that parties would lead to “jealousies and false alarms.”

Despite the President’s warning, parties grew up around two members of his Cabinet, Alexander Hamilton and Thomas Jefferson.

The two men differed in background, looks, and personality as well as in politics. Born in the West Indies, Hamilton had worked his way up from poverty. He dressed in fine clothes and spoke forcefully. Energetic, brilliant, and restless, Hamilton enjoyed political debate.

Jefferson was tall and lanky. Although he was a wealthy Virginia planter, he dressed and spoke informally. One senator recalled:

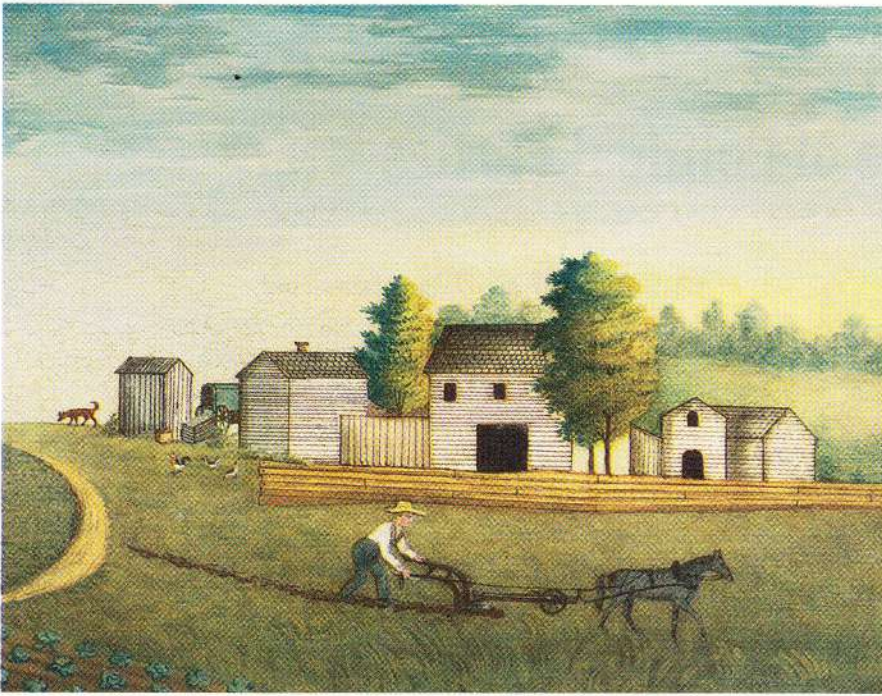
“His clothes seem too small for him. He sits in a lounging manner, on one hip commonly, and with one of his shoulders elevated much above the other. His face has a sunny aspect. His whole figure has a loose, shackling air. . . . He spoke almost without ceasing. [His conversation] was loose and rambling; and yet he scattered information wherever he went.”

Differing Views

Alexander Hamilton did not agree with Thomas Jefferson on many issues. At the root of their quarrels were different views about what was best for the young United States.

Manufacturing or farming

First, Hamilton and Jefferson disagreed about economic policy. Hamilton thought the United States should model itself on Britain. He felt the government should encourage



Viewing HISTORY Two Views of the Nation

Federalists and Republicans disagreed. Should the new nation build its future mainly on agriculture or on manufacturing? The farmer, above, and the ironworker, right, represent these two viewpoints.

★ Which of these pictures represents Hamilton's view? Which picture represents Jefferson's view?

manufacturing and trade. He also favored the growth of cities and the merchant class who helped make cities prosperous.

Jefferson believed that farmers, rather than merchants, were the backbone of the new nation. "Cultivators of the earth," he wrote, "are the most valuable citizens." He feared that a manufacturing economy would corrupt the United States by concentrating power in the hands of a small group of wealthy Americans.

Federal or state governments

Hamilton and Jefferson disagreed about the power of the federal government. Hamilton wanted the federal government to have greater power than state governments. A strong federal government, he argued, could encourage the growth of commerce. It would also have the power needed to restrain unruly mobs, such as the protesters who led the Whiskey Rebellion.

In contrast, Jefferson hoped to make the government as small as possible. Then, citizens would have the freedom to act as they

pleased. Jefferson feared that a strong federal government might take over powers that the Constitution gave to the states.

Strict or loose interpretation of the Constitution

These disagreements led the two leaders to clash over the Bank of the United States. Jefferson worried that a national bank would give too much power to the federal government and the wealthy investors who helped run it.

To oppose Hamilton's proposal, Jefferson argued that the law creating the bank was **unconstitutional**, that is, not permitted by the Constitution. Nowhere did the Constitution give Congress the power to create a Bank, he argued. Jefferson thought that any power not specifically given to the federal government belonged to the states.

Hamilton did not agree with Jefferson's strict interpretation of the Constitution. He preferred a looser interpretation. The Constitution gave Congress the power to make all laws "necessary and proper" to carry out

Federalists vs. Republicans

FEDERALISTS	REPUBLICANS
① Led by Alexander Hamilton	① Led by Thomas Jefferson
② Wealthy and well educated should lead nation	② People should have political power
③ Strong central government	③ Strong state governments
④ Emphasis on manufacturing, shipping, and trade	④ Emphasis on agriculture
⑤ Loose interpretation of Constitution	⑤ Strict interpretation of the Constitution
⑥ Pro-British	⑥ Pro-French
⑦ Favored national bank	⑦ Opposed national bank
⑧ Favored protective tariff	⑧ Opposed protective tariff

Graphic Organizer *Skills*

By the 1790s, there were two political parties in the United States—the Federalist party and the Republican party.

1. Comprehension Describe two ways the Republicans and Federalists differed on economic issues.

2. Critical Thinking “The average person is far too ignorant to make wise political decisions.” Do you think a Republican or a Federalist would be more likely to agree with this statement? Explain.



its duties. Hamilton argued that the Bank was necessary for the government to collect taxes and pay its bills.

Britain or France

Finally, the two leaders clashed over foreign policy. Hamilton wanted to form close ties with Britain, an important trading partner. Jefferson favored France, the first ally of the United States and a nation struggling for its own liberty.

Party Rivalry

At first, Hamilton and Jefferson clashed in private. However, when Congress began to pass many of Hamilton's programs, Jefferson and James Madison decided to organize public support for their views.

Madison and Jefferson moved cautiously at first. In 1791, they went to New York, telling people that they were going to study

its wildlife. In fact, Jefferson was interested in nature and did travel far into upstate New York. Their main purpose, though, was to meet with important New York politicians like Governor George Clinton and Aaron Burr, a strong critic of Hamilton. Jefferson asked Clinton and Burr to help defeat Hamilton's program by getting New Yorkers to vote for Jefferson supporters.

Republicans and Federalists

Soon, leaders in other states began organizing to support either Hamilton or Jefferson. Jefferson's supporters called themselves **Democratic Republicans**, often shortened to Republicans.* Republicans included small farmers, craftworkers, and some wealthy planters.

*Jefferson's Republican party was not the same as today's Republican party. In fact, his party later grew into the Democratic party.

Hamilton and his supporters were called **Federalists** because they wanted a strong federal government. Federalists drew most of their support from merchants and manufacturers in cities such as Boston and New York. They also gained the backing of some southern planters.

Newspapers take sides

In the late 1700s, the number of American newspapers more than doubled. This growth met a demand for information. A visitor from Europe noted with surprise that so many Americans could read:

“The common people [in the United States] are on a footing, in point of literature with the middle ranks of Europe. They all read and write, and understand arithmetic; almost every little town now furnishes a circulating library.”

As party rivalry grew, newspapers took sides. In the *Gazette of the United States*, publisher John Fenno printed articles in favor of Alexander Hamilton and the Federalists. Philip Freneau (frih NOH), a friend of Thomas Jefferson, started a rival paper, the *National Gazette*. Freneau vigorously supported Republicans.

Newspapers had great influence on public opinion. In stinging language, they raged

against opponents. Often, articles mixed rumor and opinion with facts. Emotional attacks and counterattacks fanned the flames of party rivalry. Still, newspapers performed a needed service. They kept people informed and helped shape public opinion.

Election of 1796

Political parties played a major role in the election of George Washington's successor. In 1796, Republicans backed Thomas Jefferson for President and Aaron Burr for Vice President. Federalists supported John Adams for President and Thomas Pinckney for Vice President.

The election had an unexpected outcome, which created new tensions. Under the Constitution, the person with the most electoral votes became President. The person with the next highest total was made Vice President. John Adams, a Federalist, won office as President. The leader of the Republicans, Thomas Jefferson, came in second and became Vice President.

With the President and the Vice President from different parties, political tensions remained high. Future events would further increase the distrust between the two men. Meanwhile, John Adams took office in March 1797 as the second President of the United States.

★ Section 3 Review ★

Recall

1. **Identify** (a) Democratic Republicans, (b) Federalists.
2. **Define** (a) faction, (b) unconstitutional.

Comprehension

3. Describe two issues on which Thomas Jefferson and Alexander Hamilton disagreed.
4. How did newspapers contribute to the rivalry between political parties?

5. What role did parties play in the 1796 election?

Critical Thinking and Writing

6. **Drawing Conclusions** Why do you think political parties emerged even though most Americans opposed them?
7. **Ranking** Which of the disagreements between Jefferson and Hamilton do you think was the most serious? Explain.



Activity Writing a Newspaper Headline You are the publisher of either the *Gazette of the United States* or the *National Gazette*. Write three headlines about the election of 1796. Be sure your headlines express the point of view of your own newspaper.