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The Age of Federalism

The ratification of the Federal Constitution resulted in two distinct sources of power- the state and the nation. To get around any possible difficulties, leaders argued that the people were the real source of sovereign power and could divide this sovereignty as they saw fit.

The founders purposely left the Constitution somewhat vague. Immediately after it took effect, a split developed among its supporters over whether it allocated significant power to the national government, or not.

Recall that the proponents of the Constitution, the Federalists, had faced opposition from Anti-Federalists over creating a strong central government. The Federalists would split into two groups, both still supporting the Constitution, but arguing over its true role. Some felt that the document should be used in a broad way to extend the power of the government, especially to develop commerce. Others wanted it strictly applied, so that those powers not specifically granted in the Constitution could not simply be assumed.

The Federalists, led primarily by Alexander Hamilton, faced off against those led by Thomas Jefferson and James Madison, known as Democratic-Republicans.

George Washington became the first President, as everyone expected. At the time, and for some years later, people did not vote directly for the president but for electors, who then voted. John Adams won the second highest number of votes to become Vice-President.

Washington's role as first president was important at several levels. He established important precedents.

- 1) He did not actively run for office and actually protested his selection – he had to, if he revealed his eagerness for power, he clearly would not be the proper choice. In fact, Washington said, "Movement to the chair of government will be accompanied by feelings not unlike those of a culprit who is going to his place of execution." He claimed not to want the job, so became qualified for it!
- 2) What to call him? All kinds of titles, including "highness" were considered. Ultimately, the simple Mr. President was the choice.
- 3) But, the office should have some dignity and the president should be more than a figurehead. So Washington appointed and dismissed his own cabinet, though the Constitution seemed to vest this power in the Senate.
- 4) He also decided to handle foreign relations without the direct involvement of the Senate. Only after negotiating would he allow the Senate to ratify treaties.

Congress also had work to do:

- 1) Bill of Rights – This was not an original part of the Constitution, but by

general agreement, those with reservations about the new government voted for the constitution knowing that individual rights would be addressed later. Only recently has the American legal system recognized that one person could violate another person's rights. Initially, the belief was that only governments could violate these rights.

- 2) Tariff and Excise tax to raise revenue.
- 3) Created Departments of State, War, and Treasury.
- 4) Passed 1789 Judiciary Act to create Federal Court System.

Finances

Because the commercial system was in desperate need of reform, much of the early activity of the government centered restoring the economy. The new Secretary of the Treasury, Alexander Hamilton prepared a report for Congress that revealed:

Nation owed foreign countries \$11 Million
Nation owed citizens (soldiers, suppliers etc) \$27 million
State governments owed \$25 million
Total = \$63 million

Everyone agreed that the national debt had to be paid, otherwise default would destroy nation's credit rating and credibility.

State debts were another matter, and some states had already paid their debts.

Hamilton issues a "Report on Public Credit" in which he advocated that the Federal government assume and fund all of the debts. He would then pay it by issuing new bonds at an interest rate of 4% payable over 20 years. This was very attractive to the nation's investors. It would also tie them to the new national government since they would want that government to survive so they could get paid on their investment.

Jefferson and Madison opposed Hamilton's assumption and debt funding plan. They believed that the common person would be cheated since much of the national debt had been bought by speculators from those the government really owed. Speculators willingly paid and soldiers, for example, willing took, cents on the dollar.

They wanted the original creditors identified and paid, but this was virtually impossible. The measure initially failed, but the three men agreed to compromise and in exchange for their votes, Hamilton agreed to support moving the new national capitol to the Potomac River, just north of Jefferson's Virginia.

Hamilton's plan was very successful and the bonds held their value and

generated substantial income.

Hamilton also wanted to create a national bank to regulate the economy and provide credit for businesses. The Bank of the United States (B.U.S.) would be a quasi –public institution with funding from the government and private investors.

The Bank bill was passed, but again, Jefferson opposed it, believing that it would be a monopoly and too powerful and arguing that the Constitution did not specifically allow for a bank. Washington decided that Hamilton’s view, that it was necessary for commerce was correct and he signed the bill into law.

Finally, Hamilton tried to get a protective tariff for manufacturing, but failed.

Foreign Affairs

Hamilton and Jefferson also split over the French Revolution, Jefferson favoring the French and Hamilton opposed to the revolt and favoring the British in a war that broke out between France and England.

Washington declared American neutrality. Both the British and the French interfered with American commerce and domestic affairs.

In the midst of this, Washington sought to resolve many of the outstanding issues with England and sent John Jay to secure a treaty. Jay’s goal was to resolve:

British seizure of American ships

Get the British to evacuate forts in the Old Northwest and stop inciting Native Americans

Establish a commercial trade treaty.

Get compensation for slaves taken during the Revolution.

Jay did well considering he had nothing to offer. Only on the 4th point was there no agreement. However, when he returned home, he was maligned.

John Adams Presidency

Washington refused to run for a third term and in his “farewell address” warned Americans to avoid political partisanship and to stay out of entangling alliances that would drag the United States into war.

John Adams won the most electoral votes in 1796, followed by Thomas Jefferson so that the President and Vice President were from different political factions.

Adams, like Washington, sought to resolve problems with France. His ministers, however, were blackmailed by three Frenchmen who called themselves X, Y, and Z. The minister refused to be blackmailed to negotiate a treaty and returned to the US.

The XYZ Affair angered Americans and the Federalists passed a series of laws known as the Alien and Sedition Acts aimed at extending the naturalization period for immigrants and provided jail time and fines for those critical of the government or President.

Several Democratic-Republican newspaper editors did go to jail, but the Alien and Sedition Acts backfired on the Federalists since they seemed aimed at the opposition political group rather than the French.

Thus, during the first decade of the new government, those who had created the Constitution, now split into two opposing groups.



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