

# Federalists in Power

by Sophia



## WHAT'S COVERED

Following the ratification of the Constitution in late 1788, the states held elections for the first U.S. Congress. Members took their seats in March 1789. In April of that year, George Washington was sworn in as the nation's first president. John Adams served as his vice president.

This tutorial examines the political divisions that quickly emerged within Washington's administration. We will pay special attention to Alexander Hamilton, who wrote a series of proposals to address the nation's economic problems, and Thomas Jefferson, who became increasingly concerned with the implications of Hamilton's recommendations.

Our discussion will break down like this:

## 1. Federalists in Power

The architects of the Constitution and those who supported its ratification, known as Federalists, were committed to leading the new republic. Thus, it should come as no surprise that they held a majority of positions within the new government, including in George Washington's cabinet.

**George Washington** appointed Alexander Hamilton, a leading Federalist from New York, as secretary of the treasury. For secretary of state, Washington chose **Thomas Jefferson**. For secretary of war, Washington appointed Henry Knox, who had served with him during the War for Independence. Edmund Randolph, a Virginia delegate to the Constitutional Convention, was named Attorney General. In July 1789, after Congress passed the Judiciary Act, Washington appointed John Jay as one of six members of the Supreme Court.



## PEOPLE TO KNOW

### George Washington

First president of the United States, established the precedent of a two-term limit on the office.

### Thomas Jefferson.

Third president of the United States, first secretary of state, leading figure in the Democratic-Republican Party, and author of the Declaration of Independence and the Kentucky and Virginia Resolutions.

The Federalists within Washington's administration did not, at first, compose a political party. Instead, they were individuals who shared certain assumptions toward American society and the economy. For them, most important was liberty, and all of the rights derived therefrom, including political participation (which continued

to be linked to property ownership). Despite the rhetoric within the Declaration of Independence and other revolutionary writings, Federalists did not believe that the American Revolution should result in the transformation of traditional social roles between the upper and lower classes. Nor did many Federalists believe that the Revolution should fundamentally change relationships in gender and race.

Rather, Federalists continued to adhere to a hierarchical worldview. They believed that only individuals who owned sufficient amounts of property (read: White, upper-class males) were independent and virtuous enough to defend the public good. By linking political participation with property ownership, and implementing the system of checks and balances written into the Constitution, Federalists believed that only the best among them, or those who possessed the economic means to remain above self-interest, should control the government.

Reinvigorating the American economy, which was in dire straits by the late 1780s—due in large part to the shortcomings associated with the Articles of Confederation—was a key part of the Federalists' vision. Among the first notable pieces of legislation passed by Congress was the Tariff Act of 1789, which placed a duty on all imports that arrived in the United States. The sole purpose of the measure was to raise revenue, in an attempt to address the country's economic problems.

Shortly after taking control of the government, Federalists also followed through on a promise made to Anti-Federalists during the ratification debates. In late 1789, Representative James Madison of Virginia introduced a series of ten amendments that Congress approved and sent to the states for ratification. Formally adopted in 1791, the **Bill of Rights** outlined essential individual liberties, ones that many state constitutions guaranteed and that Anti-Federalists argued should be included in the U.S. Constitution.



#### TERM TO KNOW

##### Bill of Rights

The first ten amendments to the United States Constitution, which guarantee individual rights.



#### DID YOU KNOW

In many states, a number of delegates refused to ratify the Constitution unless Federalists agreed that a Bill of Rights would be added to the document.

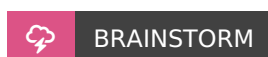
See the table below, which outlines the rights protected by the Bill of Rights:

Amendment Number	Right
1	Right to freedoms of religion and speech; right to assemble and to petition the government for redress of grievances
2	Right to keep and bear arms to maintain a well-regulated militia
3	Right not to house soldiers during time of war
4	Right to be secure from unreasonable search and seizure
5	Rights in criminal cases, including to due process and indictment by grand jury for capital crimes, as well as the right not to testify against oneself
6	Right to a speedy trial by an impartial jury
7	Right to a jury trial in civil cases
8	Right not to face excessive bail or fines, or cruel and unusual punishment

9	Rights retained by the people, even if they are not specifically enumerated by the Constitution
10	States' rights to powers not specifically delegated to the federal government

In a way, the Bill of Rights defined the “unalienable rights” that Thomas Jefferson had outlined in the Declaration of Independence. Based on Enlightenment notions that all individuals were born equal and had certain liberties that governments could not take away, the Bill of Rights protected individual rights. Just as importantly, the Bill of Rights reassured those who worried that the new federal government would overpower the state governments. A few examples are provided below:

- The First Amendment guarantees a number of rights that had long been cherished in English colonial society. However, the guarantee on religious freedom marked a significant departure from England, which recognized the Church of England as its official church, and earlier colonial measures. For instance, recall that Puritan New England did not practice religious toleration and banished many individuals on religious grounds.
- The Second Amendment, which pertains to the right to bear arms, was similar to an earlier provision written in the English Bill of Rights. At this time, the authors of the Constitution had no modern understanding of gun control, much less comprehension of an individual right to bear arms. Instead, the right “to keep and bear arms” was only considered in conjunction with defense, namely the need to maintain “a well-regulated Militia.”
- The Third Amendment, which states, “No Soldier shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be prescribed by law,” was a reflection of colonial opposition to the Quartering Act of 1774 and similar measures that required colonists to house British soldiers.
- Those amendments that protect individuals from unreasonable search and seizure (Fourth Amendment), recognize due process (Fifth Amendment), and guarantee a trial by jury (Fifth and Sixth Amendment) had taken on newfound importance in the wake of the American Revolution, when many colonists believed that Great Britain had infringed upon individual liberty by issuing writs of assistance or trying colonial smugglers in imperial vice admiralty courts.
- The Ninth and Tenth amendments, which reserved any rights or responsibilities left unmentioned to individuals and the state governments, were another reflection of longstanding concerns toward centralized government in America. Both amendments also ensured that the Constitution would remain a living document. Individuals, state legislatures, and the courts have continued to debate over the recognition of new rights or obligations that the authors of the Constitution did not anticipate.



The states ratified the Bill of Rights with little fanfare in 1791. Yet, contemporary discussions of gun rights and the emergence of new rights that the Constitution left unmentioned (the right to privacy, for example) reveal that the Bill of Rights stands at the center of many political conversations today. Why do you think this is so?

## 2. Alexander Hamilton's Program

When Alexander Hamilton, Washington's Secretary of the Treasury, assumed office, the United States remained mired in debt. The states had a combined debt of around \$25 million, while the debt of the national

government, or federal debt, was over \$53 million. Due to Congress's inability to tax and raise revenue from the states under the Articles of Confederation, the United States had been unable to pay its debts during the 1780s and, as a result, was considered a credit risk among many European countries.

Beginning in 1790, Hamilton developed a series of reports that offered solutions for the nation's economic problems. These reports provided the foundation for the American financial system, one in which the federal government under the Constitution would play a central role.

### ***Report on Public Credit***(January 1790)

According to Hamilton, the first step that the United States needed to take was to establish its creditworthiness or, in other words, improve its reputation among those to whom it owed money. For the national government to be effective, it needed to have the support of wealthy, domestic investors as well as of foreign creditors. To do so, Hamilton recommended that the new federal government honor all its debts—including all paper money issued by the Continental Congress and the states during the War for Independence—at face value.



(a) Alexander Hamilton is shown here in a 1792 portrait by John Trumbull. (b) As the first Secretary of the Treasury, he released a series of reports, including a “Report on Public Credit” (shown here) in January 1790, envisioning that the federal government would play a significant role in economic and monetary policy.

To achieve this, Hamilton proposed that the federal government assume the debt of the respective states and, in the process, create a new national debt. To pay the debt, Hamilton proposed that the federal government sell bonds—federal interest-bearing notes—to the public. Creditors could exchange their old notes for new government bonds. These bonds would have the backing of the federal government and yield interest payments beginning in 1792.

### ***Report on a National Bank***(December 1790)

Hamilton hoped to stabilize the American economy further by establishing a national bank, or a Bank of the United States. Under the Articles of Confederation, various state banks issued their own currency, or notes, under no coherent regulation from the national government. Under the proposed Bank of the United States, which Hamilton described in his “Report on a National Bank,” the federal government could purchase large volumes of state bank notes and convert them into gold. The bank could then issue loans to the government and American merchants when necessary while also serving as a repository of any federal revenue raised by taxes or the sale of western lands. Finally, although the bank would be affiliated with the government, it was to be a private corporation in which stockholders could own interest.

### ***Report on Manufactures***(December 1791)

Hamilton's third report addressed the need to raise revenue to pay the interest on the national debt. Using the

power to tax as provided under the Constitution, Hamilton put forth a proposal to tax American-made whiskey. Moreover, in an attempt to stimulate the production of American-made goods and to prevent a flood of foreign goods in American marketplaces, Hamilton advocated for tariffs on all imported goods and proposed federal subsidies to encourage the development of American industries.

Hamilton's reports argued that assuming the national debt and greater oversight in monetary and economic affairs by the federal government would ensure the survival of the American republic. Hamilton, along with many other Federalists, recognized the importance of the United States becoming financially reliable, secure, and strong.

➔ **EXAMPLE** In his "Report on Public Credit," Hamilton suggested that his plan would satisfy domestic and European creditors by allowing them to purchase federal bonds that guaranteed repayment at face value. By doing so, creditors would be buying into the security and stability of the new national government under the Constitution.



#### BIG IDEA

Hamilton's proposals would, on the one hand, resolve the shortcomings related to debt, taxation, and revenue that had plagued the nation under the Articles of Confederation. On the other hand, by issuing federal bonds, creating a Bank of the United States, and protecting American industries, Hamilton's program effectively drew the support of the nation's most powerful economic interests.

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## 3. Thomas Jefferson's Response

Among the most significant legacies of Hamilton's proposals was that it divided the American ruling class. Although this group had agreed upon the need for a Constitution during the Philadelphia convention and subsequent ratification debates, it now found itself divided upon the introduction of Hamilton's economic program. Not even George Washington's cabinet was immune from this discord.

Thomas Jefferson, who was Washington's Secretary of State, along with Representative James Madison in Congress, spearheaded the political opposition to Hamilton's proposals. Such opposition stemmed from differing visions of American society, as well as clashing interpretations of the Constitution.

#### ➔ **EXAMPLE** Hamilton's Vision

Hamilton looked to foreign nations, the federal government, and America's urban, commercial elite to foster a form of economic development centered on banking and commerce.

#### ➔ **EXAMPLE** Jefferson's Vision

Jefferson idealized self-sufficient, landowning republican citizens—or yeoman farmers—and he believed that they provided the foundations for an agricultural economy, while government and other institutions remained on the periphery of individuals' lives. Jefferson held negative perceptions toward urban life and commercialism, believing that it widened the gap between the wealthy few and an underclass of landless poor workers who, because of their oppressed condition, could never be good republican property owners. To him, Hamilton's program seemed to encourage economic inequalities and work against the ordinary Americans, or the common man. Jefferson believed that self-sufficient, property-owning republican citizens—or yeoman farmers—held the key to the success and longevity of the American republic rather than banking and commerce.

Along with his idyllic perceptions toward rural life, Jefferson, along with Madison, also expressed concern that

Hamilton's economic proposals represented an unnecessary expansion of federal authority at the expense of the states.

To justify his proposals, Hamilton referred to several key provisions within the Constitution, most notably the "implied powers" clause in Article 1, Section 8, which stipulated that Congress had the authority to enact measures that provided for the "general Welfare" of the nation. To Hamilton, this provision meant that the federal government had the authority to play a greater role in the economy.

In contrast, Jefferson, Madison, and others disagreed with Hamilton's interpretation. They pointed out that a number of states opposed the idea of the federal government assuming their debts.

➔ **EXAMPLE** Virginia had paid off most of its war debts by the late 1780s, while another state such as Massachusetts, had not. Regardless, under Hamilton's proposal for the national debt, the taxes that Virginians paid would go in part toward the payment of Massachusetts' debt. Naturally, a number of Virginians (Jefferson and Madison among them) viewed this situation as unfair.

Jefferson also argued that the Constitution did not permit the creation of a national bank because the document did not mention any right for Congress to do so.



#### DID YOU KNOW

Those, like Jefferson, who insisted that the federal government could only exercise powers specifically mentioned in the Constitution came to be known as strict constructionists. Those who chose to interpret the "implied powers" clause and other constitutional provisions more broadly were known as loose constructionists.

Therefore, to gain the necessary support for his program, Hamilton had to work behind the scenes with Jefferson and his allies. After one particularly famous dinner between Hamilton and Jefferson in 1790, Jefferson agreed to the majority of Hamilton's plans, but only in exchange for relocation of the national capital (then in New York City) to a permanent location further south.



#### DID YOU KNOW

In July 1790, a site along the Potomac River between Virginia and Maryland was selected as the location for the new federal city that Jefferson had bargained for. It became the District of Columbia (present-day Washington, D.C.).



#### SUMMARY

While they did not yet constitute distinct political parties, Federalists and Anti-Federalists still found themselves at odds over the Constitution even after the document's ratification and implementation in 1789. Federalists were able to assuage some of the Anti-Federalists' concerns by adopting the Bill of Rights in 1791. However, new divisions emerged in relationship to Hamilton's financial program, particularly between Alexander Hamilton and Thomas Jefferson. The differences between both men exposed contrasting views of the proper role of the federal government under the Constitution.

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## DATES TO KNOW

### 1789

The Constitution takes effect; George Washington becomes president; James Madison proposes the first ten amendments to the Constitution.

### 1790

The Report on Public Credit and Report on a National Bank offers solutions for the nation's economic problems; a site is chosen for a new capital city between Virginia and Maryland.

### 1791

The Bill of Rights is adopted; the Report on Manufactures addresses the need to raise revenue to pay the interest on the national debt; the Bank of the United States is chartered.