



Federalist Group Handouts

Issue 1: Funding the Public Debt

With Hamilton's urging, the early federal government assumed the debts of the states. What was the benefit of doing so? How would the debt be repaid?

- Excerpts from the [Report on Public Credit](http://memory.loc.gov/cgi-bin/ampage?collId=llac&fileName=002/llac002.db&recNum=382) [<http://memory.loc.gov/cgi-bin/ampage?collId=llac&fileName=002/llac002.db&recNum=382>], beginning on page 2041 of the Appendix to The Annals of Congress for the 1st Congress, on the EDSITEment resource **American Memory**:

...loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them. And that in a country, which, like this, is possessed of little active wealth, or in other words, little monied capital, the necessity for that resource, must, in such emergencies, be proportionably urgent.

...To justify and preserve their confidence; to promote the encreasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources both to agriculture and commerce; to cement more closely the union of the states; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy. These are the great and invaluable ends to be secured, by a proper and adequate provision, at the present period, for the support of public credit.

...The benefits... are various and obvious... First. Trade is extended by it; because there is a larger capital to carry it on, and the merchant can at the same time, afford to trade for smaller profits; as his stock, which, when unemployed, brings him in an interest from the government, serves him also as money, when he has a call for it in his commercial operations.

Secondly. Agriculture and manufactures are also promoted by it: For the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enterprise in foreign trade, gives to them activity and extension, has greater means for enterprise.

Thirdly. The interest of money will be lowered by it; for this is always in a ratio, to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labour, to industry, and to arts of every kind.... But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an *adequate* and *stable* value.

This sum (to service the national debt) may be obtained from the present duties on imports and tonnage, with the additions, which... may be made on wines, spirits, including those distilled within the United States, teas and coffees.

This decrease, in the value of lands, ought, in a great measure, to be attributed to the scarcity of money. Consequently whatever produces an augmentation (increase) of the monied capital of the country, must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great-Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell; but the necessity of selling would be, itself, greatly diminished.

Issue 2: U.S. Relations with Great Britain/France

To fund the debt service, Hamilton proposed an internal tax on some “luxuries” (including spirits) as well as duties on imports. Most of the imports Hamilton proposed to tax came from Great Britain, making the U.S. economically dependent on its former master less than 10 years after the end of the War for Independence.

- Hamilton’s [Report on Public Credit](http://memory.loc.gov/cgi-bin/ampage?collId=llac&fileName=002/llac002.db&recNum=394), January 1790 [http://memory.loc.gov/cgi-bin/ampage?collId=llac&fileName=002/llac002.db&recNum=394], page 2065 of the Appendix to the Annals of Congress for the 1st Congress, available on the EDSITEMent resource **American Memory**:

This sum (to service the national debt) may be obtained from the present duties on imports and tonnage, with the additions, which... may be made on wines, spirits, including those distilled within the United States, teas and coffees.

- **Letter from Alexander Hamilton to George Washington**, April 1794:

...the cutting off of intercourse with Great Britain... deprives us of... a supply necessary to us in peace and more necessary to us if we are to go to war. It gives a sudden and violent blow to our revenue which cannot easily be repaired from other sources. It will give so great an interruption to commerce as may very possibly interfere with the payment of the duties which have heretofore accrued and bring the Treasury to an absolute stoppage of payment...

Issue 3: The National Bank: Implied Powers vs. Strict Interpretation

The Democratic-Republicans argued that, even if a national bank would be of benefit to the country, nowhere in the Constitution does it specify that the federal government is allowed to be in the banking business. But the Constitution does say that any power not specified in the Constitution is delegated to the states.

- Annotated Excerpts from Hamilton’s [Argument for the Constitutionality of the National Bank](http://memory.loc.gov/cgi-bin/query/r?ammem/hlaw:@field(DOCID+@lit(fr003283))), Feb. 23, 1791 [http://memory.loc.gov/cgi-bin/query/r?ammem/hlaw:@field(DOCID+@lit(fr003283))], the complete text of which is

available on the EDSITement resource **American Memory**:

Hamilton argues that money in the government's coffers should be regarded as property and therefore the bank is Constitutional because the Constitution authorizes Congress to regulate United States property,

...It remains to show, that the incorporation of a bank is within... the provision which authorizes Congress to make all needful rules and regulations concerning the property of the United States.

...The support of a government, the support of troops for the common defense, the payment of the public debt, are the true final causes for raising money... Suppose the public debt discharged, and the funds now pledged for it liberated. In some instances, it would be found expedient to repeal the taxes; in others, the repeal might injure our own industry--our agriculture and manufactures. In these cases, they would, of course, be retained. Here, then, would be money, arising from the authorized sources of revenue, which would not fall within the rule by which the attorney-general endeavors to except them from other personal property...

Hamilton argues that the Constitution gives the federal government power when a need is national in nature. We need a national bank—for reasons he specifies—and, presumably, the entire country will benefit from its existence.

...The constitutional test of a right application must always be, whether it be for a purpose of general or local nature. If the former, there can be no want of constitutional power.

... the bank has a natural relation to the power of collecting taxes; to that of regulating trade; to that of providing for the common defense

The examples of other nations prove that a national bank is a necessary by-product of the government's need to regulate commerce.

...all the principal commercial nations have made use of trading corporations or companies, for the purpose of external commerce, is a satisfactory proof that the establishment of them is an incident (a necessary by-product) [of the need to regulate] commerce. ...Banks are a usual engine in the administration of national finances, and... the most effectual instrument of loans, and one which, in this country, has been found essential, pleads strongly against the supposition that a government, clothed with most of the important prerogatives of sovereignty, in relation to its revenues, its debt, its credit, its defense, its trade, its intercourse with foreign nations, as forbidden to make use of that instrument, as an appendage to its own authority.

The existence of a national bank does not infringe on the ability of any state (or even any individual) to establish a bank.

It has been usual, as a... test of constitutional authority, to try (see) whether it abridges any

preexisting right of any state, or any individual. Each state may still erect as many banks as it pleases; every individual may still carry on the banking business to any extent he pleases.

In times of war, and in so many other instances, a national bank is essential to the country.

The common defense is decisive in this comparison.

- For more on the national bank, read the first two paragraphs of the annotation to **Hamilton: [Report on Manufactures](http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=326)** [http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=326] on Digital History website.

Issue 4: Manufacturing/Agriculture

Read the last three annotations to **Hamilton: [Report on Manufactures](http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=326)** [http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=326] on the Digital History website. Using the search function on your web browsers, find and read the excerpts mentioning “agriculture” and “agricultural.” Also read any of the other selected excerpts from Hamilton’s statement of his economic policy—submitted to Congress on Dec. 5, 1791—that follow the annotations.

Issue 5: The Jay Treaty

- **[From Rebel to President](http://www.nps.gov/thje/rebel/state.htm)** [<http://www.nps.gov/thje/rebel/state.htm>] on the website of the National Park Service, a link from the EDSITEMent resource **Links to the Past**:

What worried Jefferson the most were Hamilton’s pro-British views. How could the United States support and ally itself with the very country that they fought against in order to secure their independence? These issues came to a head in 1795 during the debate over the Jay Treaty.

This treaty was an attempt to keep the two nations from resuming hostilities over violations of the Treaty of Paris. Jefferson could not allow himself to stand idly by as the issue was being debated. The walls of the Jefferson Memorial are lined with the words that had defined not only Jefferson but also the Revolution. Words that eloquently spoke of individual rights...religion, self-government, and education, rights that had been denied under British rule. The Jay Treaty symbolized everything that Jefferson had fought so hard against. Jefferson reentered the realm of politics and resumed his struggle against Hamilton. The ratification of the Jay Treaty provided the ammunition that Jefferson needed for a run at the Presidency in 1796. Although he fell short, Jefferson found himself, as Vice-President, the highest-ranking Republican in the government.

- **[The Duel: The Federalist Party](http://www.pbs.org/wgbh/amex/duel/peopleevents/pande05.html)** [<http://www.pbs.org/wgbh/amex/duel/peopleevents/pande05.html>] on the PBS website, a link from the EDSITEMent resource **American Memory**:

Largely influenced by the ideas of Alexander Hamilton, the Federalists succeeded in

convincing the Washington administration to assume national and state debts, pass tax laws, and create a central bank. These moves undoubtedly saved the fledgling democracy from poverty and even destruction. In foreign policy, Federalists generally favored England over France.

Issue 6: The Democratic-Republican Societies

The Democratic-Republican Societies were clubs that supported the French Revolution. Read the annotations and excerpts in the article [Washington on the Democratic-Republican Societies, 1798](http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=341) [http://www.digitalhistory.uh.edu/documents/documents_p2.cfm?doc=341] on the Gilder Lehrman Institute of American History website, a link from the EDSITEMent resource **History Matters**.

Issue 7: The Alien and Sedition Acts

The Federalists wrote, passed, and enforced the Alien and Sedition Acts, including putting newspaper editors (all Democratic-Republicans) on trial for statements made in their newspapers.

- **Letter from Alexander Hamilton to Theodore Sedgwick, February 2, 1799**

That committee should make a report exhibiting... the reasons which support the constitutionality and expediency of those laws (that is, the Alien and Sedition Acts) (and) the tendency of the doctrines advanced by Virginia and Kentucky to destroy the Constitution of the United States... The government must not merely defend itself but must attack... its enemies.



The Federalist Party Platform

1. Funding the Public Debt
2. U.S. Relations with Great Britain and France
3. The National Bank: Implied Powers versus Strict Interpretation
4. Manufacturing/Agriculture
5. The Jay Treaty
6. The Democratic-Republican Societies
7. The Alien and Sedition Acts