

LESSON 2 Hamilton and National Finances

Big Idea

Treasury secretary Alexander Hamilton developed a financial plan for the national Government.

Main Ideas

- Hamilton tackled the problem of settling national and state debt.
- Thomas Jefferson opposed Hamilton's views on government and the economy.
- Hamilton created a national bank to strengthen the U.S. economy.

United States History

Lesson 2

Settling the Debt

Main Idea 1

Hamilton tackled the problem of settling national and state debt.

National Debt

- Treasury secretary **Alexander Hamilton's** biggest challenge was paying off the **national debt**—money owed by the United States.
- The United States owed \$11.7 million to foreign countries and \$40.4 million to U.S. citizens who had purchased **bonds** from the government to help finance the war.
- Hamilton planned to pay foreign debt first, and all debt at full value.
- Some politicians, including Thomas Jefferson, opposed the plan, but Hamilton went ahead with it.

United States History

Lesson 2

Main Idea 1 *(continued)*

States' Debt

- States owed \$25 million for Revolutionary War expenses.
- Hamilton wanted the federal government to pay part of the states' debts to help the national economy.
- The South did not want the federal government to pay states' debts.
- Hamilton won the South's support by getting northern approval to move the national capital from Philadelphia to Washington, D.C.

United States History

Lesson 2

Jefferson Opposes Hamilton

Main Idea 2

Thomas Jefferson opposed Hamilton's views on government and the economy.

Hamilton's Views

- Believed in a strong central government
- Wanted a balance of power between the "mass of people" and wealthier citizens
- Wanted to promote manufacturing and business
- Wanted higher tariffs on foreign goods to protect American manufacturers

Jefferson's Views

- Wanted to protect the states' power
- Believed in the right of "the people" to rule the country
- Supported agriculture and farmers
- Wanted lower tariffs to keep costs low for goods farmers bought

United States History

Lesson 2

A National Bank

Main Idea 3

Hamilton created a national bank to strengthen the U.S. economy.

- Hamilton wanted a national bank in which the government could safely deposit its money.
- The bank would also make loans to the government and to businesses.
- Hamilton knew that states' rights supporters would oppose his idea.
- He suggested limiting the bank to a twenty-year charter.

Lesson 2

Main Idea 3 *(continued)*

Bank's Opponents and Supporters

Opponents

- Jefferson and Madison said Hamilton's economic plans gave too much power to the national government and that the Constitution did not give Congress the power to create the bank.
- They favored a **strict construction** view of the Constitution— the government should do only what the Constitution says it can do.

Supporters

- Hamilton believed in a **loose construction** of the Constitution—the government can take actions the Constitution does not forbid.
- President Washington and Congress agreed with Hamilton that it would provide stability for the U.S. economy.
- The **Bank of the United States**— the country's first national bank—was chartered in 1791