

## CH. 10 SECTION 2

### HOW DID THE NEW GOVERNMENT SOLVE ECONOMIC PROBLEMS?

#### 1). **Washington takes office:**

- a) Washington creates a cabinet of advisors:
  - Secretary of State was Thomas Jefferson – **resigned because of the national bank issue**
  - Secretary of Treasury was Alexander Hamilton – **most important member of the cabinet**
  - Secretary of War was Henry Knox
  - Attorney General was Edmund Randolph

#### 2). **Economic Difficulties:**

- a) The first problem facing the new country was the war debts from the American Revolution. President Washington chose Alexander Hamilton to deal with these debts. His plan included:
  - Creation of a Bank of the United States -National Bank - created by using the elastic clause
  - Combine all state and national debts into one large debt and issue bonds to solve the debt.
  - Establish a **TARIFF** to raise revenue to pay the nations bills.
  - Create an **EXCISE** tax on distilled liquors (whiskey).
  
- b). Many southerners opposed Alexander Hamilton's plan because some states had already paid their debts. To get southern support for his financial plan, Hamilton bargained with the southern states to move the nation's capital from New York City to a more central location at Washington, D.C.
  
- c). **Whiskey Rebellion 1794 -**  
Since grains were the main ingredient in liquors, grain farmers from western Pennsylvania were hit hard by the excise taxes. Farmers believed it was unfair and refused to pay. Washington responded by leading an army of 13,000 troops to enforce the whiskey tax.

### **SECTION 3: WHAT ISSUES IN POLITICS AND FOREIGN AFFAIRS FACED AMERICA?**

1). **Political Parties** - the nation was divided into several groups of people with different ideas on how the nation should be governed.

a) **Democratic-Republican Party** - started by Thomas Jefferson and James Madison.

(AKA REPUBLICANS) This party believed that government should limit its powers and stick to what is stated in the constitution. They also believed that the States, not Congress, should control most government matters.

b) **Federalist Party** - led by John Adams and Alexander Hamilton. (POLICY OF THE RICH AND ELITE) This party believed in strong central government over the states and the constitution should be interpreted loosely with frequent use of the IMPLIED POWER or elastic clause. This increased the power of the government when something was not in the constitution.

2). **Problems with France and Britain:**

a) **Treaty of Alliance with France 1778:**

The US was expected to go to war if France went to war as was the case in Europe. President Washington made a PROCLAMATION OF NEUTRALITY stating the US would take no side in the French wars. This proclamation angered the French and would cause poor relations with them for several decades. (FIRST MAJOR FOREIGN POLICY FOR THE US)

b) Britain seized US ships and impressed US sailors. The British had also promised to close forts in the Northwest Territory but did not.

c) Jay's Treaty 1794- was meant to avoid war with England by closing the British forts in the Northwest Territory.

d) Pinckney's Treaty 1795- Spain agreed to let the US travel the Mississippi River and use the port city of New Orleans.

e) Precedents established by President Washington:

- Two term tradition/custom – ended with the 22<sup>nd</sup> Amendment in 1951
- Farewell Address at the end of term
- Every president has used a cabinet of advisors
- No peacetime military alliances – this lasted until after World War II (1945)
- Neutrality as a foreign policy – this lasted up until World War I (1917)

#### **SECTION 4: HOW DID CONFLICT WITH FRANCE AFFECT THE NATION?**

- 1). **Election of 1796:** John Adams becomes the 2<sup>nd</sup> President and Jefferson finished 2<sup>nd</sup> and become Vice-President
- 2). **XYZ AFFAIR-** Hoping to avoid war, Adams sent 3 diplomats to France to negotiate a treaty. The French demand that US pay \$250,000 as a gift. This was an international insult and when Adams told Congress he only referred to the French representatives as “XY and Z”. The American public was outraged chanted the slogan “Millions for defense but not one cent for tribute” (BRIBERY)
- 3). Increased tension between US & France led to an “undeclared naval war” during 1798 & 1799
- 4). **Alien & Sedition Acts 1798** were passed by Federalist controlled Congress. The Alien Act made it harder for foreigners to become citizens so they could not vote for the Republicans and also gave the president power to deport foreigner who he considered dangerous. The Sedition Act arrested people who said anything critical or false about the Federalist led government.
- 5). **Kentucky & Virginia Resolutions 1798:**  
The Alien & Sedition Acts were clearly violating the 1<sup>st</sup> Amendment but the Supreme Court did not act. This led to the 1<sup>st</sup> real challenge of federal government’s power when Jefferson and Madison wrote this protest that became the basis for the State’s Rights Doctrine. In short, it said the states had the power to **NULLIFY** laws passed by the federal government that it considered unconstitutional, such as the Alien & Sedition Acts. When states are very unhappy with laws passed by the federal government, they may threaten to **SECEDE** from the Union.