

FEDERALISTS AND REPUBLICANS

The resolution of these initial issues, however, did not resolve the deep disagreements about the nature of the new government. On the contrary, for the first twelve years under the Constitution, American politics was characterized by a level of acrimony seldom matched in any period since. The framers of the Constitution had dealt with many disagreements not by solving them but by papering them over with a series of vague compromises; as a result, the conflicts survived to plague the new government.

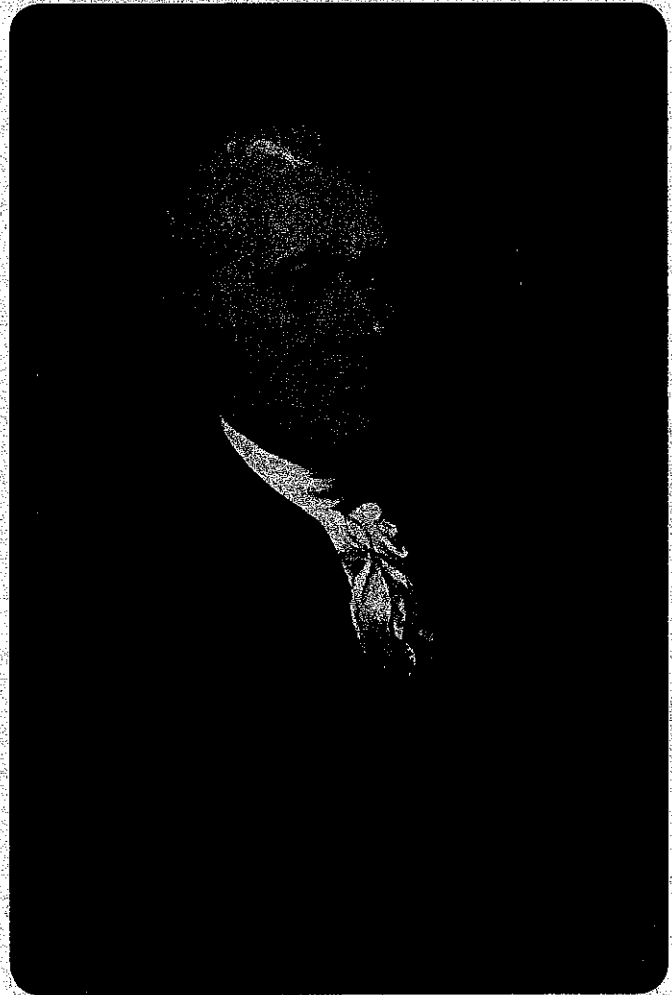
At the heart of the controversies of the 1790s was the same basic difference in philosophy that had been at the heart of the debate over the Constitution. On one side stood a powerful group that believed America required a strong, national government: that the country's mission was to become a genuine nation-state, with centralized authority, a complex commercial economy, and a proud standing in world affairs. On the other side stood another group—a minority at first, but one that gained strength during the decade—that envisioned a far weaker central government. American society should not, this group believed, aspire to be highly commercial or urban. It should remain predominantly rural and agrarian, and it should have a central government of modest size and powers that would leave most power in the hands of the states and the people. The centralizers became known as the Federalists and gravitated to the leadership of Alexander Hamilton. Their opponents took the name Republicans and gathered under the leadership of James Madison and Thomas Jefferson.

COMPETING VISIONS

HAMILTON AND THE FEDERALISTS

For twelve years, control of the new government remained firmly in the hands of the Federalists. That was in part because George Washington had always envisioned a strong national government and as president had quietly supported those who were attempting to create one. His enormous prestige throughout the nation was one of the Federalists' greatest assets. But Washington also believed that the presidency should remain above political controversies, and so he avoided any personal involvement in the deliberations of Congress. As a result, the dominant figure in his administration became his talented secretary of the treasury, Alexander Hamilton, who exerted more influence on domestic and foreign policy than anyone else both during his term of office and, to an almost equal extent, after his resignation in 1794.

Of all the national leaders of his time, Hamilton was one of the most aristocratic in personal tastes and political philosophy—ironically, perhaps, since his own origins as an illegitimate child in the Caribbean had been so humble. Far from embracing the republican ideals of the virtue of the people, he believed that a stable and effective government



ALEXANDER HAMILTON As President George Washington's secretary of the Treasury, Alexander Hamilton exerted enormous influence in both domestic and foreign affairs. Hamilton favored the establishment of an enlightened ruling class to govern the new nation. His plans for the new federal government to assume existing public debt and to establish a national bank were part of his vision of a powerful nation with a vigorous and independent commercial economy, a robust industrial sector, and a dynamic role in world economic affairs. (© De Agostini Picture Library/The Bridgeman Art Library)

required an enlightened ruling class. Thus the new government needed the support of the wealthy and powerful, and to get that support, it needed to give those elites a stake in its success. Hamilton proposed, therefore, that the new government take responsibility for the existing public debt. Many of the miscellaneous, uncertain, depreciated certificates of indebtedness that the old Congress had issued during and after the Revolution were now in the hands of wealthy speculators; the government should call them in and exchange them for uniform, interest-bearing bonds, payable at definite dates. (This policy was known as "funding" the debt.) He also recommended that the federal government "assume" (or take over) the debts the states had accumulated during the Revolution; this assumption policy would encourage state as well as federal bondholders to look to the central government

ASSUMING THE DEBT

for eventual payment. Hamilton did not, in other words, envision paying off and thus eliminating the debt. He wanted instead to create a large and permanent national debt, with new bonds being issued as old ones were paid off. The result, he believed, would be that creditors—the wealthy classes most likely to lend money to the government—would have a permanent stake in seeing the government survive.

Hamilton also wanted to create a national bank. At the time, there were only a few banks in the country, located principally in Boston, Philadelphia, and New York City. A new, national bank would help fill the void that the absence of a well-developed banking system had created. It would provide loans and currency to businesses. It would give the government a safe place to deposit federal funds. It would help collect taxes and disburse the government's expenditures. The bank would be chartered by the federal government, would have a monopoly of the government's own banking business, and would be controlled by directors, of whom one-fifth would be appointed by the government. It would provide a stable center to the nation's small and feeble banking system.

The funding and assumption of debts would require new sources of revenue, since the government would now have to pay interest on the loans it was accepting. Up to now, most government revenues had come from the sale of public lands in the West. Hamilton proposed two new kinds of taxes. One was an excise to be paid by distillers of alcoholic liquors, a tax that would fall most heavily on the whiskey distillers of the backcountry, especially in Pennsylvania, Virginia, and North Carolina—small farmers who converted part of their corn and rye crop into whiskey. The other was a tariff on imports, which not only would raise revenue but also would protect American manufacturing from foreign competition. In his famous "Report on Manufactures" of 1791, Hamilton laid out a grand scheme for stimulating the growth of industry in the United States and wrote glowingly of the advantages to the nation of a healthy manufacturing base.

The Federalists, in short, offered more than a vision of how to stabilize the new government. They offered a vision of the sort of nation America should become—a nation with a wealthy, enlightened ruling class, a vigorous, independent commercial economy, and a thriving industrial sector; a nation able to play a prominent role in world economic affairs.

ENACTING THE FEDERALIST PROGRAM

Few members of Congress objected to Hamilton's plan for funding the national debt, but many did oppose his proposal to accept the debt "at par," that is, at face value. The old certificates had been issued to merchants and farmers in payment for war supplies during the Revolution, or to officers and soldiers of the Revolutionary army in payment for their services. But many of these original holders had sold their bonds during the hard times of the 1780s to speculators, who had bought them at a fraction of their face value. Many

DEBATING HAMILTON'S PROGRAM

members of Congress believed that if the federal government was to assume responsibility for these bonds, some of them should be returned to the original purchasers. James Madison, now a representative from Virginia, proposed dividing the federally funded bonds between the original purchasers and the speculators. But Hamilton's allies insisted that such a plan was impractical and that the honor of the government required that it pay the bondholders themselves, not the original lenders who had sold their bonds of their own accord. Congress finally passed the funding bill Hamilton wanted.

Hamilton's proposal that the federal government assume the state debts encountered greater difficulty. His opponents argued that if the federal government took over the state debts, the people of states with few debts would have to pay taxes to service the larger debts of other states. Hamilton and his supporters struck a bargain with the Virginians to win passage of the bill.

The deal involved the location of the national capital. The capital had moved from New York City back to Philadelphia in 1790. But the Virginians wanted a new capital near them in the South. Hamilton met with Thomas Jefferson and agreed over dinner to provide northern support for placing the capital in the South in exchange for Virginia's votes for the assumption bill. The bargain called for the construction of a new capital city on the banks of the Potomac River, which divided Virginia and Maryland, on land to be selected by Washington himself. The government would move there by the beginning of the new century.

Hamilton argued that creation of a national bank was compatible with the intent of the Constitution, even though the document did not explicitly authorize it. But Madison, Jefferson, Randolph, and others argued that Congress should exercise no powers that the Constitution had not clearly assigned it. Nevertheless, both the House and the Senate finally agreed to Hamilton's bill. Washington displayed some uncertainty about its legality at first, but he finally signed it. The Bank of the United States began operations in 1791, under a charter that granted it the right to continue for twenty years.

Once enacted, Hamilton's program had many of the effects he had intended and won the support of influential segments of the population. It quickly restored public credit; the bonds of the United States were soon selling at home and abroad at prices even above their face value. Speculators (among them many members of Congress) reaped large profits as a result. Manufacturers profited from the tariffs, and merchants in the seaports benefited from the new banking system.

Small farmers, who formed the vast majority of the population, complained that they had to bear a disproportionate tax burden. Not only did they have to pay property taxes to their state governments, but they bore the brunt of the excise tax on distilleries that Hamilton had initiated. They also opposed a 1792 tariff, also promoted by Hamilton. Many Americans came to believe that the Federalist

program served the interests not of the people but of small, wealthy elites. Partly as a result, an organized political opposition arose.

THE REPUBLICAN OPPOSITION

The Constitution had made no reference to political parties, and the omission was not an oversight. Most of the framers—George Washington in particular—believed that organized parties were dangerous and should be avoided. Disagreement on particular issues was inevitable, but most of the founders believed that such disagreements need not and should not lead to the formation of permanent factions. “The public good is disregarded in the conflicts of rival parties,” Madison wrote in *The Federalist Papers*, Number 10, perhaps the most influential of all the essays, “and . . . measures are too often decided, not according to the rules of justice and the rights of the minor party, but by the superior force of an interested and overbearing majority.”

Yet, within just a few years after ratification of the Constitution, Madison and others became convinced that Hamilton and his followers had become just such an “interested and overbearing majority.” The Hamiltonians, Madison and others agreed, had worked to establish a national network of influence that embodied all the worst features of a party. The Federalists had used their control over appointments and the awarding of government franchises to reward their supporters and win additional allies. They had encouraged the formation of local associations—largely

aristocratic in nature—to strengthen their standing in local communities. They were doing many of the same things, their opponents believed, that the corrupt British governments of the early eighteenth century had done.

Because the Federalists appeared to be creating a menacing and tyrannical structure of power, their opponents believed that there was no alternative but to organize a vigorous opposition. The result was the emergence of an alternative political

FORMATION OF THE REPUBLICAN PARTY

organization, which called itself the Republican Party. (This first “Republican” Party is not an ancestor of the modern Republican Party, which was born in the 1850s.) By the late 1790s, the Republicans were going to even greater lengths than the Federalists to create an apparatus of partisan influence. In every state they formed committees, societies, and caucuses. Republican groups corresponded with one another across state lines. They banded together to influence state and local elections. And they justified their actions by claiming that they and they alone represented the true interests of the nation—that they were fighting to defend the people against a corrupt conspiracy by the Federalists. Just as Hamilton believed that the network of supporters he was creating represented the only legitimate interest group in the nation, so the Republicans believed that their party organization represented the best interests of the people. Neither side was willing to admit that it was acting as a party; neither would concede the right of the other to exist. This institutionalized factionalism is known to scholars as the “first party system.”

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THE JEFFERSONIAN IDYLL American artists in the early nineteenth century were drawn to tranquil rural scenes, symbolic of the Jeffersonian vision of a nation of small, independent farmers. By 1922, when Francis Alexander painted this pastoral landscape of “Ralph Wheelock’s Farm,” the simple agrarian republic it depicts was already being transformed by rapid economic growth. (Courtesy, National Gallery of Art, Washington)

From the beginning, the preeminent figures among the Republicans were Thomas Jefferson and James Madison. Indeed, the two men were such intimate collaborators with such similar political philosophies that it is sometimes difficult to distinguish the contributions of one from those of the other. But Jefferson, the more charismatic personality of the two, gradually emerged as the most prominent spokesman for the Republicans. Jefferson considered himself a farmer. (He was, in fact, a substantial planter; but he had spent little time in recent years at his estate in Virginia.) He believed in an agrarian republic, most of whose citizens would be sturdy, independent farmer-citizens tilling their own soil.

Jefferson did not scorn commercial activity; he assumed farmers would market their crops in the national and even international markets. Nor did he oppose industry; he believed the United States should develop some manufacturing capacity. But he was suspicious of large cities, feared urban mobs as "sores upon the body politic," and opposed the development of an advanced industrial economy because it would, he feared, increase the number of propertyless workers packed in cities. In short, Jefferson envisioned a decentralized society, dominated by small property owners engaged largely in agrarian activities.

The difference between the Federalist and Republican social philosophies was visible in, among other things, reactions to the French Revolution. As that revolution grew increasingly radical in the 1790s, with its attacks on organized religion, the overthrow of the monarchy, and eventually the execution of the king and queen, the Federalists expressed horror. But the Republicans generally applauded the democratic, antiaristocratic spirit they believed the French Revolution embodied. Some even imitated the French radicals (the Jacobins) by cutting their hair short, wearing pantaloons, and addressing one another as "Citizen" and "Citizeness."

Although both parties had supporters in all parts of the country and among all classes, there were regional and economic differences. The Federalists were most numerous in the commercial centers of the Northeast and in such southern seaports as Charleston; the Republicans were most numerous in the rural areas of the South and the West.

As the 1792 presidential election—the nation's second—approached, both Jefferson and Hamilton urged Washington to run for another term. The president reluctantly agreed. But while most Americans considered Washington above the partisan battle, he was actually much more in sympathy with the Federalists than with the Republicans. And during his presidency, Hamilton remained the dominant figure in government.

ESTABLISHING NATIONAL SOVEREIGNTY

The Federalists consolidated their position—and for a time attracted wide public support for the new national government—by dealing effectively with two problems the old Confederation had been unable fully to resolve. They helped

stabilize the nation's western lands, and they strengthened America's international position.

SECURING THE FRONTIER

Despite the Northwest Ordinance, the Confederation Congress had largely failed to tie the outlying western areas of the country firmly to the government. Farmers in western Massachusetts had risen in revolt; settlers in Vermont, Kentucky, and Tennessee had toyed with the idea of separating from the Union. The new government under the Constitution inherited these problems.

In 1794, farmers in western Pennsylvania raised a major challenge to federal authority when they refused to pay a whiskey excise tax and began terrorizing the tax collectors (much as colonists had done at the time of the Stamp Act). But the federal government did not leave settlement of the so-called Whiskey Rebellion to Pennsylvania, as the Confederation Congress had left Shays's Rebellion to Massachusetts. At Hamilton's urging, Washington called out the militias of three states, raised an army of nearly 15,000 (a larger force than he had commanded against the British during most of the Revolution), and personally led the troops into Pennsylvania. As the militiamen approached Pittsburgh, the center of the resistance, the rebellion quickly collapsed.

The federal government won the allegiance of the whiskey rebels by intimidating them. It won the loyalties of other frontier people by accepting their territories as new states in the Union. The last of the original thirteen colonies joined the Union once the Bill of Rights had been appended to the Constitution—North Carolina in 1789 and Rhode Island in 1790. Then Vermont, which had had its own state government since the Revolution, became the fourteenth state in 1791 after New York and New Hampshire finally agreed to give up their claims to it. Next came Kentucky, in 1792, when Virginia gave up its claim to that region. After North Carolina finally ceded its western lands to the Union, Tennessee became first a territory and, in 1796, a state.

NATIVE AMERICANS AND THE NEW NATION

The new government faced a greater challenge, also inherited from the Confederation, in the more distant areas of the Northwest and the Southwest, where Indians (occasionally in alliance with the British and Spanish) fought to retain tribal lands that the U.S. government claimed for itself. The ordinances of 1784–1787 had produced a series of border conflicts with Indian tribes resisting white settlement in what they considered their lands. Although the United States eventually defeated virtually every Indian challenge (if often at great cost), it was clear that the larger question of who was to control the lands of the West—the United States or the Indian nations—remained unanswered.

These clashes revealed another issue the Constitution had done little to resolve: the place of the Indian nations within