Alexander Hamilton

Economic Problems,

Financial Plan,

& Interpreting the Constitution
Economic Problems

- Nation’s finances a wreck
  - War Debts
  - Private citizens loaned money to the government
  - State governments had their own wartime debts
- US debt in 1789 = $52 million
  - Current US debt
Economic Problems

- Must repay debts to win the respect of both foreign nations and its own citizens
- Demonstrate responsibility with money
- Could hamper lending relations in the future
Hamilton’s Financial Plan

- Believed in a strong central government
- National government > State governments
- Government should encourage business and industry
- Strived to get wealthy merchants and manufacturers on his side
Hamilton’s Financial Plan

- **3 Steps**
  - Pay off all war debts
  - Raise government revenues
  - Create a national bank

- **Wanted National government to pay off the war debts of the states**
  - Most southern states had paid theirs off and did not want to help northern states to pay off theirs
  - Compromise – the nations capital would be located in the South
Hamilton’s Financial Plan

- **Favored tariffs**
  - Tax on imported goods, such as shoes and textiles

- **Benefits of tariffs**
  - Raises money for the government
  - Encourages growth of American industry

- **Create a national bank**
  - Safe place to keep money
  - Issue loans
  - Issue bank notes – paper money that could be used as currency
Interpreting the Constitution

- Not all people were in agreement with Hamilton
- Jefferson and Madison believed the Constitution discouraged a strong central government
- The meaning of the Constitution was debated
Interpreting the Constitution

- Jefferson’s and Madison’s argument
  - Strong interpreters of the Constitution
    - Strict construction – narrow or strict interpretation
    - Hamilton – loose construction – broad or flexible interpretation
  - Government did not have the power to set up a national bank
- Hamilton wins in Washington, and the National bank is created
Imagine you oppose or support Hamilton’s plan for the nation’s finances. Draw a political cartoon, in color, expressing your opinion.

Ideas

- National bank
- Debt
- Tariffs
- Interpretations of the Constitution