

Alexander Hamilton – Secretary of State

National Debt

- Faced a **LARGE national debt**. During the Revolution, the government borrowed a LOT of money to fund the war, pay soldiers, and buy supplies.
- They issued **bonds** to ordinary citizens who purchased them to fund the war and then cashed them in at a later time.
- Hamilton's Plan:
 - Wanted the government to pay both state and national debts
 - Buy up all the bonds issued by both the national and state governments before 1789
 - Planned to issue new bonds to pay off the old debts
 - As the economy improved, the government then would be able to pay off all the new bonds
 - Bankers and investors welcomed Hamilton's plan
- Those against Hamilton's Plan:
 - James Madison led the opposition
 - Argued that Hamilton was rewarding speculators who would make a huge profit although they did not initially buy the bonds (average citizens did)
- Eventually, the government approves Hamilton's Plan to pay off the national debt
- Hamilton's Compromise (State Debt):
 - Many southerners's wanted to build the nation's capital in the South. Hamilton agreed to this if the southern states would support his plan to payoff the state's debts
 - Madison and the other accepted the compromise
 - The nation's capital was temporarily moved from NYC to Philadelphia while the **NEW** capital was being built in Washington, D.C.

Build the Economy

- Designed a plan to help both agriculture and industry
- Called upon Congress to set up a National Bank
 - 1791 – Congress sets up the “**Bank of the United States**” and deposited money from taxes in the bank. The bank would then issue paper money to pay the governments bills and make loans to farmers and businesses. This was aimed at stimulating the economy.
- Asked Congress to pass a tariff on foreign goods brought into the country.
 - He wanted a high tariff to make imported goods more expensive than American goods.
 - It was meant to protect local industry from foreign competition which is also known as a protective tariff
 - The North supported Hamilton's plan (more factories)
 - The South did not support his plan (they bought many imported goods)
 - Congress did pass the tariff but it was much lower than Hamilton wanted

The Whiskey Rebellion

- To raise money for the Treasury, Congress approved a tax on all liquor made and sold in the United States. Hamilton wanted the tax to raise money for the treasury.
- Backcountry farmers hated the tax on Whiskey
- They rebelled when the tax collectors came to collect the tax – and Washington responded quickly. He dispatched the militia and showed the new government's strength
- The Whiskey Rebellion proved that the new President and the new government could act swiftly in times of crisis. It also showed that violence against the government would not be tolerated.