

Hamilton versus Jefferson; Formation of Political Parties

Alexander Hamilton (Secretary of the Treasury) inherits a very large problem: Paying off the national debt from the Revolutionary War.

His Financial Plan

1. Deal with the Debt

- Pay back foreign and domestic debt by replacing old bonds with new, interest-bearing bonds
- Assume (take on the responsibility of) most of the states' debts.
- ARGUMENT:
 - **Southern states** were very unhappy with this portion of the plan.
 - They did not have much debt and/or already paid their debts.
 - Battles occurred in the North, not the South = less to rebuild/lower debt
 - **Thomas Jefferson** (Secretary of State) also unhappy with plan
 - From Virginia
 - Anti-Federalist (stronger state governments)

2. Gain Revenue

- Pass a tariff to bring in money and help American manufacturers
- Stabilize the banking system by creating a national bank and national mint.
- ARGUMENT:
 - According to Constitution/Bill of Rights, **any power not directly listed in the Constitution belongs to the state governments** - example: banks
 - Thomas Jefferson argued that a national bank was unconstitutional
- COUNTERARGUMENT:
 - Alexander Hamilton makes the counterargument regarding the **elastic clause**, which gives the government the opportunity to make laws that are “necessary and proper” and change overtime.

Formation of Political Parties

• **FEDERALISTS**

- Supported **Alexander Hamilton**
- Favored a **strong national government**
 - Wanted to interpret the Constitution **loosely** - allowed the national government to have more power
- Believed the economy should focus on **manufacturing and trade**
- Favored a foreign alliance with **Great Britain**
- The **North** and **merchants** favored this political party

• **DEMOCRATIC-REPUBLICANS**

- Supported **Thomas Jefferson**
- Favored a **weaker national government with strong state governments**
 - Wanted to interpret the Constitution **strictly** - any power not listed in the Constitution belonged to the state governments = the national government less power
- Believed the economy should focus on **agriculture**
- Favored a foreign alliance with **France**
- The **South** and **farmers** favored this political party