Washington Administration – Tumult and Trials

With the ratification of the Constitution came the election of our first president George Washington. Seeking a solution to the prolonged economic crisis, Washington turned to his Secretary of the Treasury Alexander Hamilton.

Hamilton's Plan for Fiscal Security

Hamilton proposed to use the power of the now strong national government to create a new system of public finance. He then used this fiscal system to increase the wealth of the merchants and creditors and thus win support of his program.

Four Parts of the Plan

Redemption – The federal government will redeem the national debt by issuing interest-bearing bonds.

Assumption – The federal government will assume the debts of the states.

Funding – Congress passed a new tariff to raise money from imported goods. In these days before the income tax, tariffs served as the primary source of federal revenues.

Credit – Hamilton proposed establishment of the Bank of the United States to serve as the repository of government funds and advocated use of government securities as investment capital to encourage an industrial economy. Britain's mercantilist system prevented the development of much industry in the colonies, but as an independent nation the United States could foster domestic industry.

Hamilton's plan succeeded as foreign investment in U.S. government securities increased and with tariff revenue and domestic capital the reserves of the Bank of the United States swelled. Its bank notes then became the most important currency in the new republic and the republic stood at last on firm financial ground.

Notice that Hamilton's plan immediately called into question the provisions of the Constitution. Nowhere will you find authorization for the Bank of the United States (or today's equivalent of the Federal Reserve system) in the Constitution. Instituting Hamilton's plan required a loose rather than strict constructionist interpretation of the Constitution.

You hear this argument today about loose versus strict constructionist interpretations. How many times have you heard people talk about how judges are "making law" rather than following "what the Constitution says." You read the Constitution. When you read it, were you surprised by what you did not find? For example, we often hear about our
"right to privacy." Did you find it in the Constitution or its amendments? Do you have a right to privacy?

Foreign Policy

One of the responsibilities of the Executive Branch under the Constitution is foreign policy. An international crises of the 1790s demanded that the Washington Administration respond.

French Revolution - The French Revolution began in 1789 and Americans praised its overthrow of the French monarchy. The revolutionary government then proceeded in 1793 to guillotine hundreds of aristocrats and the King and Queen which drew Britain and France into war. Do you remember the 1778 alliance between the fighting colonies and France? France could call on the United States to honor that alliance and join it against the British. The new republic wanted nothing of another war. The Washington Administration divided between the pro-British element led by Hamilton and the pro-French led by Secretary of State Thomas Jefferson. The United States remained neutral and prospered.

British and Spanish in the West - You remember that during the Confederation era, the British refused to abandon their northwest forts until the United States paid its debts. John Jay negotiated for the Washington Administration with the British and the resulting treaty called for the British to leave the western posts and committed the United States to repay pre-Revolutionary debts to British merchants. Although the Jay Treaty’s provisions benefited the new nation, the bitter contest over its ratification again revealed divisions in the Administration. A second treaty, negotiated by Thomas Pinckney, resulted in Spain agreeing to a boundary in the southwest and opened the Mississippi River to American shipping. The Jay and Pinckney treaties opened the west to the Mississippi.

Domestic Crises

The Washington Administration faced domestic crises caused directly by westward expansion and failure to address the grievances of Indian peoples in the west. At the conclusion of the Revolution, Britain surrendered to the United States, but its Indian allies did not. Despite this fact, the United States attempted to treat western tribes as conquered peoples. Although the Northwest Ordinance’s Article III promised that “[T]he utmost good faith shall always be observed towards the Indians,” that same law called for opening land north of the Ohio River to white settlement.

(See previous link to the Northwest Ordinance: http://avalon.law.yale.edu/18th_century/nworder.asp)

The western tribes defended their lands against white settlers. Washington sent a force in 1791 to subdue the Indians but it was defeated at a loss of 900 killed or wounded in
the Ohio wilderness. Three years later another American force defeated an Indian confederacy and forced twelve Indian nations in 1795 to cede most of present-day Ohio, much of Indiana, and other sections of the Old Northwest. The Jay and Pinckney treaties in 1794 and 1795, respectively, resolved issues with Britain and Spain in the west, but other problems remained, exacerbated by the relentless growth of the Euro-American population (5.3 million in 1800 and growing at 3 percent per year).

As they had under the Confederation government, westerners distrusted this new national government because it failed to address their problems. The most serious expression of western discontent occurred in 1794 in western Pennsylvania.

**Whiskey Rebellion** – On the frontier in western Pennsylvania poverty dominated people's lives. When you read about how the federal government imposed the tax on whiskey in order to pay for defense of the frontier, did you recall how Britain imposed taxes on the colonists after the Seven Years' War in order to pay for the British troops left in the colonies for their defense? What was the colonists' response to the British taxes? What was the western settlers' response to the whiskey tax?

President Washington, who as a large landowner in western Pennsylvania had evicted many settlers from his land, sent a federal force of 13,000 (larger than the Continental Army he had commanded during the American Revolution) to occupy western Pennsylvania and suppress the protesters. By doing so, he employed the powers and displayed the strength of the new federal government.

**Washington's Farewell Address**

Washington left office after serving two terms in 1796. In his farewell address, he warned against the United States becoming involved in European affairs and against "the baneful effects of the spirit of party." (Paragraph 20)

You can read the address yourself: [http://avalon.law.yale.edu/18th_century/washing.asp](http://avalon.law.yale.edu/18th_century/washing.asp)

We are introduced to those "baneful effects" in our last lecture topic this week.

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