

Study Guide



Chapter 6, Section 1

For use with textbook pages 210–214

WASHINGTON AND CONGRESS

KEY TERMS AND NAMES

cabinet a group of advisers to the president (page 211)

Tariff of 1789 a tax on imports to raise revenue for the federal government (page 211)

bonds paper notes promising to repay money after a certain length of time with interest (page 212)

speculators people willing to take a risk in hopes of a future financial gain (page 212)

enumerated powers powers specifically mentioned in the Constitution (page 213)

implied powers powers not explicitly listed in the Constitution but necessary for the government to do its job (page 213)

Bank of the United States a national bank (page 213)

Whiskey Rebellion a protest by farmers against the government's tax on whiskey (page 213)

agrarianism the belief that the strength of a country is in its independent farmers (page 214)

DRAWING FROM EXPERIENCE

How does the government of your community raise the money it needs to pay for community services? How does the government of the United States raise the money?

In this section, you will learn how the new government of the United States addressed the challenges it faced. You will also learn why tensions grew between the two political parties in the nation.

ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes. Alexander Hamilton developed a plan to finance the new national government. Describe four parts of Hamilton's plan.



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READ TO LEARN

- **Creating a New Government** (page 210)

The first task facing the new government was to organize the government itself. The Congress set up departments to handle different responsibilities. It created the Department of State, the Department of the Treasury, and the Department of War. It also created the Office of the Attorney General. To head the departments, President Washington appointed Thomas Jefferson as secretary of state, Alexander Hamilton as secretary of the treasury, General Henry Knox as secretary of war, and Edmund Randolph as attorney general. This group of advisers to the president became known as the **cabinet**. Through the Judiciary Act of 1789, Congress established district courts and courts of appeal. It also established six justices for the Supreme Court. Washington chose John Jay as the first chief justice of the United States.

In 1789 Congress sent to the states for ratification 12 constitutional amendments. The states approved 10 amendments, and they became the Bill of Rights. The first 8 provided safeguards for the rights of individuals.

5. Why did Congress create various departments?

- **Financing the Government** (page 211)

After the government was organized, it needed to find ways to raise money to operate. To do so, Congress passed the **Tariff of 1789**. It taxed all imports from other countries. Shippers also had to pay tonnage, which was a tax based on how much their ships carried. Southerners opposed the tariff and the tonnage because they made it costly to ship their products to Europe and to import the goods they needed.

Hamilton supported the Tariff of 1789, but he also believed that the government needed the ability to borrow money. To pay for the Revolutionary War, the Confederation Congress issued **bonds**, or paper notes promising to repay money after a certain length of time with interest. By 1789 the United States owed about \$40 million to American citizens and about \$12 million to several foreign countries. These bonds had fallen in value. However, Hamilton believed that the government should pay these debts in full. He believed that doing so would give people confidence in the ability of the government to pay back its loans.

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Critics argued that Hamilton’s plan was unfair to the people who first purchased the bonds. Many of these people were farmers and Revolutionary War veterans. These people feared that they would never be paid, so they sold their bonds to **speculators**—people willing to take a risk in hopes of a future financial gain. Many of these speculators paid very little for the bonds but would now receive full value. Southerners were upset because most of the people who owned the bonds were Northerners, but much of the tax money used to pay off the bonds would come from the South.

Congress debated Hamilton’s plans for months, but finally agreed on a compromise. Madison and Jefferson would convince Southerners to vote for Hamilton’s plan. In exchange, the capital of the United States would be moved from New York to a section of land to be called the District of Columbia, located in the South.

Hamilton also asked Congress to establish a national bank. Hamilton argued that the bank was needed to manage the country’s debts and interest payments. The bank would also make loans and issue paper money.

Southerners opposed the bank because they believed that Northern merchants would own most of the bank’s stock. Madison argued that Congress could not establish a bank because it was not among the federal government’s **enumerated powers**—powers specifically mentioned in the Constitution. Hamilton argued that the Constitution gave the federal government the power to make laws that were necessary for it to execute its responsibilities. He argued that this created **implied powers**—powers not explicitly listed in the Constitution but necessary for the government to do its job. After studying both sides of the debate, President Washington agreed to sign the bill, which created the **Bank of the United States**.

Hamilton also believed that the government had the right to impose direct taxes on the people. In 1791 Congress passed Hamilton’s proposal for a tax on the making of American whiskey. This tax angered farmers in the west, where paper money was not available in large quantities and whiskey was used as a medium of exchange. In western Pennsylvania, farmers rebelled against the tax. Hamilton wanted to establish the authority of the federal government to collect taxes, so he urged President Washington to send troops to crush the **Whiskey Rebellion**. The rebels stopped without a fight.

6. Why did Hamilton want to establish a national bank?

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- **The Rise of Political Parties** *(page 213)*

The debate over Hamilton’s financial plans split Congress into two sides. These sides became the nation’s first political parties. Those who supported Hamilton were called Federalists. Those who opposed him took the name Democratic-Republicans. Most people called them Republicans.

Hamilton supported a strong national government and favored putting the government into the hands of the wealthy. He believed that manufacturing and trade were important for a nation’s healthy economy. Thomas Jefferson opposed Hamilton and was the leader of the Democratic-Republicans. He believed that a nation’s strength was in its independent farmers. This belief is known as **agrarianism**. Democratic-Republicans supported agriculture over manufacturing and trade as important for a healthy national economy. They also believed that Hamilton’s plan favored the North over the South.

In time, the Democratic-Republican Party stood for the rights of states against the power of the federal government. The South and the West supported it. The Federalists gained their support from the Northeast.

7. From what regions of the country did the Democratic-Republicans and the Federalists gain support?
