

A HISTORY OF US

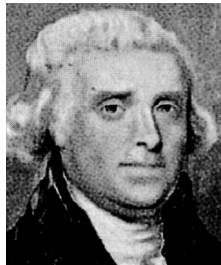
The Sense of America

Hamilton published an attack on Jefferson saying that he was disloyal to the Constitution. Jefferson wrote a letter to President Washington answering that charge.

No man in the United States, I suppose, approved of every title in the constitution; no one, I believe, approved more of it than I did...my objection to the constitution was that it wanted a bill of rights, securing freedom of religion, freedom of the press, freedom from standing armies, trial by jury, and a constant habeas corpus act. Colonel Hamilton's was that it wanted a King and House of Lords. The sense of America has approved my objection, and added a bill of rights, not the King and Lords.

Here is an old saying the Founders had probably heard: *Liberty for the whale means death for the minnow.* What does that mean? How does it relate to a free nation?

3 The Parties Begin



"Men by their constitutions," said Thomas Jefferson, "are naturally divided into two parties."

Those two opposites—Jefferson and Hamilton—had ideas that needed balancing. They helped found the country's first political parties. They respected, but didn't understand, each other.

"Mr. Jefferson," wrote Hamilton, "is at the head of a faction decidedly hostile to me and ...dangerous to the union, peace, and the happiness of the country."

Jefferson replied that Hamilton's ideas "flowed from principles adverse to liberty, and...calculated to undermine and demolish the Republic."

Whew! Those are strong words. "Dangerous," "hostile," "adverse to liberty"—did they really mean it? These were men who had built the country together. What was going on?

To put it simply: they disagreed about power and who ought to have it. It was that old conflict that had kept everyone arguing when the Constitution was being written.

Jefferson and Hamilton were both concerned about liberty and about power. How do you balance the two? How do you guarantee freedom? How do you create a government that can keep order and make sure that government doesn't oppress people? How strong should the government be?

Hamilton believed the government should be strong. If the government was to work for all the people, instead of just those with the loudest voices, it needed to be powerful. Hamilton thought that government should be run by aristocratic leaders, that is, by the prosperous, well-educated citizens who he thought had the time and talents to best run a country. He feared the masses. He said they sometimes acted like sheep, mindlessly following a leader.

THE NEW NATION

But Hamilton was also wary of the rich. He thought they often acted out of self-interest—that means they did what was good for themselves. Hamilton knew the government needed checks and balances so no group could gain control.

“Give all power to the many,” wrote Hamilton, “and they will oppress the few. Give all power to the few, they will oppress the many. Both therefore ought to have power, that each may defend itself against the other.”

Thomas Jefferson feared powerful government. It was justice and liberty for the individual that concerned him. He saw a strong, centralized government as an enemy of individual liberty. Jefferson had been in Europe and had seen kings in action: he hated monarchies. He feared a king-like president.

Jefferson had faith in ordinary people. He thought they could govern themselves—if they were educated. And so he wrote a plan for public schools and colleges. He wanted an amendment to the Constitution that would provide for free education.

Because of the differences in ideas, it became clear that political parties were needed. Hamilton’s followers formed the “Federalist Party.” Jefferson’s followers were called “Democratic-Republicans,” or sometimes just Republicans.

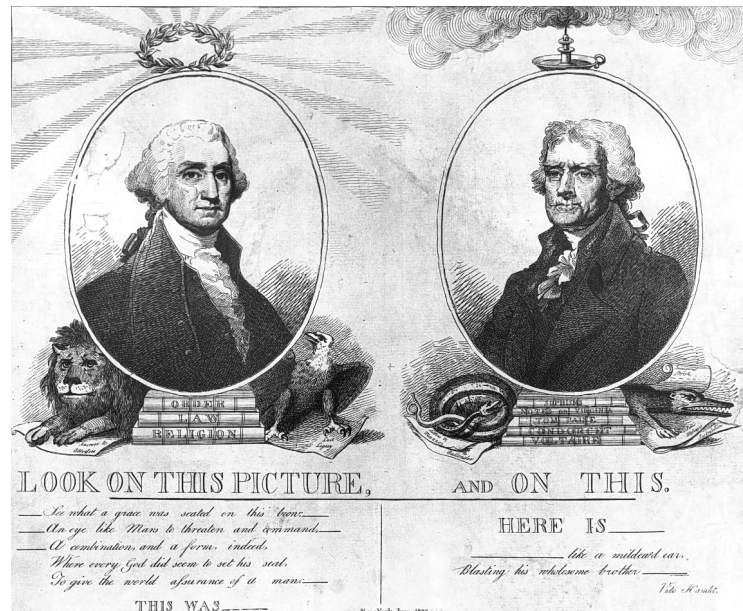
Now this is confusing, so pay attention. The Federalists and Republicans were not like our Democrats and Republicans—but they were the beginnings of today’s party system. This is what is confusing: Jefferson’s Republican Party was not like today’s Republican Party. Actually, it was the parent of today’s Democratic Party. (The modern Republicans got started later with a president named Abraham Lincoln.)

Jefferson and Hamilton were both good men, and the ideas of each have been important in our country. On most issues (but not all), Hamilton was a “conservative”

Jefferson fought for freedom of the press. That meant papers would be free to criticize him. Here, Washington is the hero with the halo over his head; Jefferson is the villain with a smoky black candle as his symbol. How do you think T.J. felt about that?

What are **masses**? “Mass” is the scientific term for any quantity of matter, tiny or huge. That wasn’t the definition Hamilton had in mind. Another meaning of “mass” is a great many people. *The masses* came to mean “the workers and ordinary folk in a country.” Hamilton didn’t think himself part of the masses. Although he was a poor boy, he became rich and well educated.

Jefferson didn’t get his free education amendment. His plan for education in Virginia was turned down in the Virginia General Assembly.



A HISTORY OF US

Jefferson is attacked for sympathizing with the French Revolution. The Federal eagle is rescuing the Constitution before Jefferson burns it. Was this the true state of affairs?



THE PROVIDENTIAL DETECTION

Opposite Sides of a Penny

One dictionary's definition of **conservative** is "characterized by caution, moderation, or reluctance to make changes; avoiding extremes." **Liberal** is defined as "having political views that favor civil liberties, democratic reforms, and the use of governmental power to promote social progress." But these words have had very different meanings at different times.

Jefferson said, "The many!"
Hamilton said, "The few!"
Like opposite sides of a penny
Were those exalted two.
If Jefferson said, "It's black, sir!"
Hamilton cried, "It's white!"
But, 'twixt the two, our Constitu-
tion started working right.

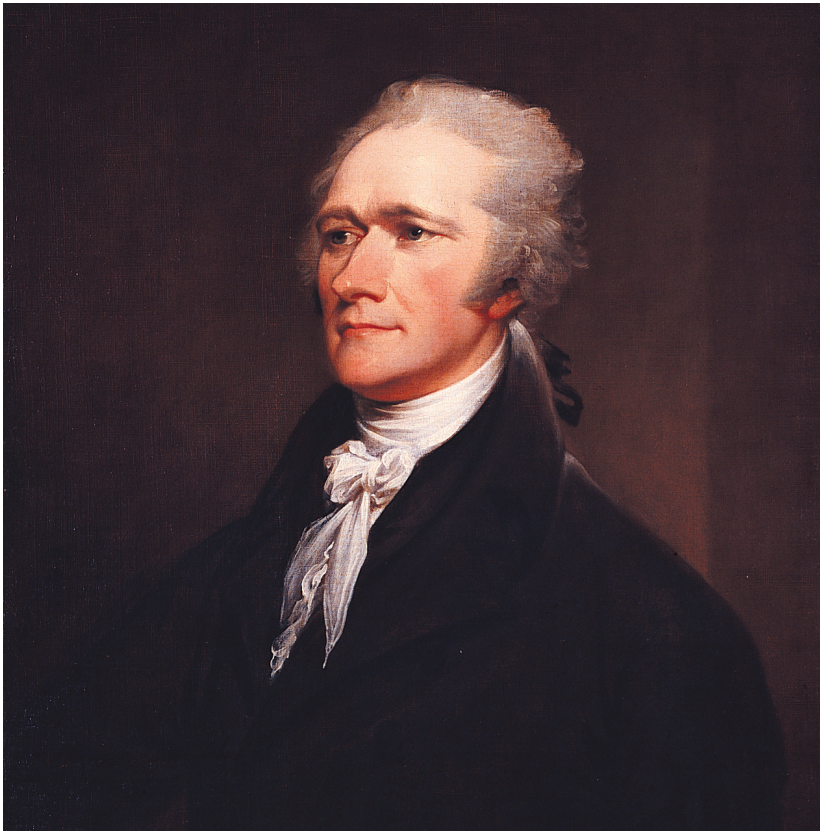
Hamilton liked the courtly, Jefferson liked the plain,
They'd bow for a while, but shortly
The fight would break out again.
H. was the stripling Colonel
That Washington loved and knew,
A man of mark with a burning spark
Before he was twenty-two.

He came from the warm Antilles
Where the love and the hate last long,
And he thought most people sillies
Who should be ruled by the strong.
Brilliant, comely and certain,
He generally got his way,
Till the sillies said, "We'd rather be dead,"
And then it was up to J.

He could handle the Nation's dollars
With a magic that's known to few,
He could talk with the wits and scholars
And scratch like a wildcat, too.
And he yoked the States together
With a yoke that is strong and stout.
(It was common dust that he did not trust
And that's where J. wins out.)

—STEPHEN VINCENT BENÉT, "ALEXANDER HAMILTON"

THE NEW NATION



This portrait of Alexander Hamilton was painted by American artist John Trumbull, and now hangs in the National Portrait Gallery in Washington, D.C.

and Jefferson a “liberal.” Have you ever heard people argue about conservatism and liberalism? Well, if you haven’t, you will. That argument almost tore the country apart in 1800, and it continues today. Which is better: conservatism or liberalism? I think it is the tension and the compromises between those two ideas that have helped make this country great. We need Hamiltonians, we need Jeffersonians, and we need to have them work together.

Which is just what has always happened in America. That is not true in many other nations.

In some countries, people who speak out against the government are put in jail, or even killed. Members of the losing party are thrown out of the country, or even killed. That doesn’t happen in America. Here, since the time of President George Washington, winners and losers have always agreed to work together—as Thomas Jefferson and Alexander Hamilton did. What does that mean for you? Do you have to be afraid of being on the side of the losing party? Can you speak out for an unpopular cause? Of course you can, you’re an American.

Alexander Hamilton said this on June 12, 1787 during the debates at the Federal Convention: “All communities divide themselves into the few and the many. The first are the rich and wellborn, the other the mass of the people. . . . The people are turbulent and changing; they seldom judge or determine right. Give therefore to the first class a distinct, permanent share in the government. They will check the unsteadiness of the second, and. . . therefore will ever maintain good government.” Do you agree with Hamilton?



During the Revolution the colonies issued their own money; the American troops were paid in "Continental dollars." But the government had little gold or silver to back the bills; soon any valueless object was said to be "not worth a Continental."

Lots of people argue about money, so you may not be surprised to learn that Hamilton and Jefferson did that, too. They had different visions of the way they wanted the United States to grow. Hamilton wanted to encourage business and industry. Jefferson hoped to keep America a nation of farmers and landholders.

But the world was changing, and, whether Jefferson liked it or not, cities and factories were on their way. So was a *money economy*.

In early America, most people were self-sufficient farmers and had little use for money. They bartered—traded—for what they needed. About the time the United States became a nation, we were turning into a *capitalistic society*.

Here are some words to help you understand about capitalism: *capital* is money, or any goods or assets that can be turned into money. If your family owns a house or car that can be sold for cash, that is part of your family's capital, along with any money you have in the bank and in your pocket.

The grease that lubricates the wheels of a capitalistic economy is *credit*. Credit is borrowing power. If you want to start a business you will probably need to borrow money to do so. (Most businesses are started that way.) The bank, or whoever lends you the money, needs to be convinced you will pay back the loan. They

Money, Money, Money, Money

need to be sure your credit is good. Sometimes you have to promise to give them your house or car if you can't pay back the loan. The house (or whatever the bank believes has value) is called your *collateral*.

Governments need to borrow money too. One way they do that is by issuing government bonds. A *bond* is a written promise to pay back a loan. Usually, it is a promise to pay the amount loaned plus interest. (*Interest* is a charge for borrowing money. Charging interest is how banks make their money.) You can buy a government bond. You will be lending money to your government and you will earn interest, too.

Just like people, some governments pay their debts promptly and have good credit. Some governments *default* on their bonds. That means they don't pay what they owe. Naturally, they have difficulties the next time they want to borrow money.

In the time of George Washington, when the United States was just beginning, it owed a lot of money. The Congress of the Articles of Confederation had borrowed from citizens and from other nations in order to fight the Revolutionary War. The debt was huge and it was not being paid off properly. The bondholders were not getting interest payments. They could



THE NEW NATION



not get their money back for their bonds.

Some Americans thought that was all right. They thought it was unfair for the new nation to be stuck with the debts of the old government. Some people suggested that the new United States government ignore those old debts.

Many former soldiers and farmers and everyday citizens had lent the government money. That made them *investors*. They held government bonds. Those citizen-investors believed their bonds were worthless. There were rumors that the government would not pay the debt. Many of those investors sold their bonds for much less than their *face* (promised) value. Some people who held \$100 government bonds sold them for \$25. They thought they were lucky to get anything for them.

The people who bought the bonds were *speculators*. They were taking a chance. Many of the speculators were wealthy, so they could afford to take a chance.

That was the situation when Alexander Hamilton became secretary of the treasury. The government debt was \$64.12 million. It would be very difficult to pay that enormous amount of money. "Couldn't the United States start with a clean slate?" many people asked.

Jefferson and Madison believed the new government

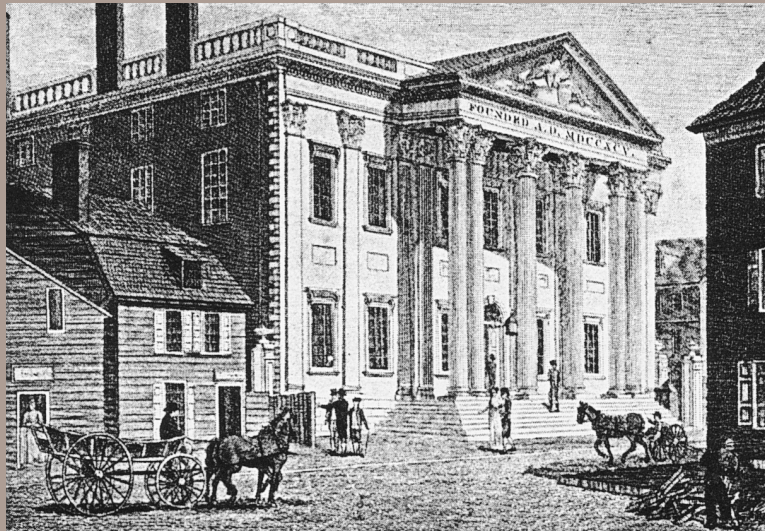
should not be responsible for the mistakes and debts of the old. They didn't want to see speculators get rich.

Hamilton disagreed. He said, "States, like individuals, who observe their engagements, are respected and trusted, while the reverse is the fate of those who pursue an opposite conduct." Hamilton decided to pay off the debt. He got Congress to do it. Jefferson and Madison were furious.

But when Hamilton left office (when he stopped being treasury secretary), in 1795, the United States had a fine credit rating. Everyone wanted to buy U.S. government bonds, because they knew they could

trust the new nation. Our country was standing on sound financial feet.

Some people call capitalism a *free enterprise system*. That sounds like a place where people can do business without government regulations. But every modern country has rules and regulations for business. You wouldn't want a no-rules-at-all country. A dishonest grocer could cheat and make his scales say two pounds when he was selling only one pound. If ingredients weren't listed on food and cosmetic packages, anything might be inside, and you'd never know—until you got sick. But in a free enterprise system you can choose your own business; you can usually buy and sell where you wish; you have a great deal of freedom.



The first American bank, Philadelphia's Bank of the United States, cost so much to construct that the builders had to finish the sides in brick instead of marble.