Hamilton vs. Jeffersonians

After the new United States Congress completed its first task of creating a Bill of Rights, it turned its attention to the issue of financing the new government. President George Washington appointed Alexander Hamilton as the Treasury Secretary, and Hamilton took it upon himself to develop an economic structure for the United States that would give the public confidence in the government’s financial affairs.

As he formulated his plan, Hamilton used a loose interpretation of the Constitution, believing that what the Constitution did not specifically forbid, it allowed. He also believed that a strong central government was critical to encourage commerce and industry and to prevent chaos within America’s borders. This perspective shaped his fiscal plan.

Hamilton’s proposal, titled “The First Report on the Public Credit,” declared that the federal government would assume the debts of the individual states. Each of the thirteen states had amassed significant debt as they fought for freedom from Britain. Hamilton believed that assuming these debts would not only give the public confidence in the federal government, but would also emotionally bind them to the government out of a sense of loyalty and gratitude. Adopting the states’ debts would cost the federal government around $21.5 million, an awesome sum at that time. Several southern states had already paid off their debts and would receive no direct benefit from the assumption of debts, so Hamilton’s plan offered to put a new national capital in the south. This capital would eventually become Washington, D.C.

The second element of Hamilton’s plan was to assume the Confederation’s debts at par, which meant that interest would be included when the debt was paid—a monstrous sum of more than $54 million. Hamilton wanted to assume the states’ and the Confederation’s debts because he felt a national debt would give the citizens unity and a sense of respect for the government.

A third key element in Hamilton’s financial strategy was to establish a national bank. Hamilton modeled his national bank after the Bank of England, which provided a strong federal institution that printed and circulated paper money, while giving the government a repository for excess funds. Hamilton believed that a national bank was necessary to implement the Constitution’s decree that the government collect taxes, pay debts, and regulate trade. Hamilton felt that this need fulfilled the Constitutional clause that stated what was “necessary and proper” could be accomplished by the government. This clause was also known as the “elastic clause.”

Although Hamilton was considered a financial wizard and many trusted him to finance the new government, he was not without opposition. His most outspoken critic was Thomas Jefferson, who was serving in President Washington’s Cabinet as Secretary of State. Jefferson strictly interpreted the Constitution and believed in a decentralized government that should exist primarily to protect man’s natural rights to life, liberty, and property.

In contrast to Hamilton’s proposal, Jefferson felt that the states should hold greater authority than the federal government, since the states were closer to the people and were less likely to abuse their authority. Furthermore, his strict interpretation of the Constitution—believing that what was not specifically written was forbidden—led him to believe that Hamilton’s proposal of a national bank exceeded federal authority.

Both Jefferson’s and Hamilton’s political views represented public opinion. What began as a personal dispute between the two men evolved into the formation of primitive political parties. Jeffersonians shared the belief in a strict interpretation of the Constitution, while Hamiltonians accepted a broad interpretation.

President George Washington, however, remained safely neutral in the dispute between his two staff members. He asked Hamilton and Jefferson to prepare arguments regarding Hamilton’s proposed U.S. bank based on their differing interpretations of the Constitution. After hearing both arguments, Congress and Washington favored Hamilton’s plan, and the Bank of the United States became a reality in 1791.

By this time, Hamilton had already developed several duties and excise taxes that the new national bank could collect. Congress had passed a Hamilton-recommended tariff of around eight percent on dutiable imports in 1789 and a domestic excise tax—a tax levied on the manufacture, sale, or consumption of goods—in 1791. An unforeseen result of this tax was the Whiskey Rebellion in 1794. Hamilton included whiskey, a commodity produced primarily by western farmers, in his tax. The plan levied a seven cent per gallon tax on whiskey, much to the dismay of distillers. For people in the backcountry, whiskey was not a luxury but a trade necessity and a form of currency; even preachers were paid with distilled whiskey.

Seeing their livelihood threatened by Hamilton’s excise tax, the whiskey producers rebelled. Peaceful protests eventually turned violent with the distillers tarring and feathering revenue collectors. When President Washington heard about the rebellion, Hamilton urged him to take action and he sent an army of over thirteen thousand men to end the uprising.

When the soldiers arrived in the backcountry of Western Pennsylvania, they were surprised to learn that the “rebellion” had been drastically blown out of proportion. The angry distillers were overwhelmed and quickly dispersed, and only three lives were lost in this battle. Public perception of this event was divided, and this division strengthened the emerging political parties. Hamiltonians—known also as Federalists—supported Hamilton’s financial plans and Washington’s actions to stop the Whiskey Rebellion, while Jeffersonians, who were becoming known as the Democratic-Republicans, argued that the government had used excessive and unnecessary force.

Federalist and Democratic Republicanism

With the two-party system of government in its founding stages in the United States, a continent away events were taking place that would further the evolution of the Federalist and the Democratic-Republican parties. The people of France were taking their cues from the American Revolution and rebelling against the authoritarian leadership of King Louis XVI. As war ensued between France and Great Britain in 1793, conflict arose in America as the Federalists and Democratic-Republicans disagreed on where to place their loyalties.

According to the Franco-American Alliance of 1778, the United States was bound to aid France whenever called upon. But at the time of the Alliance, no one could foresee that France would become embroiled in conflict against Britain and that the United States might be called upon to repel British forces from French lands. The emerging American political parties took opposite sides on the issue. The Democratic-Republicans wanted to demonstrate loyalty to the French, who had helped them claim their own liberty, although Jefferson only wanted to lend moral support. He did not believe that the French would call upon the United States to uphold their end of the treaty. Conversely, the Federalists, under Hamilton’s leadership, implored President Washington to declare the 1778 treaty suspended. Hamilton’s primary goal was to maintain a peaceful relationship with Britain to ensure continued trade to support the American economy.

George Washington’s response was an action of inaction. He issued the Neutrality Proclamation in 1793, which declared the United States neutral between Britain and France and strongly urged people to avoid any alliance with either camp. The Democratic-Republicans were outraged, not only by the declaration itself, but by Washington’s failure to consult Congress before issuing the proclamation. The Federalists, for the most part, were pleased.

Citizen Edmond Genêt, a French representative to the United States, set out to take advantage of the conflict. Upon meeting with Democratic-Republicans, he came to believe that the Neutrality Proclamation was more a governmental display of excess authority than a reflection of the public’s desire. He began to recruit unauthorized American armies to overtake Spanish Florida and Louisiana, along with parts of British Canada, in support of the Franco-American Alliance. Genêt even threatened to overthrow Washington himself. However, Washington prevailed by demanding and receiving Genêt’s withdrawal from the United States and replacement with a more rational French representative.

The Democratic-Republicans perpetually found themselves at odds with the Federalists as the British continued to battle with France. Britain ignored Washington’s Proclamation of Neutrality, assumed America was allied with France, and seized ships in the West Indies and captured many American sailors. Although both the Federalists and the Democratic-Republicans were outraged, they had very different opinions about how America should respond. Under Hamilton’s leadership, the Federalists were most concerned with the economy and wanted to avoid war at all costs. In contrast, the Democratic-Republicans following Jefferson’s leadership felt America was obligated to again fight Britain for its liberty.

Washington stepped in to contain the situation. He sent Federalist Chief Justice John Jay to London in 1794 to negotiate a treaty with Britain to maintain trade relations and avoid war. Yet again the Democratic-Republicans were unhappy with Washington’s actions, fearing that Jay, who was notoriously pro-British, would betray his own country.

Meanwhile Hamilton, fearful of war and ensuing economic disaster, sabotaged Jay’s negotiations by sharing U.S. negotiation tactics with the British. Not surprisingly, Jay’s negotiations were ineffective, garnering only minor victories for the United States. Jay’s Treaty gave the British 18 months to withdraw from the western forts, although they were given the right to continue fur trade with the Indians. The treaty also called for America to repay debts incurred to England during the Revolutionary War. Although there was public outcry over this treaty, the Senate passed the treaty in 1795.

The Democratic-Republicans raged, while the effects of Jay’s Treaty rippled across the United States and beyond. Spain, fearing that the treaty indicated burgeoning loyalties between the U.S. and England, moved to gain a foothold by establishing its own alliance with America. In Pinckney’s Treaty of 1795, the Spanish granted almost all the United States’ requests, including ownership of the previously disputed territory north of Florida. This treaty also gave American western farmers and traders the right of deposit at New Orleans.

By 1796, President George Washington had served two consecutive four-year terms in office. The ongoing battle between Federalists and Democratic-Republicans contributed to his decision to retire following his second term.

Washington delivered his Farewell Address via newspapers. In this communication, he conveyed his concerns regarding alliances—both international and domestic. Washington felt that no alliance should be permanent, but rather limited to “extraordinary emergencies” and then only temporary.

He encouraged citizens to examine their loyalty to the United States, rather than to individual political parties, believing that the divisive nature of political parties would bring more harm than good to the union. He even warned against a general spirit of innovation which he felt could weaken the foundation set forth in the Constitution.

Washington’s text was met in much the same way as many of his proclamations while in office: with partisan conflict. His supporters lauded his service and dedication to building a solid, strong government, while his detractors picked apart his shortcomings and inequities. However, both sides agreed that Washington had served the purpose of being a prominent figurehead for a union struggling to find its footing, and that his successor could be chosen with more focus on political prowess than prestige.

XYZ Affair

The signing of Jay’s Treaty, which settled violations of the Treaty of Paris and averted the threat of war with England, induced angry reactions from both American and European politicians. Democratic-Republicans believed the treaty was a humiliating surrender to the British. French leaders, meanwhile, viewed it as a step toward forming a union with their enemy, a flagrant breach of the Franco-American Treaty of 1778. However, an unexpected consequence of the pro-Federalist, Pro-British treaty was that it motivated Spain to negotiate with the United States and cede the panhandle of Florida to the Americans. The treaty also permitted free navigation of the Mississippi River—a boon to westerners, a growing component of the Democratic-Republican constituency.

When John Adams took the presidential oath in 1797, he inherited several problems from George Washington’s administration, including strained relations with France. In retaliation for John Jay's agreement with England, French forces plundered more than 300 American ships. To attempt to negotiate a settlement with France and stop the attacks on American shipping, Adams appointed three commissioners: Charles Pinckney, United States minister to France; John Marshall, a Virginia lawyer; and Elbridge Gerry of Massachusetts.

The trio experienced a hostile environment when they arrived in France. Instead of speaking directly with Foreign Minister Talleyrand, they communicated through three French agents, whom the commissioners labeled X, Y, and Z in their report to Congress. The agents insisted that before negotiations could begin, the Americans were to pay a $250,000 bribe and a $12 million loan. While bribery was commonplace in eighteenth-century politics, Talleyrand's demand was too high for merely a pledge to negotiate. Pinckney rejected the terms and told the French agents "no, no, not a sixpence." The incident became known as “The XYZ Affair.”

When the commissioners' report to Congress was made public, citizens were furious about the French misbehavior. Even the most loyal Democratic-Republicans, who had nurtured and supported a strong relationship with France, felt a sense of betrayal, and many joined a call for war. Pinckney's response to Talleyrand's demands sparked a rallying cry that spread throughout the colonies: "Millions for defense, but not one cent for tribute."

Fueled by Federalist politicians eager for a fight, the war campaign garnered more support. Adams refused to declare war but advocated the build up of American armed forces. Congress stopped commercial trade with France, renounced the alliance of 1778, tripled the size of the army, and created a Navy Department with an order for the construction of 40 warships. Adams lured George Washington out of retirement to lead the military and, at the insistence of the general, named Alexander Hamilton as second in command. For the next two and one-half years, American privateers teamed with the newly re-enforced Navy to attack French shipping and capture nearly ninety French vessels.

Hamilton led the Federalist charge for war, but Adams remained steadfast in his refusal to sign a formal declaration of war. He believed that war with France would divide the colonies and lead to a civil war. The XYZ Affair may have been Adams’s finest hour because of his decision to put the interests of his nation ahead of those of his party.

In 1799, Talleyrand, who did not want to deplete the French military with a fight outside of Europe, let it be known that he was willing to talk. Adams sent another delegation to negotiate a peaceful end to the quasi-war with France. But by the time the envoy arrived in Paris, Napoleon Bonaparte was in power and looking to cut ties with America. The two sides finally produced an agreement, called “The Convention of 1800,” that annulled the 1778 treaty of alliance and excused the French from damage claims of American shippers. Had Adams chosen war, it may have jeopardized the American purchase of Louisiana in 1803. The threat of war with France was eliminated, but the battle of political leaders at home had just begun.

Alien and Sedition Acts

The feud with France created bad blood between the political parties in America. Democratic-Republicans and Federalists took advantage of every opportunity to undermine each other. In 1798, the Federalist-controlled Congress exploited the anti-French sentiment sweeping through the colonies to pass a series of laws that, on the surface, promoted American safety but actually were designed to quiet their Democratic-Republican counterparts. The Alien and Sedition Acts were comprised of four laws:

The Naturalization Act lengthened from five to fourteen years the residency requirement for citizenship. Since many poor European immigrants favored the more inviting Democratic-Republican Party, the wealthier aristocratic Federalists intended to use the act to delay their voting privileges.

The Alien Enemies Act allowed the president to expel aliens in wartime. Federalists created this law because they believed a war with France was imminent. However, since war was never officially declared, it served no feasible purpose.

The Alien Act authorized the president to deport or imprison all aliens whom he considered dangerous to the safety of the United States. Although the law was never enforced, many immigrants feared the subjective power the president wielded and fled the country.

The Sedition Act prohibited antigovernment activity. It was illegal to publish or even speak any false, scandalous, and malicious criticism of government officials. This law directly targeted Democratic-Republican newspapers. Twenty-five editors were indicted under the act, and ten were convicted by Federalist judges who did not attempt to hide their prejudice. Vermont Congressman Mathew Lyon, one of the first convicted, was fined and jailed for opposing the policies of the Adams administration. To avoid having the Sedition Act used against them, Federalists inserted into the law an expiration date of 1801 in case they lost the next election.

The Alien and Sedition Acts effectively muzzled the Democratic-Republicans; however, their ultimate effect worked against the Federalists. Many colonists, angry at the Federalist abuse of authority, shifted their political support to Thomas Jefferson and his Democratic-Republican Party. Adams also lost many followers because he agreed to sign the bills into law and ordered their enforcement. The political tide in the colonies was turning, and Jefferson was poised to take a leadership role.

In 1798, Jefferson and James Madison penned resolutions disputing the constitutionality of the Alien and Sedition Acts. Since the Congress and Supreme Court were dominated by Federalists, the duo took their fight to the Democratic-Republican legislatures of Kentucky and Virginia. Jefferson presented his draft to the Kentucky legislature, and Madison offered his version to the legislature of Virginia.

The resolutions asserted that each state enter into a compact, or contract, with the national government and delegate power to the centralized entity for the common good of all states. If a state decided that the national government overstepped its constitutional authority, it could intervene to protect its citizens from tyrannical law. Jefferson argued that the Federal government had exceeded its authority with the establishment of the Alien and Sedition Acts and concluded that each state had the right to nullify the laws because they deemed them unconstitutional.

Jefferson and Madison hoped that the approval of their Kentucky and Virginia Resolutions would inspire other states to follow their lead to weaken the Federalist stronghold on government. They anticipated a swell in the membership of the Democratic-Republican Party as voters uncovered the truth about the Federalists’ actions. However, no other states approved the resolutions. Although the compact theory touting the power of individual states did not garner much support in the post-Revolutionary era, it would prove to play a substantial role in the political events leading up to the Civil War.

Election of 1800

As the presidential election of 1800 drew near, political maneuvering grew increasingly aggressive. The election was the first to feature the Federalists and Republicans as two national political parties. Federalists endured the wrath of angry Americans who viewed the Federalists as power-hungry bureaucrats with anti-liberty agendas. The Alien and Sedition Acts, coupled with large tax increases--which required a small army of administers to enforce--cast a dark cloud over the party. Fear grew throughout the states as Federal soldiers pursued private citizens for opposing government policies and protesting high taxes. Many Republicans, mostly from southern states, secretly planned to resist Federalist tyranny by force or secede from the union if the Federalists remained in power.

Federalists defended their political strategy and attempted to deflect the voters’ ire onto the Republican Party. They portrayed Jefferson as a godless extremist who would destroy religion, introduce immorality to society, and institute radical social reforms similar to those found in France. Federalist Alexander Hamilton thought the country should be ruled by the best people, not by the masses as Republicans believed. Hamilton worried that a full democracy would let inexperienced, easy-to-influence commoners run the country.

Those who shared most of Hamilton’s political opinions, called Hamiltonian Federalists, promoted a strong central government and limited rights for states. They supported private enterprise and believed government should protect the lives and wealth of affluent citizens. The pro-British Federalists, many of whom continued to embrace Loyalist sentiments, favored trade agreements with England. Hamilton and his followers also counted on a Federalist presidential victory because of the impending war with France. Citizens of America, he reasoned, would get swept up in waves of patriotism and support the Federalist candidates. However, President Adams was still the most visible Federalist, and his political opinions clashed with those of Hamilton. Adams broke from his party’s platform to negotiate with France. His decision to bypass war and seek peace divided the Federalist Party and most likely cost him the chance of re-election.

Members of both parties used newspapers, pamphlets, and town hall meetings to deride their opponents, although only Republicans were convicted under the Sedition Act. The behavior was standard for eighteenth-century politics, but Thomas Jefferson refused to participate in the mudslinging. Jefferson instead took his campaign to the farmers, laborers, and shopkeepers. He appealed to the common people because he sympathized with those who were oppressed and persecuted. In 1800 he wrote, “I have sworn upon the altar of God eternal hostility against every form of tyranny over the mind of man.”

The “commoners” Jefferson spoke of were educated white males who owned property. The illiterate and landless, he believed, could not self-govern. Many of the Virginian’s followers lived in the southern states where agriculture was the principal means of support. He championed their pleas to maintain slaveholding because he understood the importance of the black slave system to the success of the tobacco and rice farmers. Although he faced a moral issue with slavery, Jefferson realized his presidential campaign needed the support of the farmers, and it was in his best interest to help them prosper.

Jefferson also garnered support from those seeking relief from an overbearing government. The Republican Party advocated a weak central government with individual states holding the most power. By placing authority on the local level, Jefferson argued, citizens could keep a watchful eye on their representatives and avoid the potential creation of a dictatorship.

The election of 1800 included Republicans Jefferson and Aaron Burr and Federalists Adams and Charles C. Pinckney as candidates for president and vice president, respectively. The Republican effort to motivate voters paid off, as more than twice the number of people turned out for the 1800 election than for earlier elections. Jefferson collected 73 electoral votes to Adams’s 65; however, the presidency was not yet won. Burr also received 73 votes, tying him with Jefferson. At the time, candidates for president and vice president did not run on the same ticket. Rather, the person who received the most votes was named president.

The Federalists agreed to have an elector offer one vote for John Jay so that Adams would have more votes than Pinckney. Republicans, however, made no such plan and wound up with their candidates finishing in a dead heat. Since Burr refused to step aside, the decision to elect the next president was to be made by the House of Representatives, which was controlled by the Federalists.

Burr became the favorite because many Federalists believed Jefferson would dismantle Hamilton’s fiscal system and change the Washington-Adams foreign policy. The debates stretched into 1801 before Hamilton, who detested Burr, persuaded enough of his fellow party members to give Jefferson the victory. Burr was named vice president. Jefferson, who compared his victory to the historic events of 1776, called the election the “Revolution of 1800.” He may have been right in this respect since this election produced the first orderly transfer of power from one party to another.

Soon after the election, the Twelfth Amendment was created to guarantee that a voting deadlock would never occur again. It required separate balloting in the Electoral College for president and vice president. The amendment was ratified in 1804 before the next election.

The Republican victory of 1800 was the beginning of the end of the Federalist Party. For more than a decade, Federalists had held the most powerful positions in the United States government. With the defeat, John Adams became the last Federalist president. The party slowly lost its political clout and dissolved by 1830.