

THE NEW NATION, CHAPTER 8 NOTES

Economic Issues

- Inflation
- Trade Deficit
 - By 1784 British merchants sold goods in the American market
 - However, goods were not being exported from America
 - Trade deficit for 1784-1786 was \$3 million
 - Hard currency (not paper money) left America for foreign countries
- Economic depression by the end of 1784

1786

● Shays' Rebellion

- Daniel Shays led a group of Massachusetts farmers to shut down the courts
- Goal was to stop foreclosures, which required the assistance of the courts
- Militia raised in eastern Massachusetts and financed by merchants crushed the Shaysites in January of 1787

Views on Shays' Rebellion

- ⦿ Jefferson (in Paris as Minister to France):
- ⦿ "...what country can preserve its liberties, if its rulers are not warned from time to time, that [the] people preserve the spirit of resistance? . . . What signify a few lives lost in a century or two? The tree of liberty must be refreshed from time to time, with the blood of patriots and tyrants. It is its natural manure."

Washington's Views on Shays' Rebellion

- “It is but the other day that we were shedding our blood to obtain the Constitutions under which we now live; Constitutions of our own choice and making; and now we are unsheathing the sword to overturn them. The thing is so unaccountable, that I hardly know how to realize it. . . .”

State Remedies

- ⦿ Legal tender laws:
 - Required creditors to accept paper currency at face value (so inflation would not have an effect)
 - 7 states enacted these laws
- ⦿ Rhode Island enacted a radical law:
 - Paper currency had a very limited value
 - If creditors refused the paper money, debtors could deposit it in court

Annapolis Convention

- Virginia invited the states to a convention to consider political remedies for the economic crisis
- Only 12 delegates from 5 states attended in 1786
- However, the convention passed a resolution requesting the Confederation Congress to request that the states hold a national convention to revise the Articles of Confederation

Constitutional Convention

- 55 men from 12 states assembled at the Pennsylvania State House in Philadelphia.
- Including: George Washington, Ben Franklin, Alexander Hamilton, James Madison, George Mason, Robert Morris
- No farmers or artisans present
- No women, African Americans, or Indians

Constitutional Convention, cont.

- ⦿ Washington chosen to chair the meeting
- ⦿ Virginia delegation drafted and introduced the Virginia Plan
 - Proposed scrapping the Articles of Confederation
 - Strong central government
 - Bicameral legislature (two houses), with representation based on population
 - Appointed chief executive and national judiciary

New Jersey Plan

- Small states were opposed to the Virginia Plan because they feared being controlled by the large states
- New Jersey Plan
 - Increased powers in the central government
 - Single-house Congress—states equally represented

Great Compromise

- ◎ Bicameral legislature: House and Senate
 - House: representation based on population
 - Senate: all states represented equally
- ◎ 3/5 Rule
 - Southerners agreed to giving the central government power to regulate commerce
 - Northerners agreed to allow slaves to be counted for purposes of representation as 3/5 of a freeman
- ◎ No restriction on the importation of slaves for 20 years
- ◎ Return of fugitive slaves from free states

Other Branches

⦿ Executive

- Elected (by Electoral College)
- Independent of legislature
- Can veto legislation to act as a check on the legislature

⦿ Judicial

- Independent branch
- Implicit power to declare acts of Congress unconstitutional

Early Political Parties

⦿ Federalists

- Supported the new Constitution

⦿ Anti-Federalists

- Opposed the new Constitution
- Thought that the central government was too powerful, at the expense of the states
- Mercy Otis Warren:
 - On the one hand, we stand in need of a strong federal government, founded on principles that will support the prosperity and union of the colonies. On the other, we have struggled for liberty and made costly sacrifices at her shrine and there are still many among us who revere her name too much to relinquish, beyond a certain medium, the rights of man for the dignity of government”

Federalist Papers

- ⦿ Series of essays written to support ratification of the new Constitution
- ⦿ Written by:
 - James Madison
 - Alexander Hamilton
 - John Jay
- ⦿ Madison argued: interests would be so diverse that no single faction would be able to gain control of the state, threatening the freedoms of others

Bill of Rights

- The promise of a Bill of Rights was instrumental in getting ratification of five states
- Congress passed 12 amendments and sent them to the states
- 10 survived the ratification process and became the Bill of Rights in 1791

Washington's Administration

- Secretary of State: Thomas Jefferson
- Treasury Secretary: Alexander Hamilton
- War Department: Henry Knox
- Department of Justice: Edmund Randolph

Judiciary Act of 1789

- Implemented the judicial clause of the Constitution
- Supreme Court of 6 justices created (increased to 9 in 1869)
- Circuit Courts of Appeal
- District Courts
- Early Supreme Court cases established the power of the judicial branch
 - Upheld constitutionality of acts of Congress
 - Invalidated state statutes

Hamilton's Financial Plan

- ◎ 1790—"Report on the Public Credit"
 - Federal government should assume the debts of the states and redeem the national debt
 - Issue new interest-bearing bonds
- ◎ Credit Program was approved in connection with a sectional dispute over the location of the new capital

Location of Capital

- ⦿ Southerners wanted the capital to be on the Potomac River
- ⦿ Northerners wanted Philadelphia to be the capital
- ⦿ Northern congressmen agreed to locate the capital on the border of Virginia and Maryland in return for Madison's pledge to get enough Southern votes to pass Hamilton's debt assumption plan

Hamilton's Plan-Part II

- ⦿ Establishing a National Bank
 - Public corporation
 - Would serve as the depository of government funds and the fiscal agent of the Treasury
- ⦿ Debate between Jefferson and Hamilton over the constitutionality of the National Bank
- ⦿ Washington signed the bill (agreeing with Hamilton)

Financial Plan—Part III

- ⦿ Infant industries—supported by government securities
- ⦿ Increased tariffs to protect industrial economy from foreign competition

Financial Plan Worked!

- ⦿ Financial health of the United States was restored
- ⦿ Foreign investment in government securities increased
- ⦿ Bank of the United States had ample reserves
 - Its notes were widely accepted, which stimulated the economy