

ALEXANDER HAMILTON'S ECONOMIC PROPOSALS

Directions: *The following are the four parts to Alexander Hamilton's economic plan. Read them carefully.*

- 1) **Pay back the debt** – Hamilton believed that it was the federal government's responsibility to pay back the debts of each state. This angered many southern states who already paid back most of their debts. They thought the northern states should do the same – pay back their own debts. Hamilton reached a compromise with the southern states. If they accept his repayment program, he would help get the national capital moved further south, from Philadelphia to Washington, D.C.
- 2) **Create a national bank** – Congress passed a bill creating the Bank of the United States. Money collected from taxes would be placed in this bank. The bank would then issue paper money which could be used to provide loans to farmers and businesses. This money would also help pay the government's bills, such as paying employees, building a new capital in Washington, D.C., and maintaining an army and navy.
- 3) **Establish a protective tariff** – Hamilton believed that a tariff (tax on imported goods) was needed to protect American industries. He called for a very high tariff. This would substantially increase the price of foreign-made items, forcing many Americans to buy from American industries rather than from other countries. It was meant to protect American industries while raising money from people and industries that continued to buy from foreign countries. American industries in the north prospered from this plan while Southern farmers too a hit. Many farmers sold their products to foreign countries. When the U.S. raised their tariff other countries did the same. As a result, many countries stopped buying from U.S. farmers in the South. In the end, the tariff rate was lowered.
- 4) **Create a whiskey tax** – Farmers in western Pennsylvania grew corn. Corn was much too bulky to ship to markets in the east so many farmers distilled the corn into whiskey, which was much easier to ship. Hamilton saw this as a potential means to raise money the national government desperately needed. Hamilton proposed a tax on whiskey. Many farmers were angered by this tax and they decided to revolt. The federal government sent federal troops to put down the "whiskey rebellion." This was a critical in testing the strength of the federal government. It showed that violence would not be tolerated. The rebellion was put down and order was restored.

Directions: *Place each of the following arguments in its proper place on the accompanying chart. Then, in the "Outcome" column, briefly describe which argument "won" in the end.*

- Establishing the bank would be unconstitutional because the Constitution does not give the federal government to power to set up a bank.
- A tax on whiskey would provide the federal government with the money it needs to operate.
- Taking over the state's Revolutionary War debts would hasten [speed up] the payment of many of those debts.
- Paying Revolutionary War bonds in full would allow speculators to make a fortune at the expense of the original bondholders.
- Many of the southern states have already paid off their Revolutionary War debts and should not have to help the northern states pay off theirs.
- A tax of whiskey would unfairly hurt western farmers.
- Establishing the National Bank would be "necessary and proper" because the Bank would help stabilize the nation's economy.
- Paying off Revolutionary War bonds in full is necessary to restore the nation's credit.

	“PRO” ARGUMENT	“CON” ARGUMENT	OUTCOME
The government should pay Revolutionary War bonds in full.			
The federal government should take over the states’ debts.			
Congress should create the National Bank			
Congress should enact a tax on whiskey			