

## Launching the Nation

### Section 2



#### MAIN IDEAS

1. Hamilton tackled the problem of settling national and state debt.
2. Thomas Jefferson opposed Hamilton's views on government and the economy.
3. Hamilton created a national bank to strengthen the U.S. economy.

## Key Terms and People

**Alexander Hamilton** the first secretary of the U.S. treasury who wanted to pay the nation's foreign debt immediately and gradually repay the full value of all bonds

**national debt** money owed by the United States

**bonds** certificates that represent money

**speculators** people who buy items at low prices in the hope that the value will rise

**Thomas Jefferson** the first secretary of state who thought that repaying the full value of all bonds would cheat bondholders who had sold their bonds at low prices

**loose construction** the view that the federal government can take reasonable actions that the Constitution does not specifically forbid

**strict construction** the view that the federal government should do only what the Constitution specifically says it can do

**Bank of the United States** the national bank

## Section Summary

### SETTLING THE DEBT

**Alexander Hamilton** wanted to pay off the **national debt**. He figured that the United States owed \$11.7 million to foreign countries. The nation also owed about \$40.4 million to U.S. citizens.

During the Revolutionary War the government sold **bonds** to raise money. Officials said bonds would be repurchased at a higher price. Some bondholders sold their bonds to **speculators**. Hamilton and **Thomas Jefferson** disagreed on what to do. More politicians agreed with Hamilton. The government replaced old bonds with new, more reliable ones.

Hamilton thought that the federal government should repay \$21.5 million of the states' debt. But southern leaders objected. Their states had rela-

**How did the government raise money during the Revolution?**

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tively low debts. Hamilton arranged to have the U.S. capital's location changed from New York to Philadelphia and finally Washington, D.C. Southern leaders then supported his plan.

**How did Hamilton persuade the southern leaders?**

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**JEFFERSON OPPOSES HAMILTON**

Hamilton and Jefferson disagreed about the role of the central government. Hamilton wanted a strong federal government. Jefferson wanted strong powers for the states. Hamilton did not want people to have much power because he had little faith in the average person. Jefferson believed that the people had the right to rule the country. Hamilton backed manufacturing, business, and higher tariffs. Jefferson backed farming and lower tariffs.

**Underline the sentences that explain Hamilton's and Jefferson's views of the American people.**

**A NATIONAL BANK**

In 1791 Hamilton and Jefferson disagreed about the government's economic problems. Hamilton wanted a national bank so the government could safely deposit money. Jefferson believed that Hamilton's plan gave too much power to the federal government. Hamilton supported **loose construction** of the Constitution. Jefferson backed **strict construction**. Washington and Congress wanted the **Bank of the United States**. It helped make the U.S. economy more stable.

**Name one reason Hamilton supported a national bank.**

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**Do you think the Bank was a good idea? Why or why not?**

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**CHALLENGE ACTIVITY**

**Critical Thinking: Evaluating** Do you think Hamilton or Jefferson was more correct in his views of people? Give a brief speech explaining your opinion.