The Guy on the $10

Presidents Washington ($1), Lincoln ($5), Jackson ($20), and Grant ($50) all appear on money. But what about this guy Alexander Hamilton on the ten-spot? How did he get there? A sawbuck says you'll know the answer after reading this piece.

Background

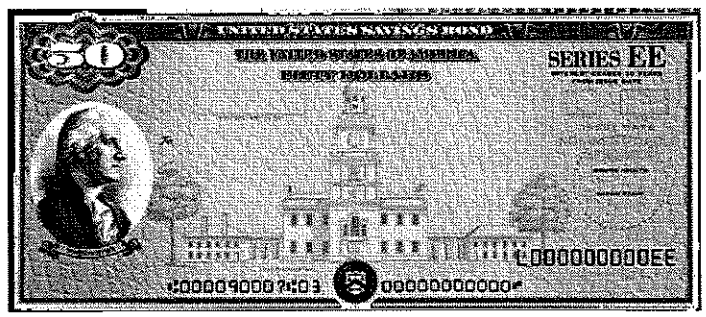
The major problem facing the first federal government was how to deal with the financial chaos created by the American Revolution. States had huge war debts. Almost all areas of the economy looked dismal throughout the 1780s. Economic hard times were a major factor creating the sense of crisis that produced the stronger central government under the new Constitution.

George Washington chose the talented Alexander Hamilton, who had served him throughout the Revolution, to take on the challenge of saving the economy. Born in poverty in the West Indies to a single mother, Hamilton went on to apprentice for a large mercantile firm before being awarded a scholarship to Columbia University. From these humble origins, Hamilton would become the strongest supporter for a modern economy in the early United States.

Assumption of Debt

The first issue that Hamilton tackled as Washington's Secretary of the Treasury concerned the problem of credit. Governments at all levels had taken on so much debt during the Revolution. The commitment to pay them back was not taken very seriously. In other words, state and national IOU's — the money borrowed to finance the Revolution — were viewed as nearly worthless.

Hamilton issued a bold proposal. The federal government should pay off all state debts at full value. Such action would dramatically enhance the legitimacy of the new central government. By showing that the new federal government was willing to pay back its debts (plus interest), it insured that people would continue to trust the United States and encourage them to purchase bonds in the future.



Governments issue bonds (IOUS) to raise funds.

Bank of the United States

Hamilton's vision for reshaping the American economy included a new national financial institution. He proposed a Bank of the United States. Modeled along the lines of the Bank of England, a central bank would help make the new nation's economy dynamic through a more stable paper currency as well as be a source of capital for new businesses as well as the government.

The central bank faced significant opposition. Many feared it would fall under the influence of wealthy, urban northeasterners and speculators from overseas. Many southerners, including Thomas Jefferson and James Madison, were worried that a National Bank would benefit the northern states at the expense of the primarily agricultural south. Remember that farmers consistently have to borrow money from banks yearly during planting season. In the end, with the support of George Washington, the bank was chartered with its first headquarters in Philadelphia.

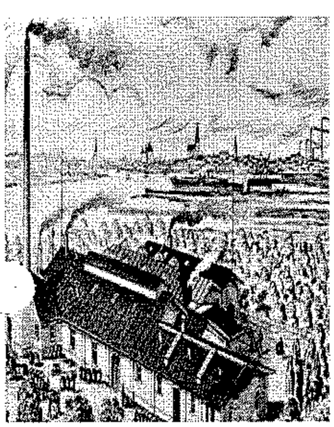
Tariffs

The third major area of Hamilton's economic plan aimed to make American manufacturers **self-sufficient**. The American economy had traditionally rested upon agricultural exports pay for the import of British manufactured goods. Hamilton rightly thought that this dependence on expensive foreign goods kept the American economy weak, especially when compared to the rapid growth of Great Britain.

Rather than accept this condition, Hamilton wanted the United States to adopt a new economic policy. Hamilton wanted to protect American manufacturers through tariffs (taxes on imported goods). This policy would help fledgling American producers to compete with inexpensive European imports.

Conclusion

Hamilton possessed remarkable economic vision. His aggressive support for manufacturing, banks, and strong public credit all became central aspects of the modern economy that would develop in the United States in the century after his death. Bet you $10 you now see why he's on the $10 bill.



American factories benefited from high tariffs.

Name____Date______________Period__________

The Guy on the $10

Directions: Use the reading to answer the following questions.

1. Describe the financial situation following the American Revolution.

____

____

2. Why did Hamilton want the new federal government to pay off the debts of the individual states?

____

____

3. What are some benefits of bonds?

____

____

4. Why did Jefferson and Madison disapprove of a National Bank?

____

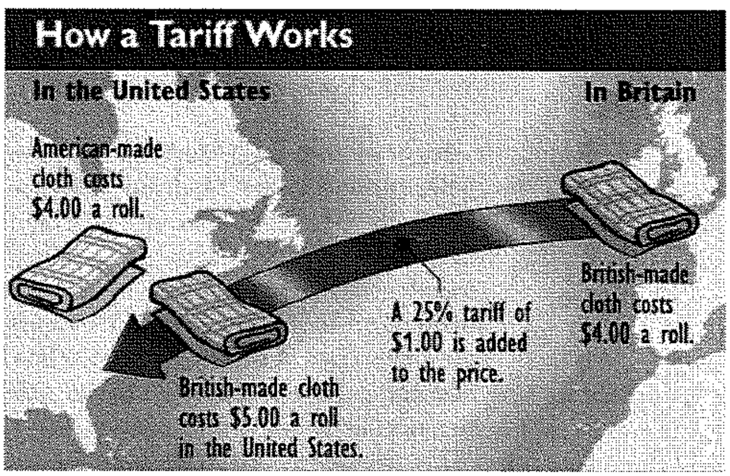
____

5. What is a tariff?

____

____

6. Based on the context, what would be a synonym for 'self-sufficient'?
   A. Tax
   B. Independent
   C. Reliant
   D. Needy
7. Use the following picture to explain how tariffs benefit American manufacturing.



____

____

____

____

____

____

____

____

____

8. Which of the following individuals would **NOT** be in favor of Hamilton's different economic policies?
   A. Steve Rogers, a veteran from the American Revolution who purchased several bonds to support the war effort.
   B. Anthony Stark, an iron factory owner who has to compete with British manufactured goods
   C. Hank Pym, a tobacco farmer who sells most of his crop to France and wants to buy a new plow from Great Britain.
   D. Warren Worthington III, a banker from New York City and wants to give loans using a stable currency

9. Why did you say so?

____

____