

THE FEDERALIST PERIOD 1789-1801

Upon ratification of the Constitution in 1788 the Confederation Congress ordered elections held in the states for choosing officers of the new government. The government began functioning when the newly elected Congress convened in April 1789. The supporters of the Constitution gradually became known as the Federalists, which guided the government until 1801, but not without significant defections as the strains of both foreign and domestic policy divided them.

INAUGURATION OF THE NEW GOVERNMENT

In early April 1789, Congress met in the old City Hall in New York City, counted ballots of the presidential electors, and declared George Washington unanimously elected President and John Adams Vice President. Trade had already picked up with the restored confidence in America and the new administration began auspiciously under the halo of prosperity. Although the leaders recognized the great potential of America, its government, experimental and revolutionary, was challenged by strong enemies and difficult problems.

President Washington assumed office April 30, 1789, in New York City, the first capital under the Constitution. Both houses of Congress were controlled by supporters of the Constitution. The new administration busied itself setting precedents, establishing ceremonial procedures for the future, and creating the machinery to make the government operative.

James Madison pushed Congress to redeem the implicit promise made to the Anti-Federalists to amend the Constitution with a bill of rights. Twelve amendments were submitted to the states; ten were ratified by 1791, guaranteeing the central government would not infringe upon several popular rights.

To meet urgent needs for revenue, congress passed a tariff act, A light tonnage duty was levied on goods imported in American ships but a heavy duty levied on goods coming in foreign ships.

The Judiciary Act of 1789 created a Supreme Court with a Chief Justice and five associate justices and a system of lower federal courts. John Jay was appointed the first Chief Justice of the Supreme Court.

Congress created three executive departments in 1789 – State, War and Treasury – and the offices of attorney general and postmaster-general. Thomas Jefferson was made Secretary of State, Alexander Hamilton, Secretary of the Treasury, and Henry Knox, Secretary of War.

HAMILTON'S FINANCIAL PROGRAM

Hamilton soon merged as the most influential member of Washington's cabinet. He prepared a series of reports for Congress on fiscal matters; these recommendations were substantially enacted into law. Hamilton's purpose in his financial policies were to establish the credit reputation of the government, to bind the capitalist classes to the government, and enlarge the powers of the federal government.

THE PROGRAM FOR MANAGING THE DEBT

Congress dealt with three kinds of government debt arising from the War for Independence: 1) federal debt owed to foreigners, 2) federal domestic debt owed Americans, and 3) state debts.

Congress readily agreed to refunding the foreign debts at par. The domestic debt, made up of many kinds of securities, had depreciated to about 25 cents on the dollar. When Hamilton proposed refunding the domestic debt at par, those who had bought the depreciated certificates profited immensely, but few were surprised at the move. Anti-Federalists in Congress opposed the measure since it would enrich the speculators instead of the original holders, but the securities were refunded at face value.

Hamilton proposed the assumption of the state debts by the federal government, but suffered successive defeats in Congress, mainly because of Southern opposition. Hamilton won a compromise with Jefferson

by agreeing to place the national capital in the South (D.C.) in return for the assumption of the state debt. Hamilton also promised that no new taxes would be needed in order to fund his program.

Hamilton had no fear of a heavy federal debt. Instead he argued that investments by the moneyed interests in federal securities would bind these important classes to the federal government.

THE BANK OF THE UNITED STATES AND THE NATIONAL CURRENCY

Hamilton also proposed the establishment of a national bank; it was created in 1791. It was needed, according to Hamilton, 1) to provide a sound, uniform paper currency for the business needs of the country by issuing paper money and 2) to provide fiscal services to the government of short-term lending, of acting as a depository of government funds and helping individuals pay taxes by making loans to them.

The agricultural South opposed the bank, because they felt it would put too much economic power to the business interests of the North, but the Act passed Congress. Before signing it Washington asked Jefferson and Hamilton for advice. Jefferson, being a firm believer in the right of the states, agreed with Madison in favoring a strict interpretation of the Constitution, and stated that Congress was not authorized by the Constitution to create a bank. Hamilton, wishing to set a precedent of loose interpretation, argued that the power to create a bank was an implied power since it was needed to issue currency (elastic clause). With stating his reasons, Washington signed the bill.

This is also the beginnings of political parties. Hamilton favored an elite ruling class with close ties to Great Britain. The party would become known as the Federalist Party (liberal) and would demand a large and strong central government to protect the common good of the country. Jefferson's followers would become known as the Republicans. They believed in a very limited central government strong enough only to be used when necessary (Shay's Rebellion). The Republicans (conservative) believed that democratic values would act for the common good of the people.

EXCISE TAXES AND THE TARIFF

In 1791, when Hamilton asked for an excise tax on various commodities (luxury items), he broke a promise to Congress that no new taxes would be needed to finance his program. The excise tax was a convenient tax, but one that was much resented in British and American politics (Stamp Act, Tea Act). The tax on distilled liquors was especially unpopular in the West where much of the whiskey was not sold but rather exchanged for labor and goods. Throughout the West, farmer-distillers resisted the tax, most strongly in western Pennsylvania where the Whiskey Rebellion occurred in 1794. Hamilton accompanied the militia sent west to enforce federal law. The rebellion was suppressed and showed the ability of the government to enforce its laws.

As for tariffs, Hamilton wanted the United States to remain a commercial-agriculture nation with strong economic ties to Great Britain (French Revolution). The tariffs Hamilton recommended were light duties designed to raise revenue for the government and not protect American businesses.

PROBLEMS IN DIPLOMACY

When the French Revolution began in 1789, most Americans sympathized with the reformers, believing that they were following the causes set forth in the American Revolution. However, with the execution of Louis XVI in January 1793, and the increasing radicalism of the French Revolution, Americans began taking sides, with Federalist supporting the cause of Great Britain, who went to war with France in 1793, and the Republicans siding with the French.

AMERICAN NEUTRALITY

When Washington learned of the war between England and France in April 1793, he consulted his advisers about what to do. Confounding the matter, the French were asking for American assistance as provided for

in the Treaty of Alliance of 1778. Washington, however, did not want to enter the infant nation into a way between two world powerhouses and declared America neutral in the war. Upset with Washington for not siding with the French, Jefferson would resign his position in December.

BRITISH INTERFERENCE WITH AMERICAN COMMERCE

American exporters and shippers soon began to enjoy a wartime boom after the British navy drove French ships off the sea. American shippers profited especially from carrying trade from the French West Indies and France. Congress defined and asserted by law (1794) the rights of neutrals. The British navy, controlling the seas, sought to enforce rules favoring Britain in the struggle with France.

Since 1776 the United States had asserted a definition of neutral trading rights favorable to the neutral carrier. 1) "Free ships make free goods," that is, goods not contraband owned by a belligerent subject could not be taken from a neutral vessel. 2) Contraband was defined strictly as goods used for warlike purposes; foodstuffs especially were excluded. 3) Blockades could not be conducted on the high seas, but had to be mounted immediately outside the port in question. The British, countered with the unilateral (British) "Rule of 1756," a trade not permitted in peacetime could not be permitted in wartime and a liberal definition of contraband, including foodstuffs. Blockades were usually conducted on the high seas by stopping vessels and confiscating them if they appeared to be heading to a blockaded area. Finally, Britain insisted on removing her subjects (even if a naturalized American citizen) from American vessels wherever found for forced service in the Royal Navy. This practice of "impressment," however necessary it might have been for manning the navy, diminished American independence and frequently ensnared native-born Americans, a group even Britain recognized as exempt from impressment. Britain, following a rule of inalienable-allegiance, did not recognize the naturalization of British subjects. British interests and American policy directly conflicted on all these points.

THE JAY TREATY (1794)

A combination of events in early 1794 caused a crisis in Anglo-American relations that required a special mission. Washington sent Chief Justice John Jay to England 1) to secure compensation for recent seizures of American vessels; 2) to effect the evacuation of the Northwest posts; 3) to obtain a commercial treaty, if possible.

Jay's Treaty as approved by the Senate provided for 1) commissions to fix damages payable to Americans for ships seized and to settle boundary disputes. 2) The British agreed to withdraw from the Northwest posts; and 3) an unsatisfactory commercial treaty that made few concessions to the United States was signed. Republicans and others severely criticized the treaty, which was approved by the Senate. While it managed to soothe relations between the United States and Britain, the treaty seriously antagonized the Republicans and caused some Federalists to defect to their ranks. Because it gave Spain the impression that the United States and Britain had entered a secret alliance, the United States was able to gain significant concessions from the Spanish.

THE PICKNEY TREATY (1795)

The disputes with Spain over navigation of the Mississippi, the Yazoo Strip, and Native American intrigue carried over from the colonial and Confederation period. The Spanish, however, feared that British friendship with the United States might encourage the United States to attack Spanish Louisiana; Spain wished to mitigate American antagonism.

In Madrid, Thomas Pickney took advantage of this situation to negotiate the Treaty of San Lorenzo, popularly known as Pickney's Treaty. Under its provisions: 1) Spain agreed to accept the 31st parallel as the southern boundary of the United States thus conceding the Yazoo Strip; 2) Spain conceded the right of navigation of the Mississippi along with 3) the right of deposit at New Orleans for three years; and 4) promised to stop the Native Americans in Florida from raiding into white territory.

Pickney's Treaty was hailed in America as the great victory it was; the fears of the western frontiersmen were quieted, and it happened because of the central government capable of acting in the best interests of the country.

THE ADMINISTRATION OF JOHN ADAMS 1797-1801

Jay's Treaty and other events of Washington's second term as President brought Thomas Jefferson out of the retirement he had enjoyed since leaving office in December 1793.

THE ELECTION OF 1796

In publishing his Farewell Address, Washington positively refused a third term in 1796. The Federalists refused to support their now unpopular leaders, Jay and Hamilton. They turned to the able and upright aristocrat John Adams for the Presidency and the popular Thomas Pickney for the Vice Presidency. The Republicans chose Jefferson and Aaron Burr of New York for President and Vice President. Adams barely won the election in the Electoral College with 71 votes to Jefferson's 68. Under the existing constitutional process for choosing the president and vice president (Federalists were unorganized and Pickney received 65 votes) these two men from opposite political parties were elected to serve together. Adams soon had to face the worst problem of his administration, that of relations with France.

THE XYZ AFFAIR (1797)

When the French learned the provisions of Jay's Treaty, they resented the favorable treatment given Britain and the position in which they were placed. They also suspected a secret alliance. France retaliated by ordering her naval commanders to enforce restriction like those of the British against American ships. The Federalist election in 1796 further alienated the French who continued their confiscation of American shipping. President Adams sent C.C. Pickney, Elbridge Gerry and John Marshall to Paris in 1797 to negotiate for damage payments for the ships seized and to restore good relations.

In a cynical reaction to the Revolution, the corrupt Directory had come into power in France. As a preliminary to negotiations, Foreign Minister Talleyrand demanded bribes from the American emissaries, who refused to pay them. The reports of their reception, in which the French agents demanding the bribes were referred to as X, Y and Z, were published in America, and caused a popular furor. War seemed imminent.

THE UNDECLARED NAVAL WAR WITH FRANCE

Congress voted for large sums for the army and navy (and created a separate Navy Department in 1798) and repealed all treaties with France. The navy completed the construction of 23 warships, armed merchantmen, and authorized hundreds of privateers (pirates) to prey on French shipping. Hamilton, the leader of the Federalist faction eager for war, was made head of the army. The undeclared naval war lasted two years and resulted in losses of over 80 vessels to both sides. Adams refused to yield to the clamor of his party for war, believing the national interest called for avoidance of a full-scale conflict.

The French government, like Adams, did not want war (Revolution and war with Britain) and indicated a willingness to restore peaceful relations. Adams appointed a commission that reached France in 1800. Napoleon Bonaparte had just gained control and found it advantageous to restore peace with America. The Convention of 1800 abrogated earlier treaties with France, provided for settlement of the damage claims arising from captured ships and agreed to the principle that neutral ships make neutral goods.

THE ALIEN AND SEDITION ACTS (1798)

The Federalists jumped at the opportunity the war with France presented to strengthen their party and weaken the burgeoning Republicans (who favored France). They passed a series of laws known as the Alien and Sedition Acts. The Alien Acts struck at the recent French, Irish and other liberal immigrants who

had flocked to the Republican Party. 1) the period of residence required for naturalization was increased from five to fourteen years. 2) The president was empowered to order dangerous aliens out of the country.

The Sedition Act forbade not only the conspiracies against the laws, but also criticism of the laws, and the actions and statements of president, cabinet and Congress. While no aliens were deported (although some left voluntarily to avoid deportation), about 25 persons were indicted and 15 were convicted under the Sedition Act; they were punished for disagreeing with the Federalist administration. Ironically, these prosecutions sparked a substantial increase in Republican newspapers.

THE KENTUCKY AND VIRGINIA RESOLUTION (1798)

James Madison, retired at his Virginia estate, and Thomas Jefferson cooperated in writing resolutions criticizing the Alien and Sedition Acts, both to channel popular anger about them against the Federalists and to start the campaign of 1800. Madison's resolutions, passed by the Virginia assembly, declared the acts unconstitutional and claimed that the states could "interpose" themselves between the federal government and the citizen. Jefferson's, which flatly declared the Acts "void and of no force," were passed by the Kentucky assembly. Implicitly, the resolutions, especially Jefferson's, claimed for the states the right to define the Constitution and nullify acts deemed to violate it. These resolutions will begin to set the stage for the idea of nullification of federal by the states and the right to rebel if that power is threatened by the central government.

THE ELECTION OF 1800

The Federalists chose John Adams and C.C. Pickney of South Carolina. The Republican candidates were Jefferson and Aaron Burr. The main issue of the campaign was the Alien and Sedition Acts; in these laws the Federalists had gone too far in trying to stay in office and Jefferson took advantage of this. The war spirit against France had quieted down and could not be used against Jefferson. Renewed English interference with American commerce was turning American tide against the pro-British Federalists. The growth of the federal debt and the increase in military expenditures enabled the Democrat-Republicans to accuse the Federalists of extravagance and militarism (trying to become a ruling elite). The Federalists were furthered damaged by the split between Hamilton and Adams over the undeclared naval war with France. Adams himself, a person of high character, was lacking political ability while Jefferson and Burr were shrewd and popular. There was much mud-slinging in the campaign as the Federalists tried to describe Jefferson as an atheistic, immoral (Sally Hemmings) and dangerous radical (state's rights).

The election was deadlocked when two leading candidates, Jefferson and Burr, tied in the Electoral College vote. (The party messed up and forgot to appoint someone to leave Burr off of the ballot). According to the Constitution the election went to the House of Representatives where the Federalists had enough power to block the election of a Democrat-Republican, but they did not have enough united votes to elect one of themselves. They contrived a stalemate in hope of gaining concessions from either Jefferson or Burr. Hamilton feared the election of Burr. He was a rival of Burr's in New York politics, and believed that he had no principles, and considered Jefferson the lesser of two evils (considered a worthy adversary from Washington's cabinet). Thus, he urged the Federalists to vote for Jefferson and he was elected on the 36th ballot. Finishing second in the last vote was Burr who became the Vice President.