Law-Related Education
State Bar of Texas

Analysis of Hamilton's Financial Plan

Learning Objectives: The student will

1. Understand the key features of Alexander Hamilton's Financial Plan for the United States.
2. Understand the compromises made concerning implementation of Hamilton's Financial Plan.
3. Analyze the impact of Hamilton's plan on the development of a stable economic system for the United States.

TEKS: 8.5A-B

Teaching Strategy:

1. Divide the class into groups of 4-5 students each.
2. Give each group a baggie with the puzzle pieces.
3. Instruct the group to take one puzzle piece out of the baggie and answer the question collectively. Students should record their answers on the blank puzzle sheet.
4. Instruct students to then examine the visual on the other side of the question and discuss the details they see.
5. Once students have answered the question and analyzed the image, they should repeat steps 3 and 4 until they complete the puzzle.
6. Finally, as a class (or in small groups) discuss the following questions:
   - In your opinion, what part of Hamilton's plan would be the hardest to get it approved by Congress? Why?
   - Would you personally have supported or rejected Hamilton's Financial Plan? Why or why not?
7. Exit Ticket: Look at the image on the back of your puzzle, answer the following questions:

- Why is Alexander Hamilton honored on our currency?
  - Possible answers include: he was our first Secretary of Treasury and was responsible for a stable financial system for the U.S.

- How does this image symbolize his significant contributions to establishing our financial system?
  - Possible answers include: he helped establish U.S. credibility with
  - foreign nations, helped get the U.S. out of debt from the American Revolution, helped establish our financial system including promoting free enterprise and capitalism and helped promote an industrialized economy.

Background Information

Key Parts of Hamilton's Financial Plan: Overall objective—establish a national credit, encourage manufacturing, and provide a sound currency. The plan favored persons of wealth and creditors, merchants, and manufacturers. He believed if people have an economic stake in the government, it would assure its success.

1. Assumption (combination) of all the war debt—This would establish the credit of the US at home.
    a. National debt: Foreign countries had loaned money to the Continental Congress to fight the war. These included France, Spain, and the Netherlands.
    b. Domestic debt: The Articles of Confederation Congress had incurred domestic debt by issuing bonds to Americans in return for money to fight the war. The plan was to exchange many of the old bonds for the new bonds issued by the national government. The problem was that some people had already sold their bonds at a lower cost.
    c. States' debt: Some states had heavier debts (Massachusetts) and some states (especially in the South) had already paid their debts.

2. Tariffs-Using the power to regulate commerce, Congress was to pass import tariffs to protect new American industries. This would help establish the US as an industrialized nation like Great Britain. Tariffs would also raise the revenue necessary to operate the government.

3. Creation of a National Bank— Congress would create a charter for a privately-owned bank with the national government as the major shareholder. The bank was used by the government to deposit government money and to print banknotes for a stable currency. The Constitution said nothing about creating a bank. However, Hamilton believed that Congress's power to coin money and control interstate trade allowed them to do so (using the necessary and proper clause).

Compromises and Results:

1. Jefferson agreed to support assumption of debts if the U.S. capital was built in the South on the Potomac River.
2. Tariffs were passed, but the rate was lower than Hamilton wanted, so he pushed Congress to pass excise taxes (tax on a domestic goods paid when purchased). The whiskey tax, for example, led the Pennsylvania farmers who grew corn used to make the whiskey to rise-up in rebellion over this tax.
3. The bank continued to be controversial. Jefferson argued a strict interpretation of the Constitution did not allow Congress the power to create a bank. Hamilton argued a loose interpretation of the Constitution allowed Congress to create a bank under the "necessary and proper" clause. The Bank of the United States was eventually chartered by the federal government in Philadelphia.


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1. Describe the advantages and disadvantages of Hamilton's tariff policy.

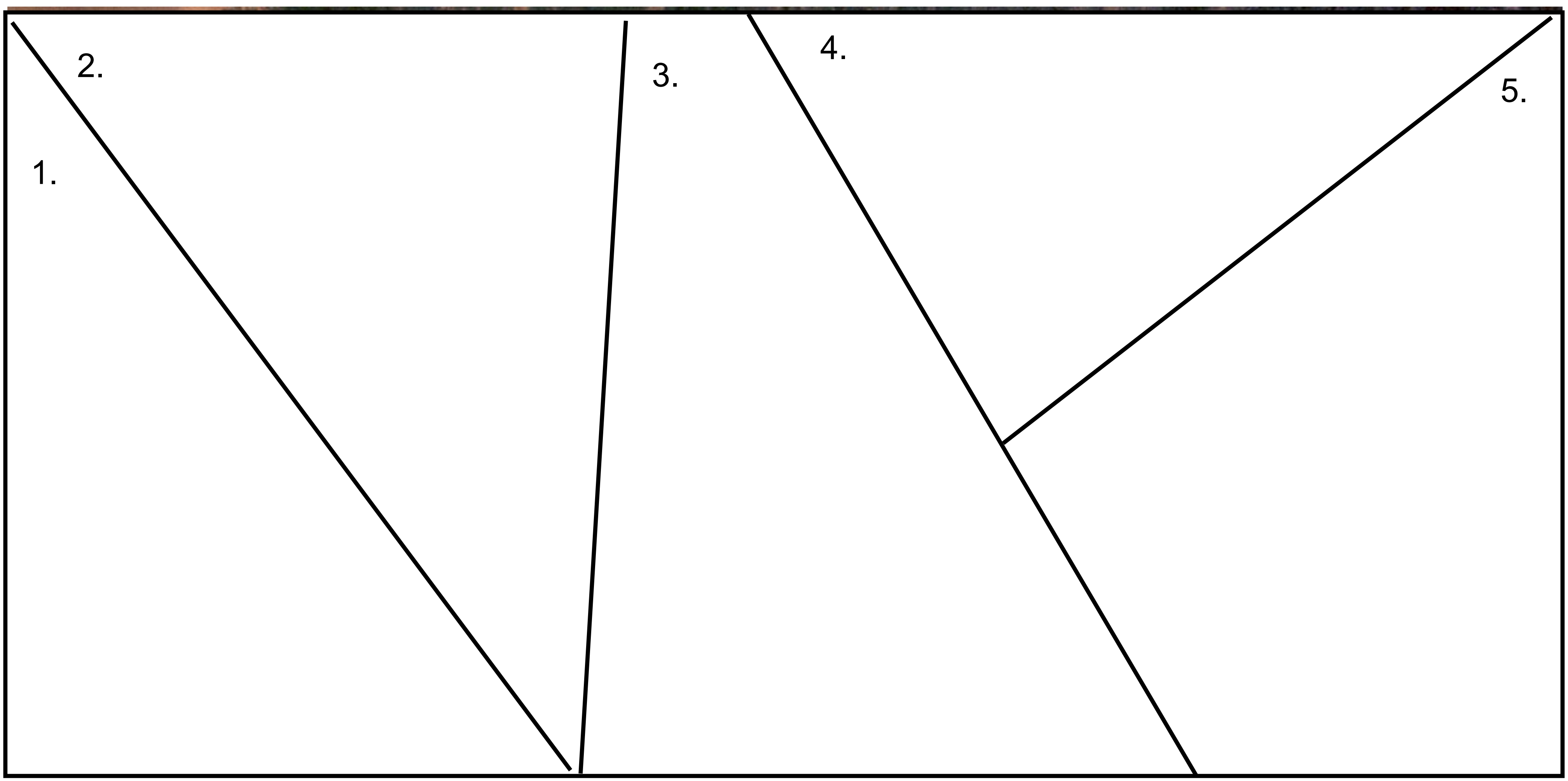
2. What were the arguments for and against the national government assuming all Revolutionary War debt?

3. What was the compromise reached by Hamilton, Jefferson, and Madison to get approval of his financial plan and what did both sides gain?

4. Why was the idea of a national bank controversial?

5. How did Hamilton constitutionally justify the creation of a national bank?

Name:



Exit Ticket: