

# Log 3

Countries, United States



LOG 3 It is argued that class conflict gave rise to the two party system. We begin by customarily separating American political history into three periods using changes in party names as the basis of division. According to this scheme, there have been three great party alignments since the formation of the Constitution: Federalist versus Republican/Democrats Whigs against the Democrats 1830-1856, and Republicans against Democrats 1856-present. But because of Hamilton's financial plan it helped cement the two political party system that is a part of American politics today. When Hamilton took office as Secretary of Treasury, he created a financial plan that would, pay off war debts, create a national bank and put a tariff on exported goods that would hopefully encourage industrialization in America. First the funding of the national debt. All the old bonds, certificates and other evidences of indebtedness issued by the Continental Congress during the Revolution were called in. New bonds for face value given to the holders angered some Americans for this benefited only a handful. The assumption of the revolutionary debts of the states was the second issue. The Federal government called in the revolutionary debts of the states and issued new federal bonds that is, the Federal government assumed the obligations of the states and added them to the general debt of the nation. Thus the common people, not the wealthy, paid for the war. The idea of a United States Bank was the next measure. Under Hamilton's leadership, Congress chartered a banking corporation. Threefourths of its securities were new federal bonds. It was empowered to issue currency and do general business. Who was allowed to hold these bonds and who made handsome profits only angered the many people against the privileged elites. Finally the passing of

protective tariffs this measure was for the protection of American industries by the imposition of custom duties on imports coming into competition with American products. Hamilton favored an elaborate system of protectionism. Although his plans were not adopted in full, the first revenue bill passed in 1789 was mildly protective and in time other protective features were added. Consumers always pay more when tariffs are added, while manufactures charge higher prices without any worry of foreign competition. This angered many people. Conflict over Hamilton's financial program was a step toward the rise of political parties. Many people, including Thomas Jefferson, believed that Hamilton's financial program helped wealthier Americans at the expense of the rights of the common people and the states. To oppose Hamilton's programs, Jefferson and others organized into groups, both in Congress and throughout the nation. They called themselves Republicans, in contrast to Hamilton and his supporters, who called themselves Federalists. Other local and foreign events solidified this division. By 1796, almost every issue in Congress was decided along party-line votes.