

Federalism and the National Bank

Option A

Lexile: 1190
Word Count: 570

Vocabulary

- | | | | |
|-----------------|-------------------|----------------|-------------|
| ▶ farming-based | ▶ self-government | ▶ federalism | ▶ taxation |
| ▶ unlimited | ▶ manufacture | ▶ disagreement | ▶ afterward |
| ▶ unnecessary | ▶ tax | | |

Federalism

In Federalist #39, James Madison stated that the proposed Constitution was neither a national nor a federal Constitution. He meant the Constitution created a system with power at both the national and state levels. This system, called federalism, ensured state and national governments had their own powers while sharing some responsibilities. The Founders designed federalism to create a healthy balance between state and national governments, so each would prevent the other from becoming too powerful and protect limited government and liberty.

The Ratification Debate

During the debate over approving the Constitution, those who opposed it, known as Anti-Federalists, wanted to add a bill of rights to protect individual freedoms. Although the Federalists believed the Constitution already protected rights well enough, they agreed to add a bill of rights after approval to gain support from some Anti-Federalists. James Madison, then a member of the House of Representatives, pushed Congress



Tholey, Augustus. *Leaders of the Continental Congress—John Adams, Morris, Hamilton, Jefferson*. 1894. Print. Library of Congress. <https://www.loc.gov/pictures/item/00649557/>.

This print portrays prominent figures associated with the founding and governance of the early United States during the Revolutionary era.

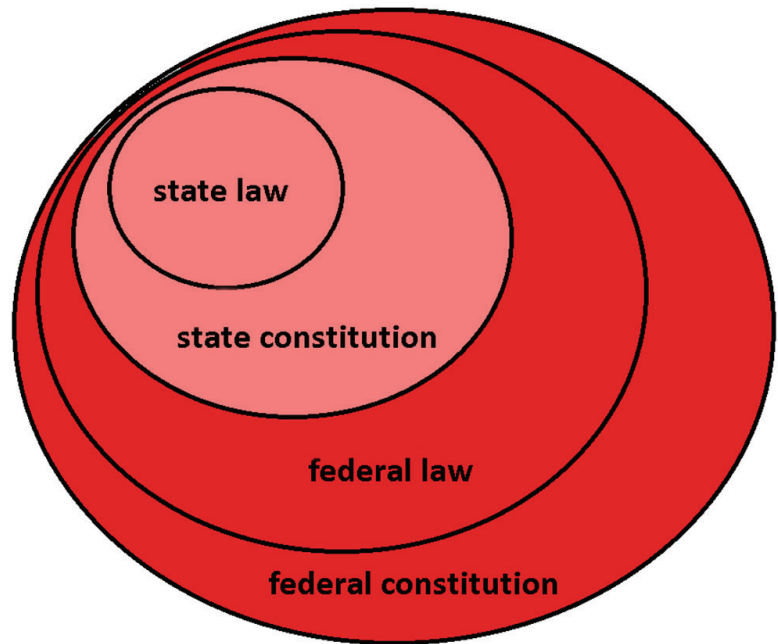
to keep this promise. Congress passed some amendments, and in 1791 the states ratified them, and they became known as the Bill of Rights. The Tenth Amendment stated that powers not given to the national government or denied to the states would belong to the states or the people. This amendment was meant to protect federalism and stop the national government from taking state powers.

The National Bank

In the early years of America, disagreements quickly arose about which powers belonged to the national government, and which were 'reserved to the States.' One of the biggest debates was about creating a national bank. The Constitution's Article I Section 8 clearly gave Congress powers like taxing and controlling foreign trade, but did not specifically mention creating a bank. However, Section 8 ended by saying Congress could make any laws 'necessary and proper' to use its given powers. During George Washington's presidency, people argued about how to interpret the Necessary and Proper Clause and the Tenth Amendment regarding the national bank. President Washington asked his cabinet members, or people who were in the executive branch as the heads of departments, to explain their positions on creating a national bank.

Hamilton and the National Bank

Alexander Hamilton, the Secretary of Treasury, wanted America to become a strong manufacturing and financial nation like Great Britain. He thought this would bring economic success and respect from European countries. Hamilton believed a national bank was essential for creating reliable money, providing a safe place for deposits, and supporting trade. He told Washington that Congress needed a national bank to effectively use its powers of taxation and trade regulation. Hamilton argued the government should use all available means to carry out its duties effectively. Therefore, he said, creating a national bank was allowed under Congress' powers and did not violate the Tenth Amendment.



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This diagram illustrates the hierarchy of laws in a federal system—from federal authority to state authority. The nested circles show that lower levels of law cannot contradict higher ones, emphasizing the structure of constitutional federalism.

Jefferson and the National Bank

Thomas Jefferson strongly opposed Hamilton's vision for America. He worried that becoming a financial and manufacturing power would create a small group of wealthy elites separated from regular citizens. Jefferson feared this would lead to an aristocracy where the wealthy held all political power instead of a true republic. He preferred developing a farming-based society spread across the country, believing this would better support the values needed for self-government. Jefferson claimed the national bank was unnecessary for Congress' duties and violated the Tenth Amendment. He warned Washington that going beyond Congress's specific powers would open the door to unlimited government control at the national level.

George Washington's Decision

After careful thought, Washington supported creating a national bank, which Congress established in 1791. However, debates about whether the bank was constitutional, along with broader questions about state and national powers under federalism, continued for many years afterward.



Federalism and the National Bank

Option B

Lexile: 940
Word Count: 431

Vocabulary

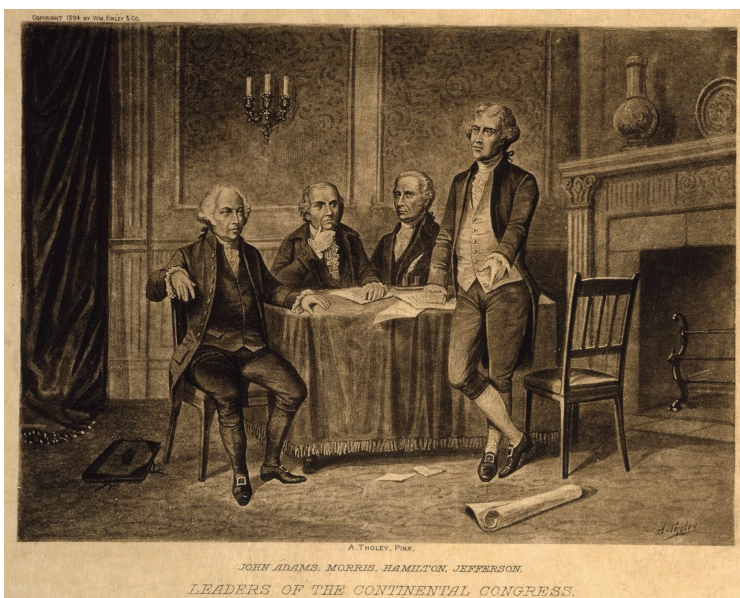
- ▶ federalism ▶ helper ▶ debate ▶ worried ▶ factory
- ▶ respect ▶ approve ▶ carefully ▶ farmer

State and National Power

Members of the Constitutional Convention helped create a plan for the United States that would share power between the national government and state governments. This system was called federalism. Under federalism, each state had power over some things, while the national government had power over other things. The national government and states worked together but each had its own job. This helped make sure no one had too much power.

Debating the New Plan

When people were deciding whether to approve this plan, some people were worried. They wanted to add a list of rights to protect everyone's freedom. People who supported the Constitution thought the plan included enough things to protect rights but agreed to add a bill of rights to list specific rights that are protected once the Constitution was approved. Congress made these changes, and in 1791 the Bill of Rights was passed. One of these rights said that if the national government wasn't given a power, that power would belong to the states or the people. This was the Tenth Amendment.



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The First Bank

Soon after the Constitution was passed, people began arguing about which powers belonged to the national government, and which belonged to the states. The biggest fight was about starting a national bank. The Constitution said Congress could make taxes and control trade with other countries, but it didn't say anything about making a national bank. However, it said Congress could make any laws needed to do its job. When George Washington was president, he asked his helpers what they thought about making a national bank.

Hamilton's Ideas

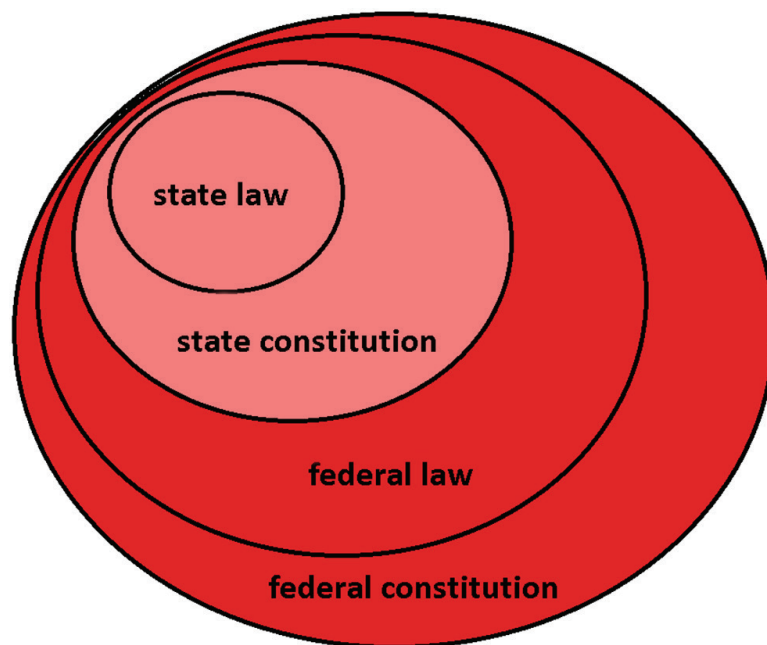
Alexander Hamilton was the Secretary of Treasury and worked a lot with the finances of the country. He wanted America to be strong like Great Britain, with lots of factories and banks. He thought this would help America become rich and make other countries respect it. Hamilton said America needed a national bank to help Congress do its job of collecting taxes and regulating trade. He told Washington that the government should use the bank as a tool that would help it do a good job.

Jefferson's Ideas

Thomas Jefferson was Secretary of State and didn't like Hamilton's ideas. He worried that having lots of banks and factories would make a small group of people too rich and powerful. Jefferson thought it would be better if more people were farmers spread across the country. He said the national bank wasn't needed and would give the national government too much power. He said that the Constitution did not give Congress the power to make a national bank and that the Tenth Amendment said that it should be a state power. Therefore, making a national bank would go against the Constitution.

The Final Choice

After thinking carefully, Washington decided to support the national bank, and Congress created it in 1791. But people kept arguing about whether the bank was allowed by the plan, and they kept debating about how to share power between states and the national government for many years.



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