

Lesson Title: HAMILTON’S BANK

Grade Levels: 9-12

Time Allotment: Two to three 45-minute class periods

Overview: This high school lesson plan uses video segments excerpted from the PBS documentary *Rediscovering Alexander Hamilton* to explore the political and philosophical differences between America’s first two political parties—Alexander Hamilton’s Federalists and Thomas Jefferson’s Republicans—through a close examination of Hamilton’s controversial proposal to create a central federal bank for the newly formed United States.

The Introductory Activity tests prior knowledge with a vocabulary primer that serves as a general review of the key terms and concepts to be discussed in the lesson. The Learning Activities use video segments from *Rediscovering Alexander Hamilton* to explore Hamilton’s controversial proposal to create a central federal bank for the newly formed United States, and the opposition it faced from Thomas Jefferson and James Madison. An online interactive challenges students to weigh other opposing positions of Jefferson and Hamilton and determine which they feel has left the greater legacy. For the Culminating Activity, students write individual research reports about other incidents throughout American history which have involved a political conflict between advocates for the federal government’s central authority and the rights of individual states.

This lesson is best used in or following a unit on Alexander Hamilton, the Revolutionary War, the Constitution, or the differences between Hamiltonianism and Jeffersonianism.

Subject Matter: History, Economics

Learning Objectives:

Students will be able to:

- Explain the reasons behind the financial chaos of post-Revolutionary War America
- Describe Alexander Hamilton’s proposed solution of a central bank
- Outline Thomas Jefferson and James Madison’s opposition
- Compare and contrast the Federalist and Republican parties and discuss other state/federal political conflicts throughout American history.

Rediscovering Alexander Hamilton is a production of Manifold Productions, Inc., in association with WNET/Thirteen in New York City. Funding for *Rediscovering Alexander Hamilton* was provided by the National Endowment for the Humanities, BNY Mellon, the John Templeton Foundation, the U.S. Virgin Islands, Roger and Susan Hertog, the Robert H. Smith Family Foundation, The Lynde & Harry Bradley Foundation, and the Gilder Foundation.

Standards:

United States History Content Standards for Grades 5 -12

(from the National Center for History in the Schools at <http://www.nchs.ucla.edu/Standards/us-history-content-standards>)

United States Era 3: Revolution and the New Nation (1754-1820s)

Standard 2: The impact of the American Revolution on politics, economy, and society.

Standard 2B: The student understands the economic issues arising out of the Revolution. Therefore, the student is able to:

- Evaluate how the states and the Continental Congress dealt with the revolutionary war debt

Standard 2C: The student understands the Revolution's effects on different social groups. Therefore, the student is able to:

- Compare the revolutionary goals of different groups—for example, rural farmers and urban craftsmen, northern merchants and southern planters—and how the Revolution altered social, political, and economic relations among them

Standard 3: The institutions and practices of government created during the Revolution and how they were revised between 1787 and 1815 to create the foundation of the American political system based on the U.S. Constitution and the Bill of Rights.

Standard 3A: The student understands the issues involved in the creation and ratification of the United States Constitution and the new government it established. Therefore, the student is able to:

- Compare the arguments of Federalists and Anti-Federalists during the ratification debates and assess their relevance in late 20th-century politics.

Standard 3D: The student understands the development of the first American party system. Therefore, the student is able to:

- Explain the principles and issues that prompted Thomas Jefferson to organize an opposition party.
- Compare the leaders and social and economic composition of each party.
- Compare the opposing views of the two parties on the main economic and foreign policy issues of the 1790s

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Historical Thinking Standard 3: Historical Analysis and Interpretation

The student engages in historical analysis and interpretation: Therefore, the student is able to:

- Compare and contrast differing sets of ideas, values, personalities, behaviors, and institutions by identifying likenesses and differences.
- Consider multiple perspectives of various peoples in the past by demonstrating their differing motives, beliefs, interests, hopes, and fears.
- Analyze cause-and-effect relationships bearing in mind multiple causation including (a) the importance of the individual in history; (b) the influence of ideas, human interests, and beliefs; and (c) the role of chance, the accidental and the irrational.
- Draw comparisons across eras and regions in order to define enduring issues as well as large-scale or long-term developments that transcend regional and temporal boundaries.
- Distinguish between unsupported expressions of opinion and informed hypotheses grounded in historical evidence.
- Compare competing historical narratives.
- Challenge arguments of historical inevitability by formulating examples of historical contingency, of how different choices could have led to different consequences.
- Hold interpretations of history as tentative, subject to changes as new information is uncovered, new voices heard, and new interpretations broached.
- Evaluate major debates among historians concerning alternative interpretations of the past.
- Hypothesize the influence of the past, including both the limitations and opportunities made possible by past decisions.

Media Components

Video:

From *Rediscovering Alexander Hamilton*:

Clip #1: “The Deadbeat of the World”

This video segment describes the disastrous state of the United States’ finances following the Revolutionary War, which had been paid for by incurring vast amounts of debt.

Clip #2: “Hamilton’s Solution”

This video segment explores Alexander Hamilton’s controversial proposal to solve the United States’ early financial woes—a central federal bank—and the

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opposition it faced from Hamilton's political opponents Thomas Jefferson and James Madison.

Websites:

“Jefferson or Hamilton?”

<http://www.learner.org/biographyofamerica/prog05/feature/index.html>

An educational interactive site from the Annenberg Foundation comparing and contrasting the views of Thomas Jefferson and Alexander Hamilton and inviting students to weigh the two Founding Fathers' opposing perspectives on different issues.

Materials:

For the teacher:

- A computer with internet access connected to a projector and speakers for classroom use.
- “Terms of the Debate” Student Organizer Answer Key

For each group of 3-5 students:

- A computer with internet access

For each student:

- “Terms of the Debate” Student Organizer
- “Jefferson or Hamilton?” Student Organizer

Prep for Teachers:

Prior to teaching this lesson, you will need to:

Preview all of the video segments and websites used in the lesson.

Download the video segments used in the lesson to your classroom computer, or prepare to watch them using your classroom's internet connection.

Print out sufficient quantities of both student organizers.

Bookmark the website used in the lesson on each computer in your classroom. Using a social bookmarking tool such as delicious.com or [diigo](http://diigo.com) (or an online bookmarking utility such as [portaportal](http://portaportal.com)) will allow you to organize all the links in a central location.

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Introductory Activity

1. Explain to students that this lesson will be focusing one of United States' earliest and most defining political controversies: the proposal by the "Federalist" Alexander Hamilton of a central, national bank for the new nation, and the opposition it faced from "Republicans" Thomas Jefferson and James Madison. Distribute a copy of the "Terms of the Debate" student organizer to each student and explain that it contains some of the key terms which they'll be encountering in today's lesson. Ask for volunteers to offer any definitions they think know already, inviting comments and or correction from the rest of the class. Do not suggest any answers, but instruct the class to complete their organizers independently as they proceed through the lesson, and explain that the class will review them together at the end of the lesson.

Learning Activities

1. Ask students to review what they know about Alexander Hamilton. (*Answers will vary, but for the purposes of this lesson should include an understanding that Hamilton came from a poor background in the Caribbean before coming to New York, where he soon suspended his studies to join the Continental Army and rose to become a war hero and General Washington's most trusted aide. After the war, he returned to New York, where served as one of the state's congressmen and one of the central figures in the drafting of the United States Constitution. When George Washington was inaugurated president in 1789, one of his first moves was to appoint Hamilton Secretary of the Treasury.*) Provide of focus for the first clip by asking students what the state of the United States' financial system was in 1789, and why? PLAY Clip 1: "Deadbeat of the World."

2. Review the focus question: what was the state of the United States financial system in 1789, and why? (*Utter financial chaos. The government was broke, deeply in war debt, and lacked credit abroad largely because each state had its own unstable currency.*) Explain that the video actually understates the problem, and currencies were not only issued by different states, but that many cities, companies, and even individual merchants also issued their own local substitute currencies, or "scrips." Ask students why they think multiple currencies presented a problem. After all, doesn't today's global economy thrive despite hundreds of different currencies? (*Accept all answers.*) Explain that today's global economy functions because although conversion rates vary, our communication and information networks ensure that the conversion rate at any given time is more or less agreed to. Ask students if they think this was the case in 1789? (*No.*) Why not? (*Communication was limited to foot, horse, and sail, which could take days if not weeks to travel between a point of financial transaction and the actual conversion of currency at a bank—of which the United States at that time had very few.*)

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3. Tell students that in addition to the problems presented by having to convert so many currencies, the sheer number of institutions and individuals backing the currencies and scrips made it difficult if not impossible for the United States to gain credit abroad. Ask students why they think this might have been?

(Creditors—i.e. institutions which lend money—are generally most willing to lend to large, solid, secure institutions—like nations—with the resources to pay back loans; smaller institutions—like states and cities—have fewer resources and thus carry a greater risk of defaulting on loans.) Ask students why they think international credit is so important? *(Credit is essentially what makes commerce possible by eliminating the need for time-consuming cash transactions.)*

4. Explain that one of the many American currencies in circulation were “Continental”—an emergency scrip issued by the Continental Congress before and during the Revolution and used for paying the soldiers of Washington’s Continental Army. Explain that during the war, the British had conducted a campaign of economic warfare by flooding the states with counterfeit Continentals. Ask students what effect they think this would have had. *(More currency—especially counterfeit currency—creates inflation, which devalues currency.)* Frame the next clip by explaining that this inflation—greatly exacerbated by the United States’ ramshackle financial and economic system more generally—presented a particularly embarrassing dilemma, as patriots who had fought and won the Revolutionary War now found themselves being exploited by financial speculators. Provide a focus question for the next clip by asking what the nature of this exploitation was, and how Hamilton addressed the problem. **PLAY Clip 2: “Hamilton’s Solution.”**

5. **PAUSE** video at 1:54:26, after the cartoon narrator says “In short, Hamilton uses the debt to create a strong federal government, making the national debt a national blessing, as he put it.” Review the focus question: how were soldiers being exploited by speculators, and how did Hamilton address the problem? *(Soldiers were selling their almost worthless Continental scrip to speculators for pennies on the dollar. Hamilton proposed that a new centralized federal bank be created to assume all the states’ debts.)* How would such a new bank help the former soldiers? *(It would pay out the face value of their Continental scrip, which had previously been owed to the soldiers by individual states, which were too indebted to pay.)* Why did Hamilton mean when he stated that this new bank would transform a national debt into a “national blessing.” *(Accept all answers.)* Explain that for Hamilton, the debt crisis was a golden opportunity to implement his most deeply held belief about how the new nation should be run. Ask students what they think this belief was? *(Accept all answers.)* Remind students that the “national debt” to which Hamilton referred had largely been the collective debt of individual states. A federal bank, on the other hand, by assuming the debt of the states, would establish a truly *national* debt, which Hamilton regarded as a

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“national blessing” because it would essentially authorize, legitimize, and necessitate a large central government—which he believed was absolutely essential to the growth and prosperity of the nation.

6. Ask students if they think Hamilton’s proposed solution was fair to the former soldiers. (*It was fair to those who still held their Continental scrip, which would now be redeemable for its full face value, but it would do nothing to help those soldiers who had already pawned their scrip to speculators for pennies on the dollar.*) Provide a focus for the next video by asking who opposed Hamilton’s plan and why? RESUME playing Clip 2.

7. PAUSE video at 1:56:39, after historian Ron Chernow says “Who would buy a stock or a bond today if they thought that a former owner could suddenly appear in court and claim that they were somehow entitled to some of the appreciation of the security?” Review the focus question: who opposed Hamilton’s plan and why? (*Thomas Jefferson and James Madison; both men felt that a central federal bank that paid the full face value of Continental scrip to speculators would effectively be swindling the soldiers who had sold it to them at such a discount.*) How had Madison proposed that the contesting claims of soldiers and speculators be handled differently? (*Judged on a case by case basis.*) What was the financial principle upon which Hamilton defended his proposal? (*That anyone who owned a particular security—in this case, Continental scrip—was entitled to the profits from that security, regardless of how they came to own it.*) Ask students if this principle remains a foundation of our economic and financial system today? (*It does.*)

8. Explain that another reason for political opposition to Hamilton’s proposal for a central bank to assume individual states’ debt was that the states had varying levels of debt. Many of the Southern states, for instance—including Jefferson and Madison’s Virginia—had largely paid off their war loans already, and felt it was unfair to make them help pay off the remaining debt of northern states—like Hamilton’s own New York—through the shared institution of a central bank. Ask students if they agree that this was an unfair proposition. (*Accept all answers.*) Ask students if they think that “fairness” with regard to the status quo was or should have been the primary concern of the Founding Fathers. (*Accept all answers, but encourage an understanding that, for Hamilton at least, “unfair” consequences for certain parties—be they those concerning the former soldiers who’d pawned their pay or states who’d already paid off their war debt—were to be accepted at the time in order to establish a strong central government and a secure financial system for the future.*)

9. Ask students if they share Hamilton’s belief in the need for a strong central government. (*Accept all answers.*) Is this size of the Federal government a political issue in today’s politics? (*Yes.*) Explain that the relative power of the Federal government compared to individual states has been a major point of

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political debate throughout American history, and that it was in fact the nation's earliest and perhaps most fundamental political division. Provide a focus for the next video segment by asking what these first two opposing philosophies came to be known as, and what political parties they formed. RESUME playing Clip 2.

10. PAUSE video at 1:57:11, after host Richard Brookhiser says “Madison, with Jefferson, would later form the Republican party, in opposition to Hamilton’s Federalists.” Review the focus question: what did America’s first two opposing philosophies come to be known as, and what to which political parties did they give rise? (*The nation’s first two opposing political philosophies came to be known as Hamiltonianism and Jeffersonianism, which gave rise to the Federalist and the Republican party, respectively.*) Explain that Republicans were also known as “Anti-Federalists.” Tell students that they will be returning to the philosophical differences between Hamiltonianism and Jeffersonianism shortly, but they will first be examining how the earliest political battle between Federalists and Republicans was finally resolved. Provide a focus for the next video segment by asking what deal was ultimately struck between Hamilton and Madison regarding Hamilton’s proposal for a federal bank, and what role Thomas Jefferson played in it. RESUME playing Clip 2.

11. PAUSE at 2:00:50, after actor George Arliss (playing Hamilton) says “A prosperity that will one day make America, the most powerful nation in the world!” Review the focus question: what deal was finally struck between Hamilton and Madison regarding Hamilton’s proposal for a federal bank, and how was it brokered? (*In a face-to-face meeting arranged by Thomas Jefferson, Madison agreed to the establishment of Hamilton’s central bank in exchange for a relocation of the national capitol from New York to the Potomac River between Virginia and Maryland, in what would become Washington D.C.*) Ask students why Madison wanted the capitol moved. (*He—along with his ally Jefferson, was a Virginian.*) Ask students if they think that there might have been a larger political motivation behind the deal? (*By moving the capitol to the Potomac, Madison and Jefferson hoped to decrease the political influence of Hamilton specifically and the financial sector more generally—both of which were based in New York.*)

12. Explain that at the time, the area which would become Washington D.C. was a largely uninhabited swampland, and that the neighboring states of Virginia and Maryland were rural, agricultural, and largely owned by wealthy “gentlemen farmers”—including Jefferson and Madison. Ask students if they think they think politicians from such a region, and representing its interests on the national level, might have had differing views and differing agendas than a self-made immigrant New Yorker like Hamilton? (*Yes.*) How might they be different? (*Accept all answers.*) Provide a focus for the next and final video segment by asking students how Hamilton’s view of America’s future—i.e. “Hamiltonianism”—differed

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philosophically from Jefferson's—i.e. “Jeffersonianism.” RESUME playing Clip 2 through to the end.

13. Review the focus question: how does Hamilton's and Jefferson's views of America's future differ? (*Jefferson sees America as a nation of largely rural, agricultural farmers and sees cities as corrupting “dens of iniquity,” while Hamilton sees America's future built on a mixed economy of urban trade and manufacturing in addition to rural agriculture.*) How does historian Ron Chernow describe Jefferson's views, and why? (*Chernow refers to Jefferson's views—and those of many other Founding Fathers—as “pre-capitalist,” meaning that they are biased toward agrarian rather than industrial economic systems.*) How did Hamilton, as quoted in the video, advocate a mixed economy? (*He argued that only a wide range of industries could provide different individuals with the opportunities to apply their individual talents.*) Ask students, based upon what they have learned about both Jefferson and Hamilton, which man's vision they think has had the most enduring impact on American history? (*Accept all answers.*)

14. Divide students into groups of 3-5. Distribute a copy of the “Jefferson or Hamilton?” student organizer to each group and have them all log on to the “Jefferson or Hamilton?” website (at <http://www.learner.org/biographyofamerica/prog05/feature/index.html>.) Tell students that they will now have 30-40 minutes to play through this interactive website, which further explores the differences in the philosophical, political, economic, and moral principles of these two Founding Fathers. Explain that on their organizers, students must write brief responses explaining their favoring of Hamilton or Jefferson at different stages throughout the interactive.

15. When all groups have finished, go through the organizer as a class, asking for different group responses and rationales. Encourage discussion and debate among groups whenever different choices have been made. Based upon what they learned in the interactive, have any students changed their minds about with Founding Father they think has left the greatest legacy? If so, why? Which man's perspective do they most share themselves? Do they think that the United States would have benefited had one man's vision more completely triumphed over the other, or has the nation benefited from the ongoing and unresolved debate between their two perspectives? (*Accept all answers.*)

Culminating Activity

1. Review the Introductory Activity's “Terms of the Debate” student organizer with the class, discussing any new or improved understandings which have emerged in the course of the lesson.

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2. Take a few minutes to brainstorm with the class about what other issues have pitted advocates of individual states' rights and interests over those of the federal government throughout American history. (*Suggestions may include major conflicts like the Civil War and racial desegregation, but also ongoing controversies such as abortion or gun control.*)

2. As homework, assign individual students to write short research essays examining an issue in American history where disagreement over the balance of power between individual states and the federal government has been a dividing issue. The essay subjects can be based on an issue just brainstormed by the class or can be another of the student's choosing. Essays should explore the positions on both sides of the issue, describe how the issue was resolved (if it has been), speculate on how Jefferson and Hamilton might have weighed in, and offer a personal opinion of whether the historical resolution was for the better or for the worse.

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Name: _____

Date: _____

“Terms of the Debate” Student Organizer

Currency –

Inflation –

Credit –

Creditors –

Debt –

Defaulting –

Scrip –

Speculators –

Federal –

Federalists –

Republicans –

Hamiltonianism –

Jeffersonianianism -

“Terms of the Debate”

Student Organizer (Answer Key)

Currency – *Money*

Inflation – *A devaluation of currency which results in a rise in prices (or vice versa)*

Credit – *The ability of a trusted individual or institution to borrow money against future payment*

Creditors – *A loaner of money*

Debt – *Money owed to a creditor*

Defaulting – *Failure to pay back a loan*

Scrip – *A currency substitute, generally issued by an institution as non-legal tender form of credit*

Speculators – *Financial middlemen seeking to profit by making short-term, high-risk investments of opportunity*

Federal – *Of or pertaining to the central government of a nation composed of constituent states*

Federalists – *The early American political party formed by Alexander Hamilton and other advocates of a strong federal government*

Republicans – *Also known as “Anti-Federalists,” this was the early American political party formed by Thomas Jefferson and other advocates of individual states’ rights*

Hamiltonianism – *The political philosophy embodied by Hamilton’s championing of a strong federal government, advocacy for urban trade and manufacturing, strict interpretation of the Constitution, pessimistic view of human nature, and belief that the governments should be run by educated, propertied elite*

Jeffersonianianism - *The political philosophy embodied by Jefferson’s championing of individual states’ rights, advocacy for traditional rural agriculture, loose interpretation of the Constitution, optimistic view of human nature, and belief that governments should be run by the people*

Name: _____

Date: _____

“Jefferson or Hamilton?”

Student Organizer

1. Introduction. Who had the more enduring vision for the United States—Thomas Jefferson or Alexander Hamilton? Explain your choice.

1a. Would you change your answer based upon the new information presented in red? Why or why not?

2. The Virtue of the People. Who had the more enduring vision for the United States—Thomas Jefferson or Alexander Hamilton? Explain your choice.

2a. Would you change your answer based upon the new information presented in red?
Why or why not?

3. The Role of Government. Who had the more enduring vision for the United States—Thomas Jefferson or Alexander Hamilton? Explain your choice.

3a. Would you change your answer based upon the new information presented in red? Why or why not?

4. Slavery. Who had the more enduring vision for the United States—Thomas Jefferson or Alexander Hamilton? Explain your choice.

4a. Would you change your answer based upon the new information presented in red? Why or why not?

5. The Place of Cities. Who had the more enduring vision for the United States—Thomas Jefferson or Alexander Hamilton? Explain your choice.