

**Banking, the Constitution, and
the Early History of the United States**

During the late 18th century, the founders of the United States struggled to create a form of government that would be acceptable to the diverse interests of the colonists who had participated in the revolution. There were many differences to overcome. Groups differed on the proper role of government, banks, debt, and commerce. In this exercise, students will consider some of the financial and economic issues faced by the framers of our Constitution.

On October 26, the class will discuss Chapters 4 and 5 of *Banks and Politics in America* by Bray Hammond (Princeton University Press, 1957). During the second part of class, students will meet in assigned groups to plan presentations they will make on Wednesday. On October 28, mock debates will be held as described below.

Discussion Questions for October 26

1. What, according to Hammond were the most important arguments against establishment of a Bank of the United States?
 - a. According to Hammond, did the Constitution authorize establishment of national banks?
 - b. According to Hammond, why were certain interest groups opposed to the bank?

2. What, according to Hammond were the most important arguments for establishment of a Bank of the United States?
 - a. According to Hammond, what interest groups favored establishment of the bank?
 - b. Why, according to Hammond, was a system of state banks insufficient to meet the commercial needs of the United States?

3. What, according to Hammond, is the connection between the establishment of the Bank of the United States and creating fiat money for the U. S.?

Mock Congressional Debates
October 28, 2004

It is December, 1790. Congressional Hearings are being held to determine whether Congress should approve two resolutions. The **first resolution** grants a charter to the Bank of the United States. The **second resolution** grants legal tender status to paper dollars that the bank will issue and permits the Bank to hold whatever gold backing it deems prudent. Five speakers are scheduled. Michael Salemi will chair the mock Hearings. Each group will be allotted ten minutes for its testimony. Voting will occur at the end of the hearings.

Speaker one is Caleb Strong. Strong is a member of the committee that will deliberate these resolutions. He is appearing at these hearings to provide Congress with a background report about the colonies experience with issues of "continental" paper dollars during the period of the revolution.

Speaker two is Alexander Hamilton who has submitted a plan for the Bank to Congress. Hamilton favors the establishment of the bank and will testify that the Bank is necessary for the growth of commerce in the United States.

Speaker three is James Madison who opposes the creation of the Bank. Madison opposes the bank, largely on Constitutional grounds. But at the hearing he will represent all those voices that oppose the creation of the Bank.

Speaker four is Albert Gallatin who represents those in the United States that favor the issuance of paper money.

Speaker five is William Findley who represents those in the United States who oppose the issuance of paper money.
