

What You Will Learn ...

Main Ideas

1. The United States had difficulties with other nations.
2. Internal economic problems plagued the new nation.
3. Shays's Rebellion pointed out weaknesses in the Articles of Confederation.
4. Many Americans called for changes in the national government.

The Big Idea

Problems faced by the young nation made it clear that a new constitution was needed.

Key Terms and People

tariffs, p. 159

interstate commerce, p. 160

inflation, p. 161

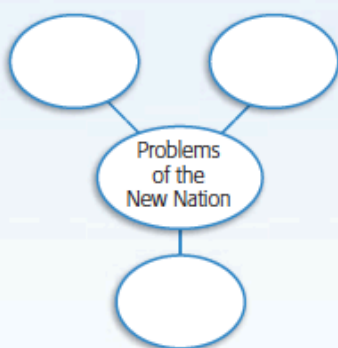
depression, p. 161

Daniel Shays, p. 161

Shays's Rebellion, p. 161

TAKING NOTES

As you read, use a graphic organizer like the one below to identify problems faced by the new nation.



The New Nation Faces Challenges

If YOU were there...

You own an orchard in Maryland in the 1780s. When you sell apples and apple pies in the market, people pay you with paper money. But now the tax collector says you must pay your taxes in gold or silver coins, not paper money. You and the other farmers are furious. Is this the liberty you fought a war for?

What would you do to protest these taxes?

BUILDING BACKGROUND Americans surprised the world by winning their independence from Great Britain. But the 13 new states were far from being a strong nation. Internal problems, especially with taxes and the economy, led to protests and rebellion. The government also had trouble with foreign trade and treaties.

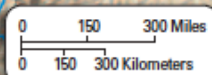
Relations with Other Countries

Under the Articles of Confederation, Congress could not force states to provide soldiers for an army. The Continental Army had disbanded, or dissolved, soon after the signing of the Treaty of Paris of 1783. Without an army, the national government found it difficult to protect its citizens against foreign threats.

Trouble with Britain

It was also difficult to enforce international treaties such as the Treaty of Paris of 1783. The United States found it especially hard to force the British to turn over "with all convenient speed" their forts on the American side of the Great Lakes. The United States wanted to gain control of these forts because they protected valuable land and fur-trade routes. Still, Britain was slow to withdraw from the area. A British official warned against the United States trying to seize the forts by force. He said that any attempt to do so would be opposed by the thousands of British soldiers who had settled in Canada after the Revolution "who are ready to fly to arms at a moment's warning."

The United States Faces Trade Barriers



AMERICAN TRADE ROUTE

Spain closed the lower Mississippi River to U.S. shipping, hurting western trade with eastern markets.

EXPORTS TO BRITAIN

High British tariffs discouraged American exports to Britain.

WEST INDIES TRADE

Britain closed many ports to American ships.

GEOGRAPHY SKILLS

INTERPRETING MAPS

1. **Movement** Along what river did trade goods reach the port of New Orleans?
2. **Location** Along what three routes did U.S. trade face foreign barriers?

Trade with Britain

The United States also faced problems trading with Great Britain. After the signing of the Treaty of Paris, Britain closed many of its ports to American ships. Before the Revolutionary War, colonial ships had traded a great deal with the British West Indies and stopped there on their way to other destinations. This travel and trading stopped after 1783.

In addition, Britain forced American merchants to pay high **tariffs**—taxes on imports or exports. The tariffs applied to goods such as rice, tobacco, tar, and oil that were grown or mined in the United States and then sold in Britain. Merchants had to raise prices to cover the tariffs. Ultimately, the costs would be passed on to customers, who had to pay higher prices for the goods. The economic condition of the country was getting worse by the day.

Trade with Spain

In 1784 Spanish officials closed the lower Mississippi River to U.S. shipping. Western farmers and merchants were furious because they used the Mississippi to send goods to eastern and foreign markets. Congress tried to work out an agreement with Spain, but the plan did not receive a majority vote in Congress. The plan could not be passed. As a result, Spain broke off the negotiations.

Many state leaders began to criticize the national government. Rhode Island's representatives wrote, "Our federal government is but a name; a mere shadow without substance [power]." Critics believed that Spain might have continued to negotiate if the United States had possessed a strong military. These leaders believed that the national government needed to be more powerful.

Impact of Closed Markets

The closing of markets in the British West Indies seriously affected the U.S. economy. James Madison of Virginia wrote about the crisis.

“The Revolution has robbed us of our trade with the West Indies . . . without opening any other channels to compensate [make up for] it. In every point of view, indeed, the trade of this country is in a deplorable [terrible] condition.”

—James Madison, quoted in *Independence on Trial*
by Frederick W. Marks III

Farmers could no longer export their goods to the British West Indies. They also had to hire British ships to carry their goods to British markets, which was very expensive. American exports dropped while British goods flowed freely into the United States.

This unequal trade caused serious economic problems for the new nation. British merchants could sell manufactured products in the United States at much lower prices than locally made goods. This difference in prices hurt American businesses.

The Confederation Congress could not correct the problem because it did not have the authority either to pass tariffs or to order the states to pass tariffs. The states could offer little help. If one state passed a tariff, the British could simply sell their goods in another state. Most states did not cooperate in trade matters. Instead, states worked only to increase their own trade rather than working to improve the trade situation for the whole country.

In 1785 the situation led a British magazine to call the new nation the Dis-United States. As a result of the trade problems with Britain, American merchants began looking for other markets such as China, France, and the Netherlands. Despite such attempts, Britain remained the most important trading partner of the United States.

READING CHECK Analyzing Why was the Confederation Congress unable to solve America's international trade problems?

Economic Problems

In addition to international trade issues, other challenges soon appeared. Trade problems among the states, war debts, and a weak economy plagued the states.

Trade among States

Because the Confederation Congress had no power to regulate **interstate commerce**—trade between two or more states—states followed their own trade interests. As a result, trade laws differed from state to state. This situation made trade difficult for merchants whose businesses crossed state lines.

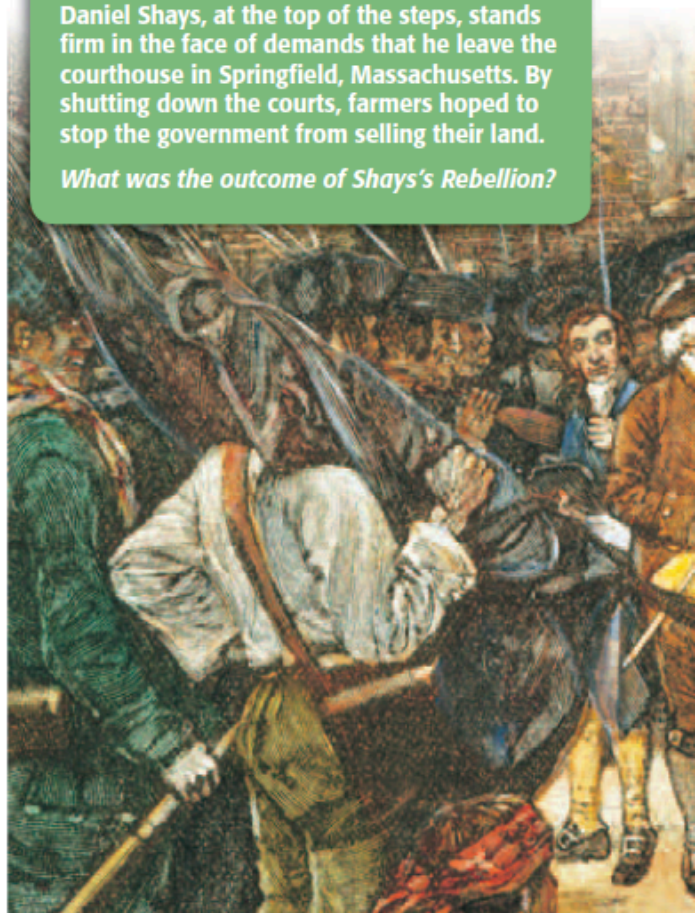
Inflation

After the Revolutionary War, most states had a hard time paying off war debts and struggled to collect overdue taxes. To ease this hardship, some states began printing large amounts of paper money. The result was inflation. This money had little

A Farmer Leads a Revolt

Daniel Shays, at the top of the steps, stands firm in the face of demands that he leave the courthouse in Springfield, Massachusetts. By shutting down the courts, farmers hoped to stop the government from selling their land.

What was the outcome of Shays's Rebellion?



or no real value, because states did not have gold or silver reserves to back it up. **Inflation** occurs when there are increased prices for goods and services combined with the reduced value of money. Congress had no power to stop states from issuing more paper money and thus stop inflation.

Weak Economy

In Rhode Island the state legislature printed large amounts of paper money worth very little. This made debtors—people who owe money—quite happy. They could pay back their debts with paper money worth less than the coins they had borrowed. However, creditors—people who lend money—were upset. Hundreds of creditors fled Rhode Island to avoid being paid back with worthless money.

The loss of trade with Britain combined with inflation created a **depression**. A depression is a period of low economic activity combined with a rise in unemployment.

READING CHECK Summarizing What economic problems did the new nation face?



Shays's Rebellion

Each state handled its economic problems differently. Massachusetts refused to print worthless paper money. It tried to pay its war debts by collecting taxes on land.

Heavy Debts for Farmers

Massachusetts's tax policy hit farmers hard. As landowners, they had to pay the new taxes. However, farmers had trouble paying their debts. The courts began forcing them to sell their property. Some farmers had to serve terms in debtors' prison; others had to sell their labor.

Many government leaders in the state did not care about the problems of poor farmers, however. In some cases, farmers actually owed these leaders money.

Farmers Rebel

In August 1786, farmers in three western counties began a revolt. Bands of angry citizens closed down courts in western Massachusetts. Their reasoning was simple—with the courts shut down, no one's property could be taken. In September a poor farmer and Revolutionary War veteran, **Daniel Shays**, led hundreds of men in a forced shutdown of the Supreme Court in Springfield, Massachusetts. The state government ordered the farmers to stop the revolt under threat of capture and death. These threats only made Shays and his followers more determined. The uprising of farmers to protest high taxes and heavy debt became known as **Shays's Rebellion**.

Shays's Defeat

Shays's forces were defeated by state troops in January 1787. By February many of the rebels were in prison. During their trials, 14 leaders were sentenced to death. However, the state soon freed most of the rebels, including Shays. State officials knew that many citizens of the state agreed with the rebels and their cause.

READING CHECK Finding Main Ideas
What led to Shays's Rebellion?

Calls for Change

In the end, Shays's Rebellion showed the weakness of the Confederation government. It led some Americans to admit that the Articles of Confederation had failed to protect the ideals of liberty set forth in the Declaration of Independence.

When Massachusetts had asked the national government to help put down Shays's Rebellion, Congress could offer little help. More Americans began calling for a stronger central government. They wanted leaders who would be able to protect

the nation in times of crisis.

Earlier in 1786 the Virginia legislature had called for a national conference. It wanted to talk about economic problems and ways to change the Articles of Confederation. The meeting took place in Annapolis, Maryland, in September 1786.

Weaknesses of the Articles of Confederation

QUICK
FACTS

- Most power held by states
- One branch of government
- Legislative branch has few powers
- No executive branch
- No judicial system
- No system of checks and balances

Nine states decided to send delegates to the Annapolis Convention but some of their delegates were late and missed the meeting. Connecticut, Georgia, Maryland, and South Carolina did not respond to the request at all and sent no delegates.

Because of the poor attendance, the participants, including James Madison and Alexander Hamilton, called on all 13 states to send delegates to a Constitutional Convention in Philadelphia in May 1787. They planned to revise the Articles of Confederation to better meet the needs of the nation.

READING CHECK Finding Main Ideas

Why did some people believe the national government needed to change?

SUMMARY AND PREVIEW Many Americans believed that Shays's Rebellion was final proof that the national government needed to be changed. In the next section you will read about the Constitutional Convention.

Section 2 Assessment

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Online Quiz

KEYWORD: SC7 HP5

Reviewing Ideas, Terms, and People

- Summarize** What problems did the United States experience with Spain and Great Britain?
 - Predict** What are some possible results of the growing problems between the United States and Great Britain? Why?
- Describe** What difficulties were involved with interstate commerce?
 - Analyze** What was the cause of inflation in the new nation, and how could it have been prevented?
- Explain** How did Massachusetts's tax policy affect farmers?
 - Evaluate** Defend the actions of Daniel Shays and the other rebels.
- Recall** Why did Madison and Hamilton call for a Constitutional Convention?
 - Analyze** How did Shays's Rebellion lead to a call for change in the United States?

Critical Thinking

- Categorizing** Review your notes on the problems faced by the new nation. Then identify those problems as either domestic or international in a graphic organizer like the one shown below.

Domestic Problems	International Problems

FOCUS ON WRITING

- Identifying Problems** In this section you learned about several problems of the young United States. Were any of those problems made worse by the powers that the Articles of Confederation did or did not give the national government?