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Ari Moses

Washington University in St. Louis

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PUBLIC CREDIT IN THE EARLY AMERICAN REPUBLIC:
AN EXAMINATION OF THE INFLUENCES OF DEBT
POLICY AND DEBATE ON INSTITUTIONAL
GOVERNMENT RELATIONSHIPS, 1790-1815

Ari Moses

Mentors: Peter Kastor and Venus Bivar

Only seven months after the creation of a Constitutional government, the country's chief financial officer, the Secretary of the Treasury Alexander Hamilton, recognized the looming financial problem facing the nation: the issue of public credit outstanding. This thesis answers the questions how the federal government functioned and funded itself in its first decades and what the role of credit was in creating lasting institutional relationships. It focuses on how the government funded itself through its first three large economic events, the Assumption of State Debts in 1790, the Louisiana Purchase in 1803, and the funding of the War of 1812. This thesis diverges from current economic history of the United States as it focuses on debt funding and not the internal revenue system of America. By analyzing Treasury records, statements given to and given in Congress, personal correspondence, and national legislation, this thesis seeks to better understand the role of the American debt system in relation to the economic growth of the nation. This thesis argues that access to foreign credit was paramount in shaping the relationships between the federal and state governments as well as the executive and legislative branches. The need for foreign capital inspired the first contentious constitutional debate and funded enormous land purchases. The absence of foreign credit, coupled with the decline of the internal revenue system, almost left the nation insolvent in 1814 as the government could no longer fund itself through domestic means. This thesis asserts that access to international debt markets was essential to stabilize and grow the U.S. economy between 1790 and 1815.