The United States and Public Debt

Debt means something that is owed. During times of war, governments have a greater need to purchase goods than during peacetime. During the American Revolution, the brand new national government relied on loans and credit to secure the necessary goods and services needed to win the war. The debts of the nation came to over $77 million by 1792.

Alexander Hamilton was appointed the nation’s very first secretary of the treasury. In 1790, he wrote to Congress the “First Report on Public Credit.” In it he said, "The United States debt, foreign and domestic, was the price of liberty.”

During the nation’s early years, the debt of the United States was reduced. An expansion of the United States (the Louisiana Purchase) and another war (the War of 1812) added to the debt once again. At the beginning of 1812, the debt totaled about $45 million. Just three years later, in 1815, the debt had skyrocketed to $119 million.

President Andrew Jackson, who was elected in 1828, was determined to erase the national debt. Through his efforts, for the first and only time in history, the United States government had no interest-bearing debt at the beginning of 1835.

By 1899, the dawning of the new century, the debt was at $1.9 billion. Currently, the public debt is nearing $14 trillion.

Directions: Answer the following questions on a separate piece of paper.

1. Defining Define the word debt.

2. Explaining Name two different reasons that the public debt has increased over the years.

3. Explaining What did Alexander Hamilton mean when he said the public debt “was the price of liberty”? 
The American Revolution

Critical Thinking

1. Making Connections  Why do you think the public debt went up so significantly from 1812 to 1815?

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2. Identifying Cause and Effect  Why do you think the debt has risen to almost $14 trillion today? Give specific examples of tasks and services the federal government pays for.

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