

Funding the Revolutionary War

In order to help finance the Revolutionary War, war bonds were issued. Most of the individuals who first bought bonds were young men and farmers. Basically, the bonds they bought were to be repaid at the end of the war, plus interest- essentially, the colonies were getting small loans from the farmers.

After the Revolutionary War, the new nation was in debt. Not only was the federal government in debt, but state governments owed money as well. The federal government, at the suggestion of Secretary of Treasury Alexander Hamilton, absorbed the debts of the states. Now it was just the federal government that was in debt.

Because these war bonds had been bought by farmers, the government owed money to the common people. Alexander Hamilton did not trust farmers and the “stinking masses” per se-he didn’t want to owe these people money. Instead, Hamilton liked rich members of the gentry, like bankers.

The farmers, meanwhile, wanted their money back sooner rather than later, being as poor as they were. Wealthy financiers began going around to the farmers and bought all of the bonds from them at a fraction of their price, due to the farmers’ situations. These already rich financiers were able to become even richer. The government now owed financiers instead and gave them a higher interest rate on their newly acquired bonds.

By now, the government had also paid off all of its foreign debt. This meant foreign powers were more likely to deal with America. The only debt left was to the financiers.

Hamilton wanted to keep the nation in perpetual debt in order to make allies out of the financiers. The bankers had higher influence and were also less likely to rebel when compared with farmers. After all, how would the bankers get their money if the country was in a state of rebellion?

I hope this helps! If you have any more questions let me know!

-Amanda