Paying the Debt

The American Revolution was precipitated, in part, by a series of laws passed between 1763 and 1775 that regulating trade and taxes to pay for the debts resulting from the French and Indian War.

That legislation caused tensions between Colonists and imperial officials, who made it clear that the British Parliament would not address American complaints that the new laws were onerous.

British unwillingness to respond to American demands for change allowed Colonists to argue that they were part of an increasingly corrupt and autocratic empire in which their traditional liberties were threatened. This position eventually served as the basis for the Colonial Declaration of Independence and American Revolutionary War. (US State Department)

The American Revolutionary War in North America lasted from April 19, 1775 (with the Battles of Lexington and Concord) to September 3, 1783 (with the signing of the Treaty of Paris.)

The War lasted 8 years, 4 months, 2 weeks and 1 day; then, the extent of the United States was recognized roughly by what is now Canada to the north, Florida to the south, and the Mississippi River to the west.

Getting into Debt

The Revolution left the new nation deeply in debt. Although America had won an impossible war against one of the world's superpowers, independence was not yet secure. Britain had largely shut down American trade. The economy was cash starved. (Morning of Fire)

Paying for the American Revolutionary War (1775 - 1783) was the start of the country's debt. (US Treasury Department) Four years after the Revolutionary War, America's independence was still in doubt. (Ridley)

During the American Revolution, a cash-strapped Continental Congress accepted loans from France. The French Government began to secretly ship war materiel to the American revolutionaries in late 1775. (US State Department)

This was accomplished by establishing dummy corporations to receive French funds and military supplies. It was unclear whether this aid was a loan or a gift, and disputes over the status of this early assistance caused strong disagreement between American diplomats in Europe.

The French Government also provided the Americans with loans, eventually into millions of dollars, most of which were negotiated by Benjamin Franklin. John Adams also secured a loan from Dutch bankers in 1782. (US Treasury Department)

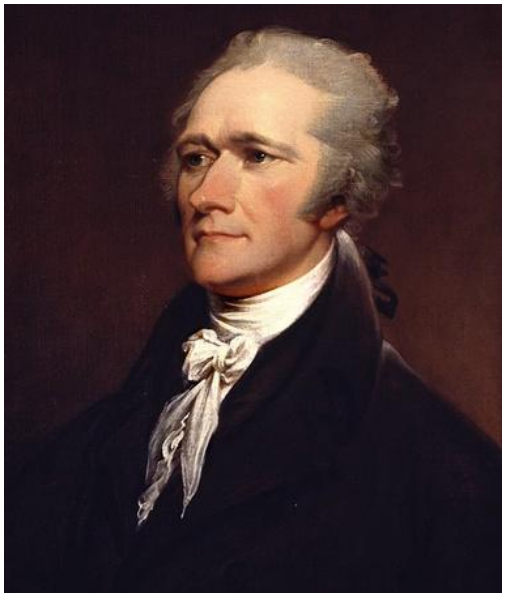
Paying off these and other debts incurred during the Revolution proved one of the major challenges of the post-independence period. The new United States didn't want to follow what the British effectively did to the Colonists to help pay for the French and Indian War … impose new tariffs and taxes.

To pay for its significant expenditures during the Revolution, Congress had two options: print more money or obtain loans to meet the budget deficit. In practice it did both, but relied more on the printing of money, which led to hyperinflation.

At that time, Congress lacked the authority to levy taxes, and to do so would have risked alienating an American public that had gone to war with the British over the issue of unjust taxation.

To manage the new country's money, the Department of Finance was created in 1781. The next year, Government debt was reported to the public for the first time. (US Treasury Department)

In 1783, Congress was given the power to raise taxes to cover the Government's costs. However, the taxes did not bring in enough money. The debt continued to grow as the Government grew and provided more services to the people.



The U.S. Treasury Department was created in 1789 to help the country borrow money and manage the debt. Alexander Hamilton was the first Secretary of the Treasury. Hamilton was born at Charlestown, on the British Caribbean island of Nevis, he was orphaned in his early teens and spent his adolescence on the Danish possession of St. Croix; Hamilton arrived in mainland America in late 1772.

Hamilton's vision for the economic foundation of the United States included three main programs:

1) the federal assumption of state debts
2) the creation of a Bank of the United States, and
3) support for the new nation's emerging industries.

After the first two parts of his plan had been accepted, he presented the third part to Congress in his Report on the Subject of Manufactures in December 1791. Through high tariffs designed to protect American industry from foreign competition, government bounties and subsidies, and internal improvements and transportation, Hamilton hoped to break Britain's manufacturing hold on the United States. (Gilder Lehman Collection)

The total debt was $79 million: $54 million owed by the national government and $25 million owed by the states. (Scot Faulkner)

Responsibility for managing debts fell to Secretary of the Treasury Alexander Hamilton. Hamilton placed U.S. finances on firmer ground, allowing for the U.S. Government to negotiate new loans at lower interest rates.

In addition, the United States began to make regular payments on in its French debts starting in 1790 and also provided an emergency advance to assist the French in addressing the 1791 slave revolt that began the Haitian Revolution. (US State Department)

Establishing Trade Following the Revolutionary War

To survive, the new nation needed money and a vital surge in trade. In 1787, a group of Boston merchants decided to send two ships on a desperate mission around Cape Horn and into the Pacific Ocean, to establish new trade with China. (Ridley)

The man chosen to lead the expedition was Captain John Kendrick, a master navigator and a charismatic captain of Continental privateers during the Revolution. (Morning of Fire)

"Shortly before the British surrendered at Yorktown in 1781, Kendrick came ashore. In his sporadic visits home he had managed to father six children, and now he buckled down to making his way in the new nation." (Ridley)

"After the victorious Revolution and the euphoria of the Peace Treaty of 1783, an economic depression had settled over villages and farms. Port cities and their harbors were left reeling from the war. Inflation was rampant." (Ridley)

"There was no common currency, state governments were weak, and representatives to the Congress of the Confederation bickered over fundamental issues, threatening to secede." (Ridley)

"Heavy debts owed to Britain for damages in the war were due, and the prospects for international trade and revenue were bleak. In a punching move, the king had closed all British ports from Canada and the British Isles to the Caribbean to the remaining American ships." (Ridley)

Without trade, without customs revenue, without taxes, it would be impossible to support a new central government and succeed in securing independence.

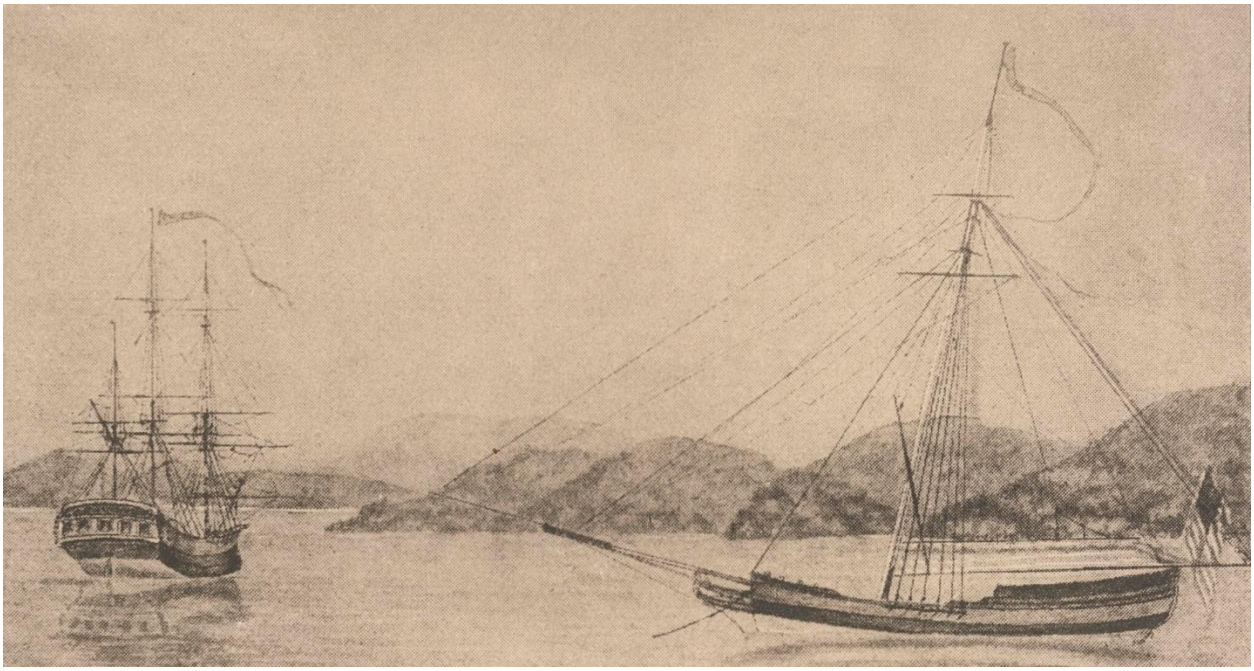
Shipping was the soul of early commerce; the Pacific voyages of James Cook in 1778 revealed the high prices sea otter furs from the Northwest Coast would bring in China. (Ridley)

In September 1787, captains John Kendrick and Robert Gray, along with fifty other men - sailors and tradesmen alike - set sail from Boston, soon to be the first citizens of the new nation to sail into the Pacific and lay eyes on the lush and resource-rich Northwest Coast of North America.

Kendrick, on board the Columbia Rediviva (meaning Columbia Triumphant, but she was usually called, simply, Columbia), and Gray, on the Lady Washington, carried cargoes of trade goods. The Lady Washington was a sixty-foot sloop carrying eleven men, and the Columbia Rediviva, a snub-hulled brig of eighty-three feet with a captain and crew of forty.

"The Ship Columbia was fitted out for a four years cruize, on a trading voyage to the NW Coast of America, China etc - about 250 tons burthen, … own'd chiefly by Samll Brown, Joseph Barrell and Crowell Hatch Esq'rs… Cargo consisted of Blue Cloth, Copper and Iron."

"Joseph Barrell was really the principal of the six co-owners of the Columbia and the [Lady] Washington." "[The] Brig Lady Washington ["Washington, as she is usually called"] was a Sloop when she left Boston". (Boit's Log of the Columbia, 1790-1793)



The maritime fur trade focused on acquiring furs of sea otters, seals and other animals from the Pacific Northwest Coast and Alaska. The furs were to be mostly sold in China in exchange for tea, silks, porcelain and other Chinese goods to be sold in the US.

The two captains eventually would switch ships, and Kendrick would remain on the Northwest Coast, while Gray eventually (January 1790) went to China to trade the Northwest furs and eventually made it to Japan, arriving on May 6, 1791, probably becoming the first official Americans to meet the Japanese.

The fur traders and merchant ships crossing the Pacific needed to replenish food supplies and water. The traders soon realized they could economically barter for provisions in Hawai‘i; a triangular trade network emerged linking the Pacific Northwest coast, China and the Hawaiian Islands to the United States (especially New England).

Within ten years after Captain Cook’s 1778 contact with Hawai‘i, the islands became a favorite port of call in the trade with China.

Tariffs and Duties

The Tariff Act of 1789 was the first major piece of legislation passed in the United States after the ratification of the United States Constitution. It had three purposes: to support government, to protect manufacturing industries developing in the nation, and to raise revenue for the federal debt.

In part, the Act Imposing Duties on Tonnage (approved July 20, 1789) stated,

> That the following duties shall be, and are hereby imposed on all ships or vessels entered in the United States, that is to say:
>
> > On all ships or vessels built within the said States, and belonging wholly to a citizen or citizens thereof; or not built within the said States, but on the twenty-ninth day

> of May, one thousand seven hundred and eighty-nine, belonging, and during the time such ships or vessels shall continue to belong wholly to a citizen or citizens thereof, at the rate of Six cents per ton.
>
> On all ships or vessels hereafter built in the United States, belonging wholly, or in part, to subjects of foreign powers, at the rate of thirty cents per ton. On all other ships or vessels, at the rate of fifty cents per ton.

Following the advice of Alexander Hamilton, President George Washington and the First Congress created the US Customs Service just four months after ratifying the United States Constitution, on July 31, 1789.

The US Customs Service was created to provide revenue to the new nation through the collection of duties and tariffs on imported goods. For the next 122 years, the revenue collected by Customs represented the vast majority of funds used to support the federal government.

Customs Service revenue enabled the US to build Washington DC, construct the Transcontinental Railroad, erect many of the nation's historic lighthouses, and develop other critical infrastructure still in use today.

Without this revenue, the young United States would not have been able to expand its territory through land purchases.

Tariffs and duties collected by the US Customs Service enabled America to complete the Louisiana Purchase, Alaska Purchase, and numerous other diplomatic arrangements in the 19th century.

All told, revenue collected by the US Customs Service enabled the United States to purchase almost 1.5 million square miles of territory - defining the national borders we recognize today. (Customs Museum)

Today, the US national debt is about $37-trillion; the operating deficit is about $2-trillion (adding to the debt each year); and the interest on the debt is about 1-trillion per year (those payments do not reduce the debt, they just pay the interest on it).

Information here is primarily from Scott Ridley, Morning of Fire, Daughters of the American Revolution, US Departments of State and Treasury, Customs Museum, Scot Faulkner, Gilder Lehman Collection, and Boit's Log of the Columbia.

In an effort to provide a brief, informal background summary of various people, places and events related to the American Revolution, I made this informal compilation from a variety of sources. This is not intended to be a technical reference document, nor an exhaustive review of the subject. Rather, it is an assemblage of information and images from various sources on basic background information. For ease in informal reading, in many cases, specific quotations and citations and attributions are often not included – however, sources are noted in the summary. The images and text are from various sources and are presented for personal, noncommercial and/or educational purposes. Thanks, Peter T. Young