One Nation under Debt

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**Introduction**

The history of America has been studied from various perspectives. One approach of studying this history is to determine the pros and cons of the financial debt that was taken during the early days of the emerging state. Researchers have given different opinions on the issue. Some opinions defend the financial debts accumulated in those days; others think it to be a threat to the nation since the beginning. Whatever the researchers say about the issue whether it is in favor or against it, the truth is that the impact of financial debt on the nation's economy and political system was very strong, and cannot be denied by any means. Wright has made an effort to present the details of American history at that time by focusing on the financial system and its consequences in the coming times.

**Discussion**

Robert E. Wright is an Associate Professor of Economics. He has written the book, “One Nation under Debt”, which tells an account of the public debt and the consequences of accumulating this debt during the early era of the United States. In those days, the government has not been established. Therefore, the first goal of the thinkers of that age was to establish the government that could ensure the provision of basic rights to people. Wright describes the establishment of the US government in this book along with the details of public debt issue highlighted in those days. There were two views on the national debt issue then. One view held that the national debt is a burden on the nation and it would become a difficulty in the future. The coming generations of America will have to bear the consequences of it. Another view that was held by Alexander Hamilton said that the public debt will support the cause of the public, and that it is essentially needed to form a central government. The writer presents facts related to both the views.

The book starts with an overview of the system at that time and describes a development model, diamond. As the diamond possesses four corners, Wright describes the four pillars of the American system: government, financial system, entrepreneurs, and business management. He stresses that the establishment of the government was the first and most crucial step to be taken at that time. He describes that European countries have established their financial system by accumulating funds through debt financing. They achieved their goals by using financial securities. These securities helped them in establishing their businesses, and they planned to pay off these securities in the future when they would have enough funds collected through taxes. Wright describes that several colonies in America also used the same way for getting funds. European countries used interest-paying bonds to be used in financial markets; the American colonies used bills of credit that substituted the paper currency at that time. These bills of credit were to be paid back through tax payments. Congress used these bills to support and finance the war. Later, there arose disputes and a need was felt to revise the constitution. Congress could not prove itself to be successful in meeting the challenges of that time, and a new government was formed to face the new challenges.

The new government had to demonstrate an effective strategic approach, tactful administration, and efficient management of the national debt. It was in those days when Alexander Hamilton developed plans for effective debt management. Wright describes at this point in his book the conditions of financial markets in America. He describes debt financing and securities used at that time, which helped the American economy to strengthen and flourish. Wright also gives details of the opposition Hamilton had to face in response to his plans. Wright gives an account of the financial markets' response to the national debt. The bonds issued by the government were accepted and used by a large number of people at that time. Meanwhile, the US trade market developed regulations that facilitated the financial transactions. Further, the US trade bonds were also acceptable and usable in the European countries, and it proved helpful for the nation at difficult times. Wright explains a very important aspect of the liquidity of the financial debt that the government was strong enough to get more established by acquiring increased authority. The government could protect the rights of people because the government debt had become liquid, and the financial markets were strong. The new establishment of government-issued more securities for the financial market. This way the financial markets became more resourceful, and they developed the business to greater extents (Sylla, 1998).

Wright explains that efforts were made by the government during the time of Andrew Jackson to pay off the national debt and make the government free of any liabilities. The political leaders decided in the modern era that the public debts should be used also for the sake of the public to win their trust and loyalty. Wright’s explanations of the financial markets is valuable to read. He describes the role of financial markets toward the public debt in the historical context.

The writer has not given previously untouched details of the issue. The facts presented by the writer have already been discussed by other scholars. However, the treatment of the subject by the writer is new. He discusses the facts without being biased to any one side of the debate. He tries only to present fresh details with an emphasis on history-telling. His work let us know the conditions and circumstances in which the nation has developed and gradually arrived at the point where it stands now. The constitution of the new government was a milestone in the nation’s progress, though there was opposition to it as well. Professor Wright narrates, “Mason not only refused to sign the Constitution, because it sought to create a powerful government; he purportedly said that “he would sooner chop off his right hand than put it to the constitution as it now stands.” The reader can make judgments about the events that took place in the history of the American nation. The writer wants to explain the contribution and significance of the public debt that led to the enormous economic growth of the country. He holds the opinion that the effective management of public debt helped the American nation build the first established government that could ensure protection, safety, and recognition of the public rights.

Wright remarks, “History suggests, however, that important reforms are unlikely to take place until a crisis occurs." He says that important reforms took place in history only when there had been a crisis of some kind. In his view, the reforms brought about by Hamilton could have been possible only in the context of political, military, economic, and military problems of the late eighteenth century. Wright argues that the best solution to the public's concerns about the leveraged taxation is to empower people to allocate budgets with their discretion. This will ensure that people will be willing to pay more taxes because they will be certain their money is being spent in the right place. He suggests that the power to tax should be separate from the power to spend. He praises the system in early American government, “There was quality as well as quantity in the early U.S. financial system. The market for public debt grew sophisticated quite quickly." In his view, it was the financial system of the US that enabled the government to establish so that it could provide protection and guarantee to people's rights.

The financial problems caused during the 1780s were due to the revolutionary war with Great Britain. The crisis led to the development of new systems. The Americans wanted to make regulations regarding taxation themselves and the British government was not willing to approve that. To deal with the financial and political problems of the country, the 1787’s Philadelphia convention created the new government (Rousseau & Sylla, 2005). It has been remarked by the scholars that Hamilton’s task was easy as well as hard. It was easy because there no income taxes to be adjusted. There were no entitlements to cut. They had little choices. His task was difficult because America was an unknown country. It was not easy for others to trust them.

**Conclusion**

The history of American revolutionary war has been the subject of interest for many scholars. This is because it provides insight about dealing with the economic, political, financial, and cultural issues of the state. Wright discusses this period of American history with an emphasis on the role of public debt in the financial system of that time. The writer has presented supporting and opposite views of the leaders of that time. He does not take a side of the problem and presents his findings for the reader to get an idea of what happened during the establishment of a new state. The constitution was developed to make new regulations. The financial markets of America supported the government by effectively managing the public debts. The country was under national debt at that time, and the issue of national debt is discussed among the thinkers in current times as well.

Works Cited

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