The Fiscal Origins of American Power: Federal Tax Policy and US Territorial Expansion in the Nineteenth Century

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Abstract

In this working paper, I argue that United States (US) territory quadrupled within the first three generations since 1789 because, in the nineteenth century, the US developed a fiscal-military state capable of mobilizing considerable resources without provoking any major tax rebellion. Relying on indirect taxes—customs duties and excises—meant that the federal government could draw on a stable and uncontentious stream of revenue. This fiscal capacity allowed the US government to finance different methods of its territorial expansion, including warfare and purchase.

Keywords

US federal tax policy; indirect taxation; customs duties; excises; fiscalization; fiscal-military state; US territorial expansion; financial history.
It is idle to suppose that the Genl Govt. can stretch its hand directly into the pockets of the people scattered over so vast a Country. They can only do it through the medium of exports imports & excises. (...) For a long time, the people of America will not have money to pay direct taxes. Seize and sell their effects and you push them into Revolts
Morris, Constitutional Convention of 1787 (Edling 2014: 41)

The main variations in premodern tax structures were a function of the level of development of urban centers, trade, and capitalism. States lacking these things relied on direct taxation of people and/or land, whereas states in more economically developed areas had a more varied tax structure and a greater reliance on indirect customs and excise taxes
Kiser and Karceski (2017:4)

I. Introduction*

How was it possible for the United States (US) to expand the size of its territory four times within the first three generations after its founding? In this working paper, I argue that it was possible because, in the nineteenth century, the US developed a “fiscal-military state” (cf. Brewer 1989) capable of mobilizing considerable resources without provoking any major tax rebellion. This, in turn, was possible because the federal government relied on indirect taxation on consumption, rather than direct taxation of property, as I explain in the following sections. This paper details a long-term view of the US federal government’s finances from its creation in 1789 up to the Sixteenth Amendment in 1913, which introduced a federal income tax. While there is a large body of literature on the public finances in the nineteenth century, this literature tends to focus on shorter periods, either up to the Civil War (for instance, Edling 2014; Einhorn 2006), the Civil War itself (Thornrike [no date]), or the post-war period (Weisman 2002). Several scholars have examined the US government’s public finances in the long run (Brownlee 2020; Dewey 1968; Studenski and Krooss 1963; Wallis 2000), some of whom have also focused on federal taxation (Brownlee 2016). Yet, the research exploring the relationship between federal tax policy and territorial expansion is rather scarce (but see Edling 2021).

This paper, in turn, focuses on the entire nineteenth century. In so doing, it seeks to explain how it was possible for a country that emerged as an independent state after a war with Britain triggered by taxation—and which soon after witnessed a series of tax rebellions—could create a system in which the central government was able to extract revenues from its population to finance territorial expansion without causing similar social unrest. Hence, by analyzing the structure of federal taxation in the nineteenth century based on up-to-date historical sources, this paper contributes to our understanding of American fiscal policy and its role in US territorial growth.

This working paper proceeds as follows. The next section details the origins of the federal tax power clause to explain why the federal government could levy taxes in the first place and why—until 1913—direct taxes had to be levied proportionally among the states, while this requirement did not apply to indirect taxes. The third section is devoted to analysis of the structure of American federal taxation between 1789 and 1913. Here, I explain why reliance on indirect taxation led to the creation of a strong fiscal capacity. In turn, this fiscal capacity allowed the US government to expand its territory via wars, annexation, negotiation, and purchase, a topic I explore in the fourth section. Section five concludes the paper.

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1 “The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.”
II. The origins of the Taxing Clause

In order to fully understand federal fiscal policy in the nineteenth century and the reasons that the federal government relied almost exclusively on indirect taxes throughout this period, even though it could also levy direct taxes, we must explain the origins of the US Constitution, the document that vests taxation power in the Union. Elsewhere I have shown that, paradoxically, the heavy direct state taxation in the mid-1780s that led to social unrest, such as Shays’ Rebellion in Massachusetts, was the leading cause of fiscalization - namely, the emergence of the federal power to tax (Woźniakowski 2018). As a result, the new Constitution of 1787 gave the federal government vast power to tax, including the right to levy indirect taxes, such as customs duties, levied on goods brought to the US from abroad and excises imposed on certain products, such as spirits or tobacco. Both customs duties and excises were indirect taxes. Consumers did not have to pay the tax directly to the tax authorities. Rather, the tax was included in the price of purchased goods.

Duties on exports were prohibited—neither the states nor the federal government could tax exported goods. This clause was the result of lobbying from the Southern states, especially Virginia, which feared that Northern states would be inclined to raise federal revenue by taxing products imported from the South, such as tobacco, cotton, and indigo, which were crucial to Southern economies.

Moreover, the South successfully negotiated a prohibition against the imposition of duties on imported slaves until 1808, after which the rate of duty was capped at $10 per slave. One can see ambiguity and inconsistency in the treatment of slaves. Sometimes they were treated like property, as in the example of the duty applied to their import. At other times, they were treated as persons, albeit only 60% of a person, as the infamous Three-Fifths Clause regarded slaves as three-fifths of the population regarding representation and direct taxation. It was perhaps the only element that survived from the Articles of Confederation, the first American constitution. The clause resulted from a political compromise between the North and the South, whose economies differed tremendously. In the North, which was composed primarily of free farms, yeomen, and big ports, the economy was based on trade, and merchants constituted both the economic and political elite. In the South, however, the economy relied on large plantations whose primary source of labor was slavery. The Three-Fifths Clause was meant to provide the Southern states with a measure of security and influence on federal affairs so that federal policy would not endanger the slave-based economy and to protect them from the abolition movements that were becoming increasingly popular in the North (for example, already at that time, Benjamin Franklin headed up an abolitionist organization in Pennsylvania). In other words, Southerners wanted to make sure that the North could not impose abolition on them. The North accepted the deal because it was connected with taxation (the word “direct” was implemented later). It was argued that since the Southern states would contribute more to the federal Treasury because their slaves were included in the computation of their tax share, they should also have more representation in federal affairs.

Although taxation and representation were intertwined, few expected that direct taxes would actually be used, as the quote from Morris cited at the beginning of this paper illustrates. Indeed, which taxes were direct was not clear from the very beginning: when John Jay asked about it during the New York Convention, nobody had a definite answer, and it was a matter of constitutional controversy throughout the nineteenth century (Maier 2010: 368). This controversy ended with the Sixteenth Amendment, which allowed the federal government to raise an income tax without proportioning it among the states based on their population. Prior to the amendment, it was a rule regarding direct taxation that the more populous states would pay more into the federal budget than potentially richer but less populous ones. Importantly, this apportionment requirement did not apply to imposts or other indirect taxes, such as excises (Einhorn 2006: 157-199).
III. Indirect taxation as a key to successful federal fiscal policy

The fiscal-military state’s development started in 1789 when the Federalists’ first administration took office and continued for a decade. Thomas Jefferson’s defeat of John Adams in the 1800 presidential election, however, meant that the European-style fiscal-military state created by Alexander Hamilton and George Washington would be diminished. True, Jefferson dismantled many aspects of the Hamiltonian strong central government. But despite his rhetoric and some changes in public policy, he used the fiscal and military capacity developed by the Federalists to pursue ambitious goals in foreign policy. For instance, Jefferson used good US credit to purchase Louisiana from France in 1803. Often regarded as a bargain (the US acquired a territory that included fifteen current states), it was nevertheless an expensive purchase, as the $15 million purchasing price represented 120% of annual federal income (Edling 2014: 13). The military capacity of the US meant the US delegation negotiating with the French had additional leverage. Napoleon did not want to risk a war with the US over this territory and preferred to sell it instead. The nascent fiscal-military state showed signs of its future power, as demonstrated by its fiscal capacity—namely, the ability to attract funds on the markets (i.e., good public credit) and to extract revenue from its population.

This working paper argues that this fiscal capacity was possible because the federal government was raising revenues from indirect taxes throughout the nineteenth century. Prior to the Civil War, those taxes were basically limited to one tax – a customs duty, sometimes called an impost or a tariff (those are not precisely the same, but for the sake of simplicity, I use them interchangeably. For details on their differences, see Einhorn 2006:145–156). While it is true that tariffs could be used in a prohibitive manner to prevent the import of goods or to encourage domestic production—and, indeed, they were used precisely that way, especially after the Civil War—the main reason for giving power over this source of revenue to the federation was not protectionism, but revenue needs. As one historian notes, the “tariff would certainly become a divisive issue later as the North, and the South battled over protectionism. But as a revenue measure, the impost remained the most acceptable type of tax for Northerners and Southerners alike” (Edling 2014: 48–49). Indeed, as Graph 1 shows before the Civil War, federal revenues almost equaled custom duties at 85% of total revenue (all calculations are based on Tables 1 and 2 from the Appendix).
Graph 1: Federal government revenue, by source: 1799–1861.
There was also another source of revenue at that time – land sales. However, while extremely important for territorial growth and economic development, its fiscal significance has been overestimated. For instance, Riker claimed that the federal governments survived its most acute phase between 1812 and 1863 due to revenues from land sales: “Quite probably one of the factors that allowed it to survive was the unanticipated income from land sales, which relieved the central government of the necessity for invading the states for tax purposes” (Riker 1964: 54). The analysis of tax data proves this statement unwarranted, as this source had a limited impact on federal revenues. Between 1789 and 1861, revenues from land sales constituted 9.68% of total federal revenues. Between 1812 and 1863, it was only marginally higher (10.09%), and if we extend the period up to 1918, the figure stands at just 1.26% (see Table 1). When the government stopped selling land on credit in the 1820s, these revenues dropped. The year 1836 was the only exception when revenues from the land sales exceeded those from the customs.

The Civil War marks an important juncture when it comes to federal revenues. While before the war, 85% of federal revenue consisted of money raised through the custom duties, as showed in Graph 1 and Table 1 (the figure drops to 51% if we extend the analyzed period up to 1913), after the Civil War, federal revenue was divided almost equally between customs duties and excises on alcohol and tobacco, as demonstrated in Graph 2 and Table 1. Between 1863 and 1913, customs duties provided 49% of total federal revenues, internal revenue 42%, while other sources (including land sales) came to 9% of total revenue (see Tables 1 and 2). Regarding “internal taxes”—i.e., those collected within the borders of the US (as opposed to external revenues, which were collected at the borders in the form of customs duties)—excises on alcohol provided 61% of revenues, and tobacco excises, 21%, as shown in Graph 3.

Relying on indirect taxes meant that the federal government could draw on a stable and uncontentious stream of revenue. It was stable because, first, those taxes were easy to administer. For instance, custom duties required a few tax collectors, who were concentrated in the main ports (such as New York, Philadelphia, Baltimore, and Charleston, the four main ports at the beginning of the eighteenth century; cf. Edling and Kaplanoff 2004: 739). Second, the impost was paid in specie - gold or silver coins, rather than paper money. Having access to specie was especially important for the federal government because interest on the public debt was always paid in specie. For this reason, the actual importance of the revenues from the customs duties is even greater than shown by the tax data (see Tables 1 and 2) because other taxes could be paid in various forms of paper money, which often depreciated and were never accepted by foreign investors in US public debt. Needless to say, regular payment of interest was of the utmost importance to the maintenance of the good public credit, which in turn was crucial in times of war, when the federal government needed ready access to money.
Graph 2. Federal government revenue, by source: 1861-1917

Historical Statistics of the United States Millennial Edition Online, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. © Cambridge University Press 2016
This type of revenue was uncontentious for two main reasons. First, when it comes to customs duties, there is a natural limit on excess embedded in the nature of the tax, a rare instance in which both Federalists and Anti-Federalists agreed during the ratification debate. Namely, if the rates were too high, smuggling or a drop in consumption would ensue, so it was safe to place such a power in the hands of the federal government, as it could not be used excessively. For instance, as one of the Anti-Federalists argued:

The first [type of tax] includes impost duties on all imported goods; this species of taxes it is proper should be laid by the general government; many reasons might be urged to shew [sic] that no danger is to be apprehended from their exercise of it. (...) [T]here is no danger of oppression in laying them, because, if they are laid higher than trade will bear, the merchants will cease importing, or smuggle their goods. We have therefore sufficient security, arising from the nature of the thing, against burdensome, and intollerable impositions from this kind of tax.  

Second, nobody could have their property seized for not paying an indirect tax, which was the case with direct state taxes in the 1780s, when farms and other property were confiscated in lieu of payment of direct state taxes, which triggered social unrest. For those who struggled to pay their taxes, this was the most important feature of the federal tax system. Moreover, the payment of indirect taxes was continuous, and so the burden for customers was stretched over time, rather than once a year in cash, as this tax was “hidden” in the price of the good.

IV. Tax policy and territorial expansion

The fiscal capacity developed throughout the nineteenth century allowed the US government to finance different methods of its territorial expansion, including warfare and purchase. This financing took two primary forms—the revenue coming directly from governmental sources (indirect taxation being the main component) and revenue from loans, with the revenues from taxes being used as collateral against the loan.

Hence, the fiscal capacity developed up to the Sixteenth Amendment laid the foundations for American power. On the one hand, relying only on indirect taxes afforded the federal government a peaceful existence with no tax rebellions in the nineteenth century. The federal government was almost invisible to the average citizen, who did not have to deal every year with the Internal Revenue Service, as they paid their moderate taxes via purchases of imported goods and alcohol and tobacco. On the other hand, the same light-taxing government was able to command a vast amount of resources in times of war. How was that possible? This paradox can be explained by the decision taken by the representatives of the federal government at the beginning of the Republic, as a result of the social unrest and chaos caused by the way the states decided to pay for the cost of the War of Independence (they imposed heavy direct taxation to quickly redeem wartime debt), which was followed thereafter (Woźniakowski 2016).

Here, we are speaking of the decision to cover the extra expenditures through credit and not taxation. Moreover, this credit would be redeemed over a long period so that (indirect) taxes, which would have to be imposed to pay off this debt, were as light as possible. This pattern was followed during the two wars that the US fought between the American Revolution and the Civil War—namely, the War of 1812 with Britain and the Mexican War (1846–48). The government issued long-term bonds (it was borrowing in other forms, a subject too detailed for this study), which were mainly paid off with revenues from customs duties. And when the Southern rebellion broke out in 1861, and the costs proved far in excess of those of previous conflicts the US had fought, the government continued to borrow, this time from its own population, as the fear the Union would dissolve made European investors wary of lending to a government that could soon disappear. After the war, repayments on the enormous debt

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3 Brutus V, *New York Journal*, 13 December 1787, DHRC XIX: 415.
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(over $2 billion) continued for decades through new taxes (excises on alcohol and tobacco), which were still indirect (Edling 2014).

Thus, the fiscal capacity that developed in the nineteenth century was strictly connected with the US’s ability to expand its territory. There were four main methods of territorial expansion, and all of them required a strong fiscal capacity: 1) conquest through war, as demonstrated in the Mexican War (1846-48) and the wars with the Native Americans; 2) the purchase of land as was the case with Louisiana, Florida, and Alaska; 3) annexation, which is how Texas joined the Union in 1845; and 4) negotiation, as was often the case with more than 300 treaties regulating land cessions that the US concluded with the Indian tribes until the Civil War. During this time, the number of states in the Union more than doubled (from thirteen original states to thirty-four by 1861) and the territory quadrupled, from 820,000 square miles in 1789 to 3.5 million square miles in 1867 (Gates 1968: 86).

The enormous amount of land the US acquired through those different means brought a unique concentration of natural resources into its possession, including gas, oil, and coal, which mattered greatly in its capacity to wage wars. More important for nineteenth-century federal revenues was that the new land—regardless of how it had been acquired—belonged to the federal government. This federal land had to be measured and then sold to individuals and companies. This process started with the Northwestern Ordinance of 1787, which organized a territory northwest of the Ohio River into the Northwestern Territory and set a precedent in which every parcel of new land would belong to the federal government rather than individual states (Gates 1968). Also, in the following years, the individual states ceded their western lands to the federal government. After that, new land was administrated first by the federal government and then transformed into new states (Linklater 2003).

As a result, the US expanded from thirteen states occupying a narrow strip of land on the Atlantic coast in the late eighteenth century into a federation with borders on the Pacific coast soon after the Civil War. Fiscal capacity allowed the US to extend its territory on such a large scale for two reasons. First, it allowed it to create an army able to win wars with its neighbors, such as Mexico and the Indian tribes, and to conquer their territory. Second, fiscal capacity made it possible to successfully negotiate and eventually purchase land from the European countries with colonies in America: France (Louisiana), Spain (Florida), and Russia (Alaska). The US fiscal-military power demonstrated during the Civil War also fueled fears of the annexation of Canada and the consequent British exit from its Northern American colony in 1867, when the last British troops left Halifax. The annexation of Texas, the only state to join the Union through a treaty, was also connected to the US ability to defend itself and its constitutive members, as opposed to Mexico, with its weak central authority. These two motives are connected because land purchase was often connected with a military threat: countries like France were more willing to sell land rather than to risk a war with the US.

The federal government’s willingness and ability to adjust its tax policies to particular American customs is crucial for understanding its success in creating its state capacity. The creation of the US fiscal-military state led to its domination of the American continent: it proved to be capable of deterring

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4 The Civil War also had serious ramifications in other important spheres of American government, especially monetary integration. During the war, the Union issued Treasury notes that were meant to provide immediate financial relief for the government, at a time when it was difficult to obtain foreign loans quickly, and those were made legal tender. These “greenbacks,” as they were called, were the first universally accepted American currency. To the surprise of many, they survived the war, and citizens proved happy to use them also during peacetime. The reason greenbacks did not follow the fate of the “Continents,” a currency that the Congress issued under the Articles of Confederation, was due to the fact that they were backed by the federal power to tax, which was not the case with the Confederation Congress.

5 This includes: the Original domain (821,020 square miles), the Louisiana Purchase (817,885 square miles), Florida (67,725 square miles), the Texas Annexation (386,032 square miles), the Oregon Compromise (282,527 square miles), the Mexican Cession (522,624 square miles), the Gadsden Purchase (29,628 square miles), and the Alaska Purchase (571,065 square miles).

6 For the history of the public land management, see Gates (1968).
foreign intrusion (all foreign powers, including Britain, Spain, France, and Russia disengaged from America by 1867) as well as the internal rebellions in the form of the Southern secession in 1861. It created an American empire, which expanded its territory to dominate the North American continent in the second half of the nineteenth century.

V. Conclusions

During the long nineteenth century, the US federal government exercised its power of taxation mainly through indirect taxes. While before the Civil War, federal revenue made up 85% of customs duties, afterward (up to the Sixteenth Amendment of 1913), both custom duties and excises on alcohol and tobacco contributed almost equally to the Treasury and provided 91% of federal revenue. In this regard, this empirical analysis confirms the observation made by Kiser and Karceski, cited at the beginning of this paper, that “states in more economically developed areas had a more varied tax structure and a greater reliance on indirect customs and excise taxes” (2017:4). The decision to use indirect taxes on consumption, rather than direct taxes on property, allowed the federal government to avoid tax rebellions, as experienced at the beginning of its existence. Consequently, it could develop a fiscal-military state that was able to extract revenues peacefully from its population. This fiscal capacity allowed it to expand its territory by four main methods: conquest through war, the purchase of land, annexation, and negotiation. As a result, the US took—more or less—the shape we know today.
Abbreviations

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## Appendix

### Table 1. Federal government revenue, by source: 1789-1918

| Fiscal Year | Total | Customs | Internal revenue | Other receipts | Sales of public lands |
|-------------|-------|---------|------------------|----------------|-----------------------|
|             | Thousand dollars | Thousand dollars | Thousand dollars | Thousand dollars | Thousand dollars |
| 1789-1791  | 4,419 | 4,399   | ----             | 19             | ----                  |
| 1792       | 3,670 | 3,443   | 209              | 18             | ----                  |
| 1793       | 4,653 | 4,255   | 338              | 60             | ----                  |
| 1794       | 5,432 | 4,801   | 274              | 357            | ----                  |
| 1795       | 6,115 | 5,588   | 338              | 188            | ----                  |
| 1796       | 8,378 | 6,568   | 475              | 1,334          | 5                     |
| 1797       | 8,689 | 7,550   | 575              | 564            | 84                    |
| 1798       | 7,900 | 7,106   | 644              | 150            | 12                    |
| 1799       | 7,547 | 6,610   | 779              | 157            | (Z)                   |
| 1800       | 10,849| 9,081   | 809              | 958            | (Z)                   |
| 1801       | 12,935| 10,751  | 1,048            | 1,137          | 168                   |
| 1802       | 14,996| 12,438  | 622              | 1936           | 189                   |
| 1803       | 11,064| 10,479  | 113              | 370            | 166                   |
| 1804       | 11,826| 11,099  | 51               | 677            | 488                   |
| 1805       | 13,561| 12,936  | 22               | 602            | 540                   |
| 1806       | 15,560| 14,668  | 20               | 872            | 765                   |
| 1807       | 16,398| 15,846  | 13               | 539            | 466                   |
| 1808       | 17,061| 16,364  | 8                | 689            | 648                   |
| 1809       | 7,773 | 7,296   | 4                | 473            | 442                   |
| 1810       | 9,384 | 8,583   | 7                | 793            | 697                   |
| 1811       | 14,424| 13,313  | 2                | 1,108          | 1,040                 |
| 1812       | 9,801 | 8,959   | 5                | 837            | 710                   |
| 1813       | 14,340| 13,225  | 5                | 1,111          | 836                   |
| 1814       | 11,182| 5,999   | 1,663            | 3,520          | 1,136                 |
| 1815       | 15,729| 7,283   | 4,678            | 3,768          | 1,288                 |
| 1816       | 47,678| 36,307  | 5,125            | 6,246          | 1,718                 |
| 1817       | 33,099| 26,283  | 2,678            | 4,138          | 1,991                 |
| 1818       | 21,585| 17,176  | 955              | 3,454          | 2,607                 |
| 1819       | 24,603| 20,284  | 230              | 4,090          | 3,274                 |
| 1820       | 17,881| 15,006  | 106              | 2,769          | 1,636                 |
| 1821       | 14,573| 13,004  | 69               | 1,500          | 1,213                 |
| 1822       | 20,232| 17,590  | 68               | 2,575          | 1,804                 |
| 1823       | 20,541| 19,088  | 34               | 1,418          | 917                   |
| 1824       | 19,381| 17,878  | 35               | 1,468          | 984                   |
| 1825       | 21,841| 20,099  | 26               | 1,716          | 1,216                 |
| 1826       | 25,260| 23,341  | 22               | 1,898          | 1,394                 |
| 1827       | 22,966| 19,712  | 20               | 3,234          | 1,496                 |
| 1828       | 24,764| 23,206  | 17               | 1,541          | 1,018                 |
| 1829       | 24,828| 22,682  | 15               | 2,131          | 1,517                 |
| 1830       | 24,844| 21,922  | 12               | 2,910          | 2,329                 |
| 1831       | 28,527| 24,224  | 7                | 4,295          | 3,211                 |
| 1832       | 31,866| 28,465  | 12               | 3,389          | 2,623                 |
| 1833       | 33,948| 29,033  | 3                | 4,913          | 3,968                 |
| Year | 21,792 | 16,215 | 4 | 5,573 | 4,858 |
|------|--------|--------|---|-------|-------|
| 1834 | 35,430 | 19,391 | 10 | 16,028 | 14,758 |
| 1835 | 50,827 | 23,410 | (Z) | 27,416 | 24,877 |
| 1836 | 24,954 | 11,169 | 5 | 13,779 | 6,776 |
| 1837 | 26,303 | 16,159 | 2 | 10,141 | 3,082 |
| 1838 | 31,483 | 23,138 | 3 | 8,342 | 7,076 |
| 1839 | 19,480 | 13,500 | 2 | 5,979 | 3,293 |
| 1840 | 16,860 | 14,487 | 3 | 2,370 | 1,366 |
| 1841 | 19,976 | 18,188 | (Z) | 1,788 | 1,336 |
| 1842 | 8,303 | 7,047 | (Z) | 1,256 | 898 |
| 1843 | 29,321 | 26,184 | 2 | 3,136 | 2,060 |
| 1844 | 29,970 | 27,528 | 4 | 2,438 | 2,077 |
| 1845 | 29,700 | 26,713 | 3 | 2,984 | 2,694 |
| 1846 | 26,496 | 23,748 | (Z) | 2,748 | 2,498 |
| 1847 | 35,736 | 31,757 | (Z) | 3,978 | 3,329 |
| 1848 | 31,208 | 28,347 | (Z) | 2,861 | 1,689 |
| 1849 | 43,603 | 39,669 | (Z) | 3,935 | 1860 |
| 1850 | 52,559 | 49,018 | (Z) | 3,542 | 2,352 |
| 1851 | 49,847 | 47,339 | (Z) | 2,507 | 2043 |
| 1852 | 61,587 | 58,932 | (Z) | 2,655 | 1,667 |
| 1853 | 73,800 | 64,224 | (Z) | 9,576 | 8,471 |
| 1854 | 65,351 | 53,026 | (Z) | 12,325 | 11,497 |
| 1855 | 74,057 | 64,023 | (Z) | 10,034 | 8,918 |
| 1856 | 68,965 | 63,876 | (Z) | 5,089 | 3,829 |
| 1857 | 46,655 | 41,790 | (Z) | 4,866 | 3,514 |
| 1858 | 53,486 | 49,566 | (Z) | 3,921 | 1,757 |
| 1859 | 56,065 | 53,188 | (Z) | 2,877 | 1,779 |
| 1860 | 41,510 | 39,582 | (Z) | 1,928 | 871 |
| 1861 | 51,987 | 49,056 | (Z) | 2,931 | 152 |
| 1862 | 112,697 | 69,060 | 37,641 | 5,997 | 168 |
| 1863 | 264,627 | 102,316 | 109,741 | 52,569 | 588 |
| 1864 | 333,715 | 84,928 | 209,464 | 39,322 | 997 |
| 1865 | 558,033 | 179,047 | 309,227 | 69,759 | 665 |
| 1866 | 490,634 | 176,418 | 266,028 | 48,189 | 1,164 |
| 1867 | 405,638 | 164,465 | 191,088 | 50,066 | 1,349 |
| 1868 | 370,944 | 180,048 | 158,356 | 32,539 | 4,020 |
| 1869 | 411,255 | 194,538 | 184,900 | 31,817 | 3,350 |
| 1870 | 383,324 | 206,270 | 143,098 | 33,955 | 2,389 |
| 1871 | 374,107 | 216,370 | 130,642 | 27,094 | 2,576 |
| 1872 | 333,738 | 186,090 | 113,729 | 31,919 | 2,882 |
| 1873 | 304,979 | 163,104 | 102,410 | 39,465 | 1852 |
| 1874 | 288,000 | 157,168 | 110,007 | 20,825 | 1,414 |
| 1875 | 294,096 | 148,072 | 116,701 | 29,323 | 1,129 |
| 1876 | 281,406 | 130,956 | 118,630 | 31,820 | 976 |
| 1877 | 257,764 | 130,171 | 110,582 | 17,012 | 1,080 |
| 1878 | 273,827 | 137,250 | 113,562 | 23,016 | 925 |
| 1879 | 333,527 | 186,522 | 124,009 | 22,995 | 1,017 |
| 1880 | 360,782 | 198,160 | 135,264 | 27,358 | 2,202 |
| 1881 | 403,525 | 220,411 | 146,498 | 36,617 | 4,753 |
| 1882 | 398,288 | 214,076 | 144,720 | 38,861 | 7,956 |
| 1883 | 348,520 | 195,067 | 121,586 | 31,866 | 9,811 |
| 1884 | 323,691 | 181,472 | 112,499 | 29,720 | 5,706 |
| 1885 | 336,440 | 192,905 | 116,806 | 26,729 | 5,631 |
| 1886 | 371,403 | 217,287 | 118,823 | 35,293 | 9,254 |
| Year | Tax Revenue | Receipts | Refunds | Total Net | Expenditures |
|------|-------------|----------|---------|-----------|--------------|
| 1888 | 379,266     | 219,091  |         | 124,297   | 35,878       |
| 1889 | 387,050     | 222,833  | 32,336  | 124,297   | 32,336       |
| 1890 | 403,081     | 229,669  | 32,336  | 142,607   | 30,806       |
| 1891 | 392,612     | 219,522  | 32,336  | 145,686   | 27,404       |
| 1892 | 354,938     | 177,453  | 32,336  | 153,971   | 23,514       |
| 1893 | 385,820     | 203,355  | 32,336  | 161,028   | 21,437       |
| 1894 | 306,355     | 131,819  | 32,336  | 147,111   | 27,426       |
| 1895 | 324,729     | 152,159  | 32,336  | 143,422   | 29,149       |
| 1896 | 338,142     | 160,022  | 32,336  | 146,763   | 31,358       |
| 1897 | 347,722     | 176,554  | 32,336  | 146,868   | 24,479       |
| 1898 | 405,321     | 149,575  | 32,336  | 170,901   | 84,846       |
| 1899 | 515,961     | 206,128  | 32,336  | 273,437   | 1,006        |
| 1900 | 567,241     | 233,165  | 32,336  | 295,328   | 38,748       |
| 1901 | 587,685     | 238,585  | 32,336  | 307,181   | 41,919       |
| 1902 | 562,478     | 254,445  | 32,336  | 271,880   | 36,153       |
| 1903 | 561,881     | 284,480  | 32,336  | 230,810   | 46,591       |
| 1904 | 541,087     | 261,275  | 32,336  | 232,904   | 46,908       |
| 1905 | 544,275     | 261,799  | 32,336  | 234,096   | 48,380       |
| 1906 | 594,984     | 300,252  | 32,336  | 249,150   | 45,582       |
| 1907 | 665,860     | 332,233  | 32,336  | 269,667   | 63,960       |
| 1908 | 601,862     | 286,113  | 32,336  | 251,711   | 64,038       |
| 1909 | 604,320     | 300,712  | 32,336  | 246,213   | 57,396       |
| 1910 | 675,512     | 333,683  | 32,336  | 289,934   | 51,895       |
| 1911 | 701,833     | 314,497  | 32,336  | 322,529   | 64,807       |
| 1912 | 692,609     | 311,322  | 32,336  | 321,612   | 59,675       |
| 1913 | 714,463     | 318,891  | 32,336  | 344,417   | 60,803       |
| 1914 | 725,117     | 292,320  | 32,336  | 380,417   | 50,893       |
| 1915 | 683,417     | 209,787  | 32,336  | 415,670   | 72,455       |
| 1916 | 761,445     | 213,186  | 32,336  | 512,702   | 56,647       |
| 1917 | 1,100,500   | 225,962  | 32,336  | 809,366   | 88,996       |
| 1918 | 3,645,240   | 179,998  | 32,336  | 3,186,034 | 298,550      |

**Footnotes**

1. Refunds of receipts are excluded starting 1913; comparable data are not available for prior years.
2. Certain interfund transactions are excluded starting 1932; for prior years, the amounts of such transactions are insignificant.
3. Through 1912, total; thereafter, net.
4. Total for three-year period.

Source: Historical Statistics of the United States, edited by Susan B. Carter at al., Cambridge University Press 2016, Table Ea588-593.
Table 2. Federal government internal tax revenue, by source: 1863-1915

| Fiscal year | Total | Estate and gift | Excise | Tobacco | Manufacturers | Total |
|-------------|-------|-----------------|--------|---------|--------------|-------|
|             | Total |       | Alcohol | Tobacco |             |       |
|            | Ea594 | Ea598 | Ea600   | Ea601   | Ea602        |       |
|            | Thousand dollars | Thousand dollars | Thousand dollars | Thousand dollars | Thousand dollars | Thousand dollars |
| 1863        | 41003 | 57    | 6805    | 3098    | 16525        |       |
| 1864        | 116966 | 311   | 32619   | 8592    | 36223        |       |
| 1865        | 210856 | 547   | 22466   | 11401   | 73318        |       |
| 1866        | 310120 | 1171  | 38489   | 16531   | 127231       |       |
| 1867        | 265065 | 1865  | 39600   | 19765   | 91531        |       |
| 1868        | 190375 | 2823  | 24612   | 18730   | 61650        |       |
| 1869        | 159124 | 2435  | 51171   | 23431   | 3345         |       |
| 1870        | 184303 | 3092  | 61925   | 31351   | 3017         |       |
| 1871        | 143198 | 2505  | 53671   | 33759   | 3632         |       |
| 1872        | 130890 | ----- | 57734   | 33736   | 4616         |       |
| 1873        | 113504 | ----- | 61424   | 34386   | 1267         |       |
| 1874        | 102191 | ----- | 58749   | 33243   | 625          |       |
| 1875        | 110072 | ----- | 61226   | 37303   | 864          |       |
| 1876        | 116768 | ----- | 65998   | 39795   | 509          |       |
| 1877        | 118549 | ----- | 66950   | 41107   | 238          |       |
| 1878        | 110654 | ----- | 60358   | 40092   | 430          |       |
| 1879        | 113450 | ----- | 63300   | 40135   | 299          |       |
| 1880        | 123982 | ----- | 74015   | 38870   | 228          |       |
| 1881        | 135230 | ----- | 80854   | 42855   | 149          |       |
| 1882        | 146523 | ----- | 86027   | 47392   | 82           |       |
| 1883        | 144553 | ----- | 91269   | 42104   | 72           |       |
| 1884        | 121590 | ----- | 94990   | 26062   | 24           |       |
| 1885        | 112421 | ----- | 85742   | 26407   | 23           |       |
| 1886        | 116903 | ----- | 88769   | 27907   | 24           |       |
| 1887        | 118837 | ----- | 87752   | 30108   | 22           |       |
| 1888        | 124326 | ----- | 92630   | 30662   | 10           |       |
| 1889        | 130894 | ----- | 98036   | 31867   | 6            |       |
| 1890        | 142595 | ----- | 107696  | 33959   | 9            |       |
| 1891        | 146035 | ----- | 111901  | 32796   | 4            |       |
| 1892        | 153858 | ----- | 121347  | 31000   | 2            |       |
| 1893        | 161005 | ----- | 127269  | 31890   | 7            |       |
| 1894        | 147168 | ----- | 116674  | 28618   | 2            |       |
| 1895        | 143246 | ----- | 111503  | 29705   | (Z)          |       |
| 1896        | 146831 | ----- | 114454  | 30712   | 1            |       |
| 1897        | 146620 | ----- | 114481  | 30710   | 9            |       |
| 1898        | 170867 | ----- | 132062  | 36231   | 1            |       |
| 1899        | 273485 | 1235  | 167928  | 52493   | 5            |       |
| 1900        | 295316 | 2884  | 183420  | 59355   | 3            |       |
| 1901        | 306872 | 5212  | 191698  | 62482   | 1            |       |
| 1902        | 271868 | 4843  | 193127  | 51938   | ----         |       |
| 1903        | 230741 | 5357  | 179501  | 43515   | ----         |       |
| 1904        | 232904 | 2072  | 184893  | 44656   | ----         |       |
| 1905        | 234188 | 774   | 186319  | 45660   | ----         |       |
| 1906        | 249103 | 142   | 199036  | 48423   | ----         |       |
| 1907        | 269664 | 50    | 215905  | 51811   | ----         |       |
| 1908        | 251666 | ----- | 199966  | 49863   | ----         |       |
### The Fiscal Origins of American Power: Federal Tax Policy and US Territorial Expansion in the Nineteenth Century

| Year | Tax Revenue | Net Revenue | 192324 | 51887 |
|------|-------------|-------------|--------|-------|
| 1909 | 246213      | 192324      | 51887  |
| 1910 | 289957      | 208602      | 58118  |
| 1911 | 322526      | 219648      | 67006  |
| 1912 | 321616      | 219660      | 70590  |
| 1913 | 344424      | 230146      | 76789  |
| 1914 | 380009      | 226180      | 79987  |
| 1915 | 415681      | 223949      | 79957  |

**Footnotes**

(Z). Less than $500.

Source: Historical Statistics of the United States, edited by Susan B. Carter at al., Cambridge University Press 2016, Table Ea594-608.
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