

## The Wealth of a Nation

Sven Steinmo

11/2/1998

*It is impossible to understand American society without seeing the formative influence of the Constitution upon it. (Martin Diamond, 1981:99)*

There can be no gainsaying that at the end of the 20<sup>th</sup> century America is the world's leading nation and preeminent power. America's GNP is now *greater* than the total GNP of China, Russia, the United Kingdom, France, Italy, Australia, Canada, Spain, Sweden, Denmark, Austria and Switzerland, *combined*.<sup>1</sup> It was not simply luck that has made America so rich and powerful. This essay will argue that America's economic success has been a product of both the incredible resources found in this country and the remarkable ability of the American people to make the most of those resources. Our Constitution, and the First Ten Amendments specifically, have played an enormous role in the evolution of both our land and our culture. As Martin Diamond suggests, it is impossible to understand America without appreciating the formative influence the Constitution has had upon it.

This essay will argue that America's Constitution created a government that had the strength and power to expand into the world's richest land mass, but at the same time constrained

---

<sup>1</sup>According to the most recent statistics from the World Bank, the United States has 4.59% of the world's population and occupies just 7.03% of the earth's inhabitable land, but accounts for over 25.69% of total world production. To put it another way, the GNP of the United States (with 267 million inhabitants) is *greater than* the sum of all the GNPs of the 153 poorest nations which have a total population of over 4.3 billion.

that power such that the American people could exploit the vast riches in this new land. To understand America's unique position in the world today we need to appreciate the *interaction* between this country's institutions, her remarkable resources and the dynamic culture of the American people.

The essay will proceed as follows: First, I will show how the First Amendment facilitated a successful compromise between those who supported and those who feared a strong national government after the American Revolution. I will show that the unique outcome settled upon in the closing years of the 18<sup>th</sup> century represented a balance between elites who wished to create a stronger national government which might help them develop a commercial and enterprising nation, and the more localist egalitarians who wished for a democratic country that would not infringe upon individual rights and freedoms. We shall see that what both these elitists and the democrats had in common was a desire to continue the exploitation of the American frontier. The remarkable balance they eventually struck with the Constitution and Bill of Rights, created a government strong enough to expand into and eventually control an entire continent, but limited enough to allow for the development of a liberal, dynamic and entrepreneurial culture. Next I will sketch out an argument linking the particular character of American political culture and the expansionist policies made possible in the context of America's unique political institutions. I will show how the peculiar culture of Americans has contributed to our enormous economic success. I conclude with some observations about what lessons we might draw from our own historical narrative.

## *Rethinking the American Republic*

Americans tend to see the Constitution and indeed the very existence of the United States of America as if it were somehow inevitable. Of course they were not. Quite the contrary, America's foundation document was in fact the product of intense negotiation, compromise and even intrigue. Indeed, the very idea of a United States of America was for many revolutionary leaders - a dangerous idea.

It is important to recognize that well into the War of Independence no one really knew what kind of polity they were really fighting *for*. For most, this was a rebellion *against*. During the War a loose knit group of representatives from each of the colonies convened the Continental Congress in order that they could better address some of their common issues and problems. This Congress eventually passed a document called the "Articles of Confederation" in 1781 which established Congress as a weak legislative body which could at best represent the states, but certainly not rule over them. With the conclusion of the War, the Articles of Confederation continued as the sole national document holding together the quite different newly formed states. Almost all Americans believed at the time that the States ought to be the legitimate centers of power. Many, including Thomas Jefferson, were suspicious of having a permanent national government at all. Most Americans believed that democracy, equality and liberty, were to be found or protected when government was kept close to the people. Thus, a loose confederation of the states was perhaps necessary, but strong national government was widely perceived to be a threat to America's revolutionary ideals and principles.

So, why did the States eventually abandon the Articles of Confederation in favor of a

much stronger national government? According to Gordon Wood in his widely acclaimed, *The Creation of the American Republic*, the State legislatures had simply become too democratic. State constitutions, often written in the fury of wartime, yielded a great deal of power to the legislatures and all too often these legislatures came to be controlled by citizens whom the revolutionary elite feared or loathed. As Madison pointed out in Federalist 62, the Revolution had allowed government to fall "into the hands of those whose ability or station in life does not entitle them to it, that is, men without reading, experience or principle. Apparently, the egalitarian and republican rhetoric of the Revolution had brought about precisely the maladies James Otis warned against back in 1776. "When the pot boils, the scum will rise to the top." Or as John Jay would write, [e]ffrontery and arrogance, even in our virtuous and enlightened days, are giving rank and importance to men whom Wisdom would have left in obscurity.

America's Revolutionary elite was thus surprised and deeply disappointed with the democratic systems their revolutionary rhetoric had unleashed. Not only were a lower order of men rising in political influence, they were also promoting policies (such as easy money) which threatened many of the commercial interests of the more established elite. The egalitarian and republican ideas which they had promoted were also seen as threats to order and invitations to chaos. In other words, post revolutionary American politics was devolving into the wrong kind of political system run by the wrong kind of people. Events like the well known Shays Rebellion were examples of the disorder that threatened the newly independent land. But this specific rebellion was only part of a more general problem, the states were increasingly dominated by lower class people and, equally importantly, rural or frontier interests as opposed to commercial and eastern interests.

Ultimately, a Constitutional Convention was called in Philadelphia to help right the wrongs of the new democratic order. A stronger national government, many elites believed, could stop the spread of farmer revolts, stem the tides of growing democratic localism and build a polity that would both prevent spiraling chaos as well as better facilitate economic development and commerce.

### *The American Constitution as an Expansionist Document*

Given the diversity of interests and views (republican vs elitist, commercial vs agricultural, slave holder vs Puritan, large state vs small etc. etc.) it is remarkable that these men could find any kind compromise at all. But focusing on their differences, as most Constitutional scholars are want to do, misses a very basic commonality -- the desire to exploit the frontier and expand the nation. A national government was necessary for the success of these expansionist goals. In fact, absent stronger national government, conflict over the western territories could too easily develop into deep and potentially violent struggles between the young states.<sup>2</sup>

More land, was desirable from several perspectives: For the Republicans, a good society and a healthy democracy depended upon the majority of citizens being property owners. Given the continued population explosion ongoing in the New World, new lands were essential else America become ever more stratified and conflictual. For commercial interests, bankers and

---

<sup>2</sup>It is significant to note that the Northwest Ordinance was passed by the Continental Congress on July 13, 1787 - exactly at the time that the Constitutional Convention was meeting. In other words, one of the very few things that the Continental Congress *could* agree on, was their common interest in the expansion of the American frontier. With the Northwest Ordinance the boundaries of the United States expanded from the Appalachian mountains all the way to the Mississippi.

speculators, access to more land was self-evidently attractive. George Washington, for example, had speculated on sixty-three thousand acres of land west of the Appalachian mountains and according to historian Stephen Ambrose, [h]e wanted more (Ambrose, 1996:32). Speculators typically financed their land purchases on credit and promises and warrants, not cash, so they were always land-rich and cash-poor. Small wonder Jefferson was obsessed with securing an empire for the United States (Ambrose, 1996:33). For the intellectual and political elite - frightened by the democratic forces unleashed by the Revolution - a larger polity would necessarily narrow the political funnel making it more difficult for those of lesser education, background and status to achieve political prominence and influence. James Madison, the great institutionalist thinker, specifically argued: The only remedy to the dangers of democracy, is to enlarge the sphere... as far as the nature of Government would admit... This [is] the only defense against the inconveniences of democracy consistent with the democratic form of Government. In Federalist #39 he later argued: In a large Society, the people are broken into so many interests and parties, that a common sentiment is less likely to be felt, and the requisite concert less likely to be formed by a majority of the whole. In short, the dangerous potential of the masses organizing against the wealthy, which is inherent to democratic government, could be mitigated by the physical expansion of that democracy. In future times, Madison warned his colleagues in Philadelphia a great majority of the people will not only be without landed, but any other sort of property.

### ***Republican Misgivings and the First Amendment***

After several months of wrangling and intense negotiations in Philadelphia during the hot summer of 1787, a compromise was finally reached between representatives of the 12 ex-colonies who would attend the Constitutional Convention.<sup>3</sup> Still, only 38 of the 55 delegates who attended would sign the proposed Constitution. To say the least, the future of this compromise document was far from certain. Many revolutionary leaders remained skeptical of the nationalists and cautioned against the speedy adoption of the newly proposed Constitution. Delay, they hoped, would allow a more careful examination of the issues at hand and would allow the objections to the proposed document to be incorporated into a more finely tuned Constitution. Nationalists feared that delaying the adoption of the new Constitution would kill the idea of strong national institutions. Federalists like James Madison eventually proposed that rather than delay or re-write the Constitution they would instead attempt to incorporate many of the skeptic s central objections into a set of amendments that could be ratified as soon as the new government was formed.<sup>4</sup>

The First Amendment was certainly the most significant concession to the skeptics. Here the democrats laid down the gauntlet: *The national government shall not impose itself on the rights of it s citizens*. Certainly, much in the original design of the Federal government is meant to limit the potential power of this state - the famous checks and balances. But the First Amendment *specifically* declares certain individual rights inviolate. Whereas the Constitution itself deals mostly with the minutia of institutional rules and procedures, and the preamble opens

---

<sup>3</sup>Rhode Island was so hostile to the very idea of a stronger national government that they refused to even send delegates to the Convention.

<sup>4</sup>There were a large number of possible suggestions and amendments that were proposed as the Constitution worked its way through the ratification process in the various states. Madison himself is credited with summarizing these into the current first ten amendments.

with generous statements about the Justice, Tranquility and Liberty, the First Amendment is very specific: **CONGRESS SHALL MAKE NO LAW...**

In short, the First Amendment is far more than an amendment to the Constitution. It is difficult to overemphasize the significance of the short forty-five word long declaration found in the First Amendment. Indeed, I would argue that the First Amendment is the most important single line in the entire document itself. The First Amendment specifically concretizes and enshrines the early American fear of a strong national state. More than any other part of the American Constitution, the First Amendment specifically binds the hands of government with respect to *individual rights* and thus sets the stage for the country we will become.

With this amendment to the original document, the Nationalists could have their national government which could promote economic expansion and stem the tides of democratic chaos, at the same time the Republicans and Anti-Federalists were assured of *specific* limitations on the power of the national government vis-a-vis individual freedoms and liberties.

By 1793 the thirteen colonies had agreed to a political union under the new Constitution *with the addition of the first 10 Amendments*. As intended, this document sets the institutional stage in which all future American politics are played out. But the specific institutional design is not the only important legacy built during this founding moment of American history -- certainly Americans have reformed and redesigned these institutions as the country grew and developed. Rather, the most important legacy of this document was the basically negative understanding of political democracy that was forged here: *Political power (especially national political power) was conceived - and has been subsequently framed - as something to be constrained and even feared.*

The result was a truly unique compromise between those who wished to create a more powerful national government which could facilitate expansion on the one side, and those who would limit that government for fear that it would undermine the egalitarian and liberal spirit of the American frontier.

### *Conquering a Continent*

It is sometimes difficult for us today to appreciate the fact that the U.S. Constitution was written for a very different people in a very different land than what we experience here today. At the time of Revolution, Americans were a relatively isolated rural people who lived on the edge of an enormous and unexplored continent. In 1775 there were only three and a half million Americans in the thirteen colonies and only five cities with over 10,000 inhabitants.<sup>5</sup> The vast majority were instead farmers who lived in small villages and townships or in even more remote isolated conditions on the American frontier. Moreover, the original thirteen colonies covered only a small fragment of the North American continent - their western boundaries stopped at the tops of the Appalachian mountains. The rest of this vast and still unexplored continent was owned, occupied and/or controlled by the great European powers of Britain, Spain, France, Russia and a multitude of Indian nations - many of which had yet to even confront a white man.

As noted above, the U.S. Constitutional compromise was possible in part because of the common desire to expand and exploit North America's resources. We should recall, moreover,

---

<sup>5</sup>These were Philadelphia, 40,000; New York, 25,000; Boston 16,000; Charleston, 12,000 and Newport, 11,000.

that under the Articles of Confederation, our national government was a crippled institution. Its Congress was so weak and fraught with interstate rivalry that it could neither pay off America's war debts, nor even pay the printing costs of its own legislative documents. To be sure, even after the Constitution was adopted, the new government of the United States had problems. But in comparison to the polity it had evolved from, the United States of America grew into a strong and powerful state in a remarkably short time. Indeed, the new Federal Government was already powerful enough in 1794 to raise an army and put down its first tax revolt.<sup>6</sup> By 1803, less than ten years later and scarcely twenty years after the Constitution was formally ratified, the Revolutionary leadership was able to take the first major steps towards realizing their dream of creating an American Empire. While today nine million dollars for the entire Louisiana Territories may appear to us to have been a bargain: For this infant country it was a truly remarkably powerful statement of ambition and reach. Imagine today a country being able to buy sufficient land to nearly double the size of the country itself.

But of course, American expansionism did not stop here. Indeed the speed and rapidity with which these newly United States could embark upon their expansionist goals was nothing short of incredible. For example: In 1819 America took Florida from the Spanish. The huge Texas Territory was annexed in 1845. In 1948, victorious over the Mexicans, the U.S. absconded what is now California, Nevada, Utah, Arizona, as well as parts of Colorado and New Mexico. Incredibly, the still young United States was able to finance the War with Mexico at the same time that it purchased the Oregon Country from Britain (1846). Finally, less than twenty years later

---

<sup>6</sup>It is fascinating to note that the grievances of the western frontiersmen who staged the Whiskey Rebellion were remarkably similar to those of the Boston merchants who staged their revolt against unfair Tea and Sugar taxes imposed on them by the British.

and only two years after the cataclysmic Civil War, the United States purchased Alaska from the Russians in 1867.

Whereas the United States of America began as a revolt of just 3.5 million colonialists living on the eastern seashore of central north America, within three generations it expanded into to a vast and sprawling nation, possessing more 3.5 million square miles which stretched from the Atlantic to the Pacific. No Federalist of the 1880's could have ever dreamed of the incredible success their nationalizing document would make possible.

America was not only growing geographically- its population exploded as well. In the six decades it took the United States government to capture or claim the huge land mass north of the Rio Grande and south of the 49<sup>th</sup> parallel, America's population grew from just 3.5 million to 23.9 million! This rate of growth is staggering by any standard. It was not until the end of the century that the rate of increase in America's population *dropped* to 20% per decade. By 1890, just 100 years after the Constitution was ratified, America's 3.5 million people had grown to an incredible 62.9 million!

We rarely stop to ask how any country could absorb a population explosion of this order? Why didn't those who were already here stop the growth and claim these vast resources for themselves? To be sure, there were those who would have become the American aristocracy, imported more workers and slaves, and shaped the course of our history in a direction quite unlike the path we eventually chose. Why, on the contrary, did they invite ever more people to share in the Land of Milk and Honey? The answer, I submit, was that the basic principles upon which this nation were founded did- just as the Founders had hoped - structure the ideas and beliefs of Americans. The basic ideals institutionalized in the Constitution helped shape the people

Americans were to become.

### ***Self-Interest Rightly Understood***

As we discussed above, America's political elite were disheartened with the democratic systems that developed in the states immediately after the Revolution. They were disappointed in part because increasingly rural interests were ascending, but also because they felt that the kinds of people that were coming to prominence were not of the best sort. More generally, many of America's leadership became disillusioned with the idea that Americans were somehow better than their European forefathers. As George Washington admitted with some frustration, *We have probably had too good an opinion of human nature in forming our confederation.* Rather than high minded ideals and principles driving political action, they increasingly saw self-interest, venal passions and even avarice. In short, the writers of our Constitution ultimately came to believe that people *and their leaders* were inherently corruptible. Their brilliant institutional solution was to create a new government that would limit itself: To pit ambition against ambition and faction against faction. Once again, the specific limitation on governmental authority spelled out in the first ten amendments were integral to this new science of politics as Madison called it.

All previous political systems, and for that matter most subsequent systems, assume that those that rise to political authority will somehow be of a better sort than the common man. In the heat of the revolutionary period in America it was sometimes believed that Americans in general would be of a better sort. But with their growing disillusionment with the political realities of the post-revolutionary years, the Constitution's authors concluded that a better system

might be one that acknowledged the selfishness of man: Rather than try to manage these tendencies they would design the polity around them. Self-interest, even egoism and selfishness, then, could be harnessed and used for the betterment of the society. To many democratic thinkers these were radical ideas indeed. Rather than attempt to find a system that would bring the best men to positions of power and influence, the United States would yield power to even the lowly, and then constrain that power so that little harm could be done with it.

The radical egalitarianism of these ideas is what is most often noticed by students of our Constitutional period, but it is equally important to recognize that the Founding Fathers were laying the foundation for a system organized around the principle of self-interest. It would not be correct to argue that the Founders were happy with the admission that communal self-abnegation and austerity were not part of the American character (Brown, 1993:156). But given this admission, they committed themselves to building a system that could make the most of flawed human nature. What they in the end did, was create a philosophical justification in the political realm for the pursuit of individual self-interest in much the same way that Adam Smith created a justification for the pursuit of self-interest in the economic realm.

These institutional thinkers knew full well the dangers of a polity which embraced self-interest as an organizing principle - and once again, here we see the need for specific Constitutional limitations of political power. But they were also hopeful that such a system would allow for, and even encourage, the independent spirit already potent in the American culture. In other words, rather than create a system and thereby try and mold a people towards collective ends, our Constitutional founders resolved to create a system that would allow independently minded people to pursue their own self-interest with a minimum of constraints and barriers.

Consider, for example, the ways in which the United States and Canada confronted their respective frontiers and the indigenous people who lived there. Certainly, both countries took advantage of the Indians - they stole their lands and massively violated what we now would call their human rights. But, according to Seymour Martin Lipset in his monumental comparison of these two countries, *Continental Divide*, the key difference was that the Canadian government dealt with the native peoples as groups whose rights and interests needed to be addressed collectively. The Canadians, for the most part, held back development and would not allow their people to occupy lands still owned by the Indians: Once the rule of law had been established, then immigrants and settlers were allowed to proceed into these territories. In the United States, the experience at the frontier was quite different: Here pioneers, settlers and adventurers moved west in their pursuit of more land and riches and the government followed. Rather than holding back its people until treaties could be agreed to, the U.S. government engaged in a massive expansionist campaign to make more land available, and then was compelled to protect its citizens who moved into the Indian lands. In short, government's central purpose had already become by the mid-1800s, opening new territories (laying the groundwork) for self-interested individuals who were willing take risks as they pursued their private gain. Whereas, settlers followed order in Canada; order followed the settlers in the US.<sup>7</sup>

Consider further, why so many immigrants came to the United States?<sup>8</sup> It is not enough to suggest that there was lots of land here: Many countries in the New World from Argentina to

---

<sup>7</sup>I wish to thank my colleague and Canadian political economist Jeffrey Kopstein for this observation.

<sup>8</sup>In the five decades following the United States conquest over Mexico, between 2.5 and 8.7 million immigrants came to the U.S. each decade.

Canada possessed vast tracts of unexploited land, and immigrants were invited into these countries as well. But the patterns of migration in the U.S. were different. The common belief was that here one could arrive poor and with no political connections and make it on your own.<sup>9</sup> The United States of America had already developed the reputation as the land of Freedom and Opportunity by the mid-19<sup>th</sup> century. Most immigrants came for reasons of raw economic self-interest - their material lives would be dramatically better here than they had been in the Old World. But of course, the promise of individual freedom and liberty as well as guaranteed protections against the abuse of state power made the United States enormously attractive as well. While it was not true, as some had been led to believe, that the streets paved with gold; it was true that there were vast stretches of fertile land available to immigrants and native born alike who could claim these lands for their own without loans, government grants, or even promises to pay back the former owners.

Given these opportunity structures, it should not seem surprising that Americans quickly grew into the most ambitious, acquisitive, and self-interested people on earth.

### ***From Continental Political Economy to World Power***

Americans were also lucky. They had conquered the most richly endowed pieces of real estate on the entire globe. As the figure below indicates, the resources found within United States

---

<sup>9</sup>Many recent western historians have correctly pointed out that the image of traditional image of the cowboy on the frontier making it on his own is not an accurate picture of what mostly happened. Instead, the government provided resources and built infrastructure so that emigrants could survive in a hostile and dry environment (cf. Limerick). I have no disagreement with these points, indeed they fit my argument quite well. But the point here is that the image of the American making it on his own was well established by this point and had continued to be reinforced throughout much of American history.

of America were indeed phenomenal. At the dawn of the modern industrial era, the United States was the worlds leading producer of *every single basic mineral* required for industrial advancement. To be sure other countries could import these raw materials, but especially given the costs and difficulties of transportation in the early 1900's the United States clearly had a comparative advantage no other country could hope to compete with.

It would be far too simplistic, however, to argue that Americans were just lucky. They fought for this piece of real estate *in order to exploit it*. As historian David Potter noted in 1954: The social value of natural resources depends entirely upon the aptitude of society for using them.

It is instructive to compare the U.S. with the other great continental political economy of the 20<sup>th</sup> century - Russia. Russia (or its empire) is also huge country with a large population occupying a land rich with natural resources. As far back as 1835, Alexis de Tocqueville could already see that the natural wealth and great size of these two countries would put them at the center stage of the modern world. He concludes his classic, *Democracy in America*, (volume 1), with the following observation:

*There are at the present time two great nations in the world, which started from different paths, but seem to tend towards the same end. I allude to the Russians and the Americans... All other nations seem to have nearly reached their natural limits, and they have only to maintain their power; but these are still in the act of growth.... The Anglo-American relies upon personal interest to accomplish his ends and gives free scope to the unguided strength and common sense of the people; the Russian centers all the authority of society in a single arm. The principle instrument of the former is freedom; of the latter, servitude. Their starting point is different and their courses are not the same; yet each of them seems marked out by the will of Heaven to sway the destinies of half the globe.*

As de Tocqueville predicted, the size and resource wealth of Russia would make this a country that could compete with America for world leadership. But what explains her demise? Why is it that the United States remains the preeminent power while Russia has fallen to its knees? The answers are as obvious as they are important for understanding the core strengths of the American system: Russia's empire collapsed due to the overbearing power of the Russian/Soviet state. This state, unlimited by constitutional guarantees of individual freedoms, could not resist the temptation to impose itself on its people. The Russian/Soviet Empire was founded on ideas no less noble ideas than those of the American Empire. (Indeed, Communist theorists Frederick Engels and Karl Marx believed that there was so much in their ideology which

mirrored the beliefs already found in the United States that America might become the first communist nation.) But the Communist/Soviet regime's passion to economically advance and to compete with the West, allowed the regime to sacrifice individual freedoms and liberty.

U.S. Constitutional protections of liberty and individual freedoms - most importantly those found in the First Amendment - prevented this nation's emphasis on growth and prosperity from turning in on itself. There have been many times in American history when the political elite, or the majority of people themselves, would willfully sacrifice freedoms and liberties of the powerless, in their pursuit of narrow self-interest. But these nativist, anti-communist, and racist impulses have had to fight against the foundational law that created this country.<sup>10</sup> The Constitutional protections have not always won out in the short run, but they have for the most part succeeded in legitimating the opposition to the self-centered impulses of a nation sometimes consumed with economic success.

### *American Leadership in the 20<sup>th</sup> Century*

I close this essay with some implications of this argument for the United States as we face into the next century. America today is far more than simply the world's richest nation. It has earned a position of leadership whether it wants it or not. This country's enormous success creates an expectation that we can or should help other countries be like us. But we are rarely

---

<sup>10</sup>Some of the most obvious and well know examples in which Americans have sacrificed freedom include: The Alien and Sedition Acts of the late 1700s; The Nativist movements of 1800's; The internment of Japanese Americans during WWII; and the treatment of the Indian peoples once they were conquered. The most obvious, and horrific example was of course slavery itself.

clear about what being like us means. Too often, American policy appears to be based on remarkably simplistic assumption that if we can simply export our institutions - our Constitution and our Bill of Rights - to other countries then these countries can follow our path to stable democracy and economic success. This is profoundly naive. As I have tried to show in this essay, America's phenomenal rise to world power has been the product of the *interaction* between her political institutions, the individualistic culture, and the massive resource wealth we have been able to exploit. The United States Constitution and the First Amendment have played an enormous role in helping create the both the nation and the people we have become. But these institutions did not *cause* America to become so successful. The point here is that though we may use our enormous power to export our institutions to other lands, we cannot expect these institutions to bring the same results there that they have brought in this country. It may be fair to say, that some of the specific limitations on the powers of government - something like a Bill of Rights - could restrict political authority and allow for the growth of a more independent culture, and thus in the long run contribute to their own path towards political and economic development. But we can scarcely expect our political institutions to take root in cultures and polities which have benefitted neither from our massive resources nor from the expansionary capacities of the American state.