

[*An Empire of Wealth: The Epic History of American Economic Power*, John Steele Gordon, HarperCollins, 480 pages]

Hamilton's Empire

By James Gass

THE ROMANS HAD their legions, the British had their colonies, and according to John Steele Gordon's new book, *An Empire of Wealth*, the American imperium stands on its treasure.

How did a small collection of rebellious British colonies on the West Atlantic coast transform itself into the most influential money power in the world? These days, most intellectuals would answer—by subjugating Indians, enslaving Africans, and unleashing rapacious capitalists. But Gordon breaks with his friends at PBS and the *New York Times* and reveals an epic about the economic grandeur of the American experiment. In this popular history, Columbus, Washington, Carnegie, and Edison are back on their pedestals and Wall Street takes center stage.

Vanity might prompt us to think that the pecuniary glory of America was all our own doing. Clearly, though, Americans inherited many of their best principles from Great Britain's legal, political, and financial traditions. All of the accomplishments of the U.S., however, cannot be ascribed to what America took from John Locke, the Glorious Revolution, and *The Wealth of Nations*.

The distinctiveness of America's economic outlook from John Winthrop and William Penn through Jefferson and Lincoln was that it was not just about the money. In the Declaration of Independence only two of the 28 grievances against the king are related to commerce, and the Lockean term "property" is not mentioned at all. But American republicanism did preserve "the sacred fire of liberty" from which democratic wealth could be produced.

Furthermore, America succeeded not because it conquered, pillaged, and lorded over the peoples of the world as Rome or Britannia did. Rather, the country thrived because it provided an exceptional combination of security and opportunity which motivated immigrants to arrive on its shores and emulate its spirit of enterprise. Gordon sees America's "get up and go" as initiated by "people who got up and came." This sounds mythical, but in the New World risk-taking navigators, colonial entrepreneurs, and religious dissenters equally with the huddled masses won the day. In America, human self-interest for gain has been more effectively released, assimilated, and controlled than anywhere else.

Alexander Hamilton is the hero of the book. And who better represents Britain's heritage and the strivings of America's immigrants? Called "the bastard brat of a Scotch peddler" by John Adams, the Nevis-born Hamilton rearranged the conflicting notes of modern constitutionalism, banking, mercantilism, and the free market into the basis for the "American System." Unlike the man, Hamilton's economic ideas survived Aaron Burr's bullet, but many of today's scholars seem intent on finishing Burr's work. They praise Hamilton the icon, but take aim at his policies, which ensured the nation's economic independence.

Gordon is so eager to present us with a user-friendly Hamilton that he overlooks Jefferson's creation of the U.S. Patent Office, which secured exclusive rights for inventors across the country to profit from their own ideas. Over 200 years and 7 million patents later, Jefferson's pet project has guarded America's intellectual property as vigorously as Hamilton's vision cultivated our industries. We learn that beginning in 1789, "second only to slavery, the tariff would be the most contentious issue in Congress for the next hundred years." But Gordon's bias against protectionism stops him from fully reconciling America's economic emergence with its commitment to the Framers' political economy.

Consequently, Andrew Jackson gets faint praise for his resolute positions against the Nullifiers' attempts to ditch the nation's trade policy. Moreover, Gordon's account does not connect the free-trade policies of 20th-century politicians with their mid-19th-century origins in the doctrines of John C. Calhoun and the Confederacy. Gordon nonetheless emphasizes that Jackson's veto of the Second Bank of the United States deconstructed a key pillar of America's financial stability. It is apparent that General Jackson's "Bank War" was one of the chief reasons for the country's various depressions through the 19th and early 20th centuries. "Old Hickory," however, does receive some credit for fiscal responsibility, as the only president in history to retire the national debt.

Trade historian Alfred Eckes explains that Lincoln's tariff-centric GOP between 1860 and 1910 ensured that trade duties averaged 52 percent of federal revenues. As such, the robber barons and tariffs provided the gleam on the Gilded Age, while America's GNP grew at double the rate of Western Europe's. Meanwhile, industrialism's excesses conjured dreams of liberating workers with social reforms and free-trade's cheap consumerism. Democrats Cleveland, Wilson, and FDR then caused America to switch revenue streams from taxing foreigners with tariffs to taxing its own citizens' incomes.

Unmistakably, the United States' independence and belated entry into the World Wars guaranteed its great economic triumph. By 1919, the Allies owed the U.S. and J.P. Morgan \$9.6 to \$12 billion, while the United States became the world's leading creditor and industrial and financial power. This exalted position, due to \$50 billion in Lend-Lease loans and World War II, reached its apex in 1945.

Gordon claims that FDR was a benevolent "American dictator." Here we more seriously part ways. From small businesses to the Congress, the nation stooped before FDR's consolidated power, his centralized planners, and the omnipresence of his federal

bureaucracies. Despite presiding over \$450 billion in federal spending and make-work projects, unemployment during his four terms never dipped below 14 percent. In the final assessment, FDR's anti-depressant message that somebody cared and his optimism helped the nation psychologically, but it was World War II's doubling of the GNP that pulled the country from the economic edge.

In 1945, after the Great Powers were war torn and in debt, the U.S. produced half the world's coal, two-thirds of its oil, over half of its electricity, and comprised half of the world's GNP. In thousands of years, no nation had ever seen such economic dominance, but the New Deal's agenda, based on perpetual crisis, became redundant during the coming peace and prosperity.

To my mind, the Bretton Woods Keynesians—Harry Dexter White, Cordell Hull, and Henry Morgenthau—usurped the Framers' Constitution. Rather than defending private initiative and productivity, the New Dealers used government for global social engineering. Their economics created, according to Lord

constituted 3 percent of GNP, while they represented more than 20 percent by 2000. Gordon writes that before 1933, the budget had been in surplus two-thirds of the time, and afterwards only 16 percent. Did Bretton Woods really "save capitalism" if Americans work from Monday till Wednesday noon to support their government's voracious social spending?

Jacques Barzun once declared that the faith of our age is the welfare-state ethos. Welfare in America has been halved since 1996, but entitlement spending still constitutes approximately 41 percent of the federal budget. Perhaps as Social Security becomes insolvent, value-added manufacturing jobs are given away, and our globetrotting continues, we may finally be permitted to see FDR as a man, and not a Depression-era demigod.

Gordon holds that America won the Cold War with "money not bullets." Defense spending under LBJ went from \$50 billion to \$82 billion, and under Reagan it increased by 50 percent in his first six years. In 2003-04, U.S. military

have pretended that debts and deficits do not matter. Presciently, a Treasury secretary during the '50s said, "I do not think you can spend yourself rich."

"In 2000," writes Gordon, "the total world trade was 125 times the level of 1950, equaling an astounding \$7.5 trillion." In early 2005, however, the Commerce Department reported that the U.S. trade deficit grew to a record \$60 billion for November 2004 and is on pace for \$600 billion per annum. Free trade might be, "[T]he greatest engine of economic growth the world has ever known;" nevertheless, as an unemployed Kodak engineer from Rochester, New York said, "Wealth is really about making things."

With productive manufacturing being liquidated monthly and the U.S. now third in producing patents, America has turned to the junk economy of retail consumption, the service sector, frivolous lawsuits, and casinos. In 2003, a Manhattan Institute report stated that, "[T]ort costs today exceed \$200 billion annually, or more than two percent of America's GNP." Since the mid-1970s, the lawsuit industry has grown faster than both the GNP and the population. Moreover, since the 1990s, Las Vegas has been the fastest growing city in America, and gambling is annually a \$60 billion enterprise. With this perfect-storm economy, why are we surprised that the dollar has lost half its value in the last three years?

Despite our government's bleak financial house, *An Empire of Wealth* brims with pride and confidence. From Microsoft and Google to Hollywood and Nobel Prize winners, the fact that America's economy is approximately 30 percent of the world's GNP should prevent us from reaching for the ration stamps and Mason jars. But in order for optimism to be genuine, it must be grounded in financial realities and not vague platitudes about the global economy. Therein resides America's obligation to our posterity. ■

James Gass writes from the Boston area.

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Skidelsky, Keynes's biographer, "[A] point of equilibrium between individualism and collectivism." The utopian endgame—free trade and globalism would abolish nationalism and war.

The assumptions of this international New Deal were also based on massive U.S. foreign economic aid. From the \$13 billion Marshall Plan to the \$150 billion in foreign assistance between 1945 and 1970 to the billions for currency bailouts in the 1990s, America became the spending martyr of globalism. Ancient history shows us that plundering the treasury to buy popularity and compliance is a shortsighted game.

Stanford historian David Kennedy notes that in 1929, federal expenditures

spending was approximately \$100 billion more than the next nine military-spending nations combined. But as President Eisenhower's farewell address warned, being GloboCop has addicted us to war making and a crushing intergenerational debt.

As in his 1997 book *Hamilton's Blessing*, Gordon's enthusiasm for national debt as a source for money supply gets ahead of itself. In 1980, the national debt relative to GDP was "only 34.5 percent" and in 1994 "it equaled 68.9 percent." Today, America's virtually unpayable \$7.6 trillion national debt represents 70 percent of the GDP and would cost each American a staggering \$25,768.55 to settle up. For decades now, both parties

Open to Debate



Don't get your hopes up. There have been many false dawns in the Middle East, starting with the Holy Land. Will it be any different now?

I do not think so. As I write, Benjamin Netanyahu, the hard-line former Israeli prime minister, now finance minister, has recently been heckled by right-wing extremists angered by plans to withdraw Jewish settlers from Gaza. (A plate was thrown and his car tires slashed during a wedding.) These Israeli extremists are a tiny minority, ultranationalist settlers, mostly American, I'm afraid, and they maintain a stranglehold over more reasonable Israelis. The other side is just as bad, if not worse. Islamic militants are as opposed to peace as Jewish hardliners, the difference being that the Israelis can control their gangsters, whereas Mahmoud Abbas cannot.

The first steps to the peace process are easy: a ceasefire, Israeli withdrawal from the Gaza Strip, and the creation of a Palestinian mini-state. Then comes the hard part. After Gaza, what else is Sharon willing to give up? He has said little about the West Bank, the jewel of the crown, as they say. What about the settlements, the status of Jerusalem, the borders of the mini-state, the wall, and the return of the refugees? George W. Bush has said that there will be no right of return for Palestinian refugees to Israel. Can Abbas carry the can on this one? I don't think so.

What Bush should say is that refugees should be compensated, that they have rights to the West Bank, and that Jerusalem should be shared. If Bush talked about freedom for Palestinians in the same voice as he does where Iraq is concerned, perhaps Israeli hardliners would get the message. But this he does not do. The Israel lobby would make mincemeat of him quicker than you can say AIPAC.

Islamic militants dream of the glories of the caliphate in the Holy Land, just as Israeli militants dream that they are bringing about the coming of the Messiah. The problem seems insoluble, a pipedream. And yet people are trying.

The debate is a Greek invention, one that has served us well throughout the ages. I recently attended one in London, at Intelligence Squared, or IQ2, as it calls itself. This debating forum is new, but it has been so successful it threatens to overtake the Oxford Union as Europe's *numero uno* debating society. As it happens, I escorted Jemima Goldsmith, Sir James's beautiful daughter, Jemima being Hugh Grant's squeeze and a very precious escort to be sure, not because of her beauty, but because of her Jewishness. (Tempers are prone to be lost when Jews and the Palestinians are involved in debate, so I was covering my flanks).

The format was simple. Three on each side, nine minutes each, followed by a vote. The place was sold out—900 people, give or take a few. The motion was "Is Zionism the Real Enemy of the Jews?" All six debaters were Jewish, some of them Israelis. What struck me was the tone, both of the debaters as well as of the audience. There were no insults, no screams of outrage, no recriminations. During the question and answer period, people remained polite and very civil. (There could be no such debate in, say, the Big Bagel, as I call New York City, because of the intolerance so many backers of Israel feel toward anyone who disagrees with them where Israel is concerned.)

Here it is in a nutshell: the anti-motion speakers agreed that the Holocaust

should not give the Jews and Israel any moral immunity from criticism—BUT—that the vilification of Israel by certain European newspapers has long superseded what may be defined as legitimate criticism and that UN resolutions are devoted to human rights abuses in Israel but ignore the real abuses elsewhere. The point I liked the best was that Israel is the only nation whose civilian courts have such a broad jurisdiction over military actions. All very true and well presented.

The pro-motion speakers were more vigorous, especially a British academic and an Israeli journalist. Ariel Sharon, we were told, personifies the xenophobic, aggressive, and expansionist brand of Zionism. He has waged a savage war against the Palestinians, and his policies include the confiscation of their lands, the demolition of their houses, the curfews, the roadblocks, the systematic abuse of Palestinian human rights, and the illegal wall, which they said is as much about land-grabbing as it is about security. An Israeli journalist spoke about how uncomfortable she felt in the role of Member of the Master Race and how Israel's behavior has led to the upsurge of the new anti-Semitism throughout the world.

Of course, I agreed with her. Israel's mistreatment of the Palestinians has turned into a great liability and a moral burden, and only Jewish fanatics refuse to see this undeniable truth. But what about the suicide bombers, cry the militant Zionists. Well, it is a cruel irony that a country that was built out of the desert as a haven for Jews after the war has turned into the least safe place on earth for Jews to live. Militants on both sides should reflect a bit on this, and I expect Jews to think about it more, as they have much more to lose than those who have nothing. ■