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# Destabilizing Entanglements:

How the Flow of Opium, Cotton, and Capital Restructured Americans' Relationships with China, Britain, and Their Own Government in the Jacksonian Era

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When the ship *Congress* sailed from Boston harbor bound for Batavia in 1824, it went using some of the old habits of trade, and some of the new. Jacaob [sic] Caswell and Benjamin Brintnall entrusted "one Hundred Spanish milled Dollars" to an agent aboard the ship who promised to "Carey & Invest" it "from port to port." This was a classic cabotage strategy, designed to make the most out of small capital resources – and used upon by American traders since the Revolution. William Gray, the *Congress's* owner, chose a more sophisticated approach. Rather than simply sending a supercargo with specie, Gray instructed his captain, Nathaniel Kinsman, to communicated with trusted commission merchants, resident in Asia, to plot sales and purchases "calculated to promote my interest." Gray's cargo choices were finely reckoned, too. He packed the *Congress* with $7,786 worth of Western commodities (candles, beef, flour, seltzer water) that were readily salable at any European colonial port, and invested $19,318 in opium, a smokable narcotic with a large and growing market across Southeast Asia, and especially in China's southern ports.[1] Finally, he gave Kinsman access to a $50,000 line of credit with his London bankers at Baring Brothers & Co.. This would enable him to take advantage of low prices for return cargoes: teas at Canton, sugar in Manila, or cottons in Calcutta. This credit likely took the form of a packet of pre-printed bills of exchange, making the lightest cargo the most valuable.[2]

As this specialized and highly-leveraged mix suggests, Gray had significant and diverse resources. A wealthy merchant whose obituary claimed "there was not a commercial place in the civilized world where his name was not familiar," Gray was a fixture of Boston's mercantile elite, and a player in Massachusetts politics. In his prime, he owned and managed one of the nation's largest commercial

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[1] Batavia, long a colonial city for Chinese and European merchants, was a major opium distribution hub. See: Leonard Blussé, *Visible Cities: Canton, Nagasaki, and Batavia and the Coming of the Americans* (Harvard University Press, 2008); Carl A. Trocki, *Opium, Empire and the Global Political Economy: A Study of the Asian Opium Trade*, Asia's Transformations (London: Routledge, 1999).

[2] Ship's Papers: Congress, April 6, 1824- April 2, 1825, Nathaniel Kinsman Papers, 1784-1882, Phillips Library, Peabody Essex Museum (Salem, MA) and *China, America and the Pacific: Trade & Cultural Exchange*, Adam Matthew Digital, http://www.cap.amdigital.co.uk/Documents/Details/PEM_MSS-43_B1_F3.

fleets; in his later years, he was instrumental in organizing and leading the Boston branch of the Bank of the United States, New England's most important financial institution.[3] The relationships with merchants and bankers he had accumulated provided the information that guided his business decisions in the *Congress*.

Fundamentally, Gray's investment strategy was premised on understanding the volume, velocity, and direction of new global flows of capital that matured in the aftermath of the Napoleonic wars. Circulating through London-centered networks in the form of silver dollars, bank drafts, and bills of exchange, these money movements drove the reorganization of the China trade as an opium traffic – which Gray profited from – but they also enabled the cotton frontier to expand in the Southwest U.S., and industrialization to take root in the Northeast. Like the cotton plantations along the Mississippi in the "Old South," the smuggler's havens hidden in Pearl River Delta in the "Old China trade" were significant sites of Americans' engagement with the creatively destructive forces of modern global capitalist development.[4] As such, they provide a productive perspective from which to analyze the global entanglements of American political economy.

This chapter begins by charting the political changes that influenced Gray's choices about the *Congress's* cargo. After the trauma of the French wars, U.S. policymakers tried to minimize reliance on maritime commerce by pushing a suite of policies intended to develop the nation's internal markets, the

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[3] "Obituary Notices," *Boston Commercial Gazette*, November 7, 1825, p.2; Edward Gray, *William Gray, of Salem, Merchant; a Biographical Sketch, by Edward Gray; with Portraits and Other Illustrations.* (Boston: New York, Houghton Mifflin company, 1914), 79, https://catalog.hathitrust.org/Record/008639022; Samuel Willard Crompton, "Gray, William (1750-1825), Merchant and Public Official," *American National Biography Online*, February 2000, https://doi-org.udel.idm.oclc.org/10.1093/anb/9780198606697.article.0300634.

[4] This dynamism and interconnection is missing from many histories of Americans' Asian commerce, which describe the period between the inaugural voyage of the *Empress of China* in 1784 and the treaty of Nanjing in 1842 as one era, that of the "Old China trade." Like the "Old South," the label implies a stability that never existed, imagining an era of substantial change as orderly and picturesque – but only after it had passed. China traders' memoirs, a major source for contemporaries' and subsequent historians' ideas about the trade, have substantially shaped this perception; William C. Hunter's vivid pastiche accounts have been particularly influential: William C. Hunter, *The "Fan Kwae" at Canton Before Treaty Days, 1825-1844* (London: K. Paul, Trench & Co, 1882); William C. Hunter, *Bits of Old China* (London: K. Paul, Trench, & Co., 1885).

so-called "American system." It then follows how American merchants in Canton adapted to the new business environment peace had created by chasing new, dubiously legal opportunities in Asia, operating as adjunct collaborators to a liberalizing British colonial state. It closes by examining how these developments intersected in the Bank War and the Opium War, with consequences for American banking policy, US merchants' relationship to the British Empire, and Americans' relations with China. [5] In part because of the choices of merchants like William Gray, the Opium War and the Bank War were entangled events, mingled together by a shared immersion in what China merchant John Murray Forbes termed the "the troubled waters of speculation," party to a suddenly fluid world that threatened the solidity of sovereignty, in East and West alike.[6]

When peace broke out in Europe in 1815, old systems of political economy broke with it. After two decades of war in which international shipping exposed the United States, and its citizens, to depredation by European powers, relying on trade as an engine for prosperity now seemed more dangerous than useful. The onset of peace and the re-establishment of European imperial systems also eliminated profitable neutral shipping, and this shift drove Americans "to look more to their own

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[5] The economic historian Peter Temin once observed that "the Opium War was more closely connected to the American inflation than the Bank War between Jackson and Biddle." Peter Temin, *The Jacksonian economy* (New York: Norton, 1969), 82. The relative influence of market structures and political choices has been a running theme in the scholarship on the Jacksonian era, Temin's juxtaposition of the Opium war and the Bank War has been less closely examined – and this is a missed opportunity. That said, Temin's argument about silver flows has also not gone unchallenged: see Alejandra Irigoin, "The End of a Silver Era: The Consequences of the Breakdown of the Spanish Peso Standard in China and the United States, 1780s-1850s," *Journal of World History* 20, no. 2 (June 1, 2009): 207–43, http://muse.jhu.edu/journals/journal_of_world_history/v020/20.2.irigoin.html. A more recent trend has been to analyze the 1837 panic by placing individuals' experiences and politics at the center of the narrative rather than aggregate flows. See: Edward E. Baptist, "Toxic Debt, Liar Loans, Collateralized and Securitized Human Beings, and the Panic of 1837," in *Capitalism Takes Command: The Social Transformation of Nineteenth-Century America*, ed. Michael Zakim and Gary J. Kornblith (Chicago, IL: University of Chicago Press, 2012), 69–92; Alasdair Roberts, *America's First Great Depression: Economic Crisis and Political Disorder After the Panic of 1837* (Ithaca, NY: Cornell University Press, 2012); Jessica M. Lepler, *The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis* (New York: Cambridge University Press, 2013).

[6] John Murray Forbes, *Reminiscences of John Murray Forbes, Edited by His Daughter, Sarah Forbes Hughes, In Three Volumes*, ed. Sarah Forbes Hughes (Boston: George H. Ellis, 1902), 1:245.

internal means and resources."[7] From the perspective of the National Republicans ruling Washington, American independence was still under threat, and only active government intervention could strengthen the nation's domestic economy sufficiently or withstand the next war.[8] A side effect of this reorientation was that powerful Americans began to regard the interests of China traders – for so long exemplars of maritime commerce's benefits for the nation – as at best peripheral to the nation's prosperity, and at worst a impediments to it.

The evolving place of the China trade in the tariff laws provides a good illustration of this shift. Outlining new principles for the tariff in 1816, Secretary of the Treasury A.J. Dallas explained that promoting neutral commerce was no longer "adapted to the present epoch" of "peace of Europe" and economic development in the U.S. If the U.S. was to prosper, other considerations – notably, promoting domestic manufactures and supporting domestic consumption – claimed higher priority in tariff policy as part of the national interest.[9] In this new "epoch," when the China trade entered tariff discussions it did so because policymakers were concerned with the impact particular commodities would have on the domestic scene, not because they were convinced that the commerce itself was important.

Tea was a case in point. In the Hamiltonian system in operation since the 1790s, tea was relatively heavily taxed, as one of the set of "luxury" consumables the state relied upon for revenue (spirits, wine, and sugars were others). However, American tea shippers were protected from competition by a high duty on teas carried by foreign ships. After the War of 1812, legislators began to undermine this protection. In 1816, U.S. officials created new categories of tea imports to better differentiate "cheap"

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[7] Timothy Pitkin, *A Statistical View of the Commerce of the United States of America Including Also an Account of Banks, Manufactures and Internal Trade and Improvements: Together with That of the Revenues and Expenditures of the General Government: Accompanied with Numerous Tables* (New Haven, CT: Durrie & Peck, 1835), iii.

[8] Peter S. Onuf, "The Political Economy of Sectionalism: Tariff Controversies and Conflicting Conceptions of World Order," in *Congress and the Emergence of Sectionalism: From the Missouri Compromise to the Age of Jackson*, ed. Paul Finkelman and Donald R. Kennon, Perspectives on the History of Congress, 1801-1877 (Athens, OH: Ohio University Press, 2008), 47, et seq.

[9] Doc. No. 470, A. J. Dallas, "General tariff of duties," (February 13, 1816), in Walter Lowrie and Matthew St. Clair Clarke, eds., *American State Papers: Finance* (Washington, D.C.: Gales and Seaton, 1832), 3:87.

bohea teas from "luxury" varieties like souchong, hyson, imperial, gomee, gunpowder, and boosted duties on the latter. American merchants trading directly with China still received some protection – duties were still higher on teas "from any other place" (besides China) or carried in foreign vessels – but that protection was weaker than before for boheas.[10]

This designation of some teas as necessities and others as luxuries did not hold firm as the balance of policy tipped further in favor of enabling consumption over revenue or protection. In his 1818 recommendations on appropriate rations for American troops, the surgeon general of the Army observed that the lack of something hot and caffeinated would be keenly felt among the rank and file; the soldiers' tea was a matter of "no small importance" for morale.[11] Making a similar point, the Secretary of the Treasury observed in 1825 that tea, coffee, and cocoa, were "part of the daily beverage of the poor as well as the rich" and therefore deserved lighter duties.[12] In response to considerations like these, Congress began examining whether duties on all teas could be reduced, or even eliminated, without too much harm to the revenue. Later – and after much study – a steep, across-the-board decrease in tea duties passed in 1830, cutting rates by an average ~54%, along with similar reductions for other breakfast stimulants.[13] The tariffs of 1832 and 1833 went even further, exempting teas from any duty at all, a policy that remained in place even when protectionist policies were renewed in the tariff of 1842.

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[10] 3 *Stat.* 312-313. For an examination of the role of tea in American political economy and consumption before this point, see: Jane T. Merritt, *The Trouble with Tea: The Politics of Consumption in the Eighteenth-Century Global Economy* (Baltimore: Johns Hopkins University Press, 2016).

[11] "Report of the Surgeon General on the Army Rations," 34 *Annals of Congress* 2394 (16 November 1818);

[12] Richard Rush, "Annual Treasury Report, December 22 1825," *Niles' Weekly Register*, December 31, 1825, 283. Rush also worried that British tea smuggled from Canada would cut into US government revenue, but this was a secondary concern after consumers' preferences.

[13] *House Journal*, 19th Con., 1st Sess., 30 December 1825, 107; *House Journal*, 19th Con., 2nd Sess., 6 January 1827, 129; "Duty on Teas," 3 *Cong. Deb.* 338-46 (13 February 1827); "Tea and Coffee," 6 *Cong. Deb.,* pt 2, 807 (20 April 1830); Doc. No. 736, "Trade with China," in Lowrie and Clarke, *American State Papers: Finance*, 5:267-281; Doc. No. 856 "Duties on teas imported from China," in Lowrie and Clarke, 5:869-70; Doc. No. 869 "Amount of duties on teas in 1823 to 1827," in Lowrie and Clarke, 5:588. See also: Act of May 20, 1830, ch. 100, 4 *Stat.* 403, ("An Act: to reduce the duties on coffee, tea, and cocoa").

These later tariffs did impose higher rates on teas imported indirectly or in foreign vessels, but the protection was quite weak compared to the prior regime.[14]

These adjustments were made for the benefits cheap imports offered to consumers. If, as representatives on both sides of the aisle claimed, tea was "one of the necessaries of life," it followed that it should be made available at the cheapest prices possible.[15] While China traders supported these moves (as they did free trade policy generally) they did not drive these changes; others' concerns did. (Traders' inability to interest the government in cracking down on tea smuggled from Canada reflected a similar ineffectiveness.[16])

China traders were also affected by a trend toward tougher enforcement of commercial regulations. After the War of 1812, Congress and the Treasury began to aggressively question merchants' close

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[14] This tariff also exempted from duty Asian goods that were directly consumed or used as manufacturing inputs – rubber, dyes, spices leathers, and other "gruff" goods. See: 4 *Stat.* 590. Cotton goods were a more complex case. As part of the protection of domestic textile production, foreign cloth was heavily taxed under the tariffs of 1824, 1828, and 1832 – but nankeens imported directly from China in U.S. ships were still exempted, likely because this type of cloth was, like tea, similarly important for consumption. For a narrative of how tariffs affected the China trade from 1784 to 1844 see, Kenneth Scott Latourette, *The History of Early Relations Between the United States and China, 1784-1844*, Transactions of the Connecticut Academy of Arts and Sciences 22 (New Haven, Conn: Yale University Press, 1917), 78–79. Major tariff acts: Act of April 27, 1816, ch. 107, 3 *Stat.* 310 ("An Act: To regulate the duties on imports and tonnage); Act of May 22, 1824, ch. 136, 4 *Stat.* 25, ("An Act: to amend the several acts imposing duties on imports"); Act of May 19, 1828, ch. 55, 4 *Stat.* 270, ("An Act: in alteration of the several acts imposing duties on imports"); Act of July 14, 1832, ch. 227, 4 *Stat.* 583, ("An Act: to alter and amend the several acts imposing duties on imports"); Act of March 2, 1833, ch. 55, 4 *Stat.* 629, ("An Act: to modify the act of the fourteenth of July, one thousand eight hundred and thirty-two, and all other acts imposing duties on imports"); Act of September 11, 1841, ch. 24, 5 Stat. 463 ("An Act: relating to duties and drawbacks"); Act of August 30, 1842, ch. 74, 5 Stat. 548 ("An Act to provide revenue from imports, and to change and modify existing laws imposing duties and for other purposes.").

[15] Henry Clay, "The Tariff – Duties on Teas," 8 *Cong. Deb.* 15 (1831). In this debate, Clay was in favor of reducing tea duties to zero; but later, at least one Democrat later claimed that "free tea" was a distinguishing feature his party alone: "Had Mr. Clay been for free tea and free coffee and Mr. Polk against it, who doubts but the election of 1844 would have differently resulted?" John Wentworth and Stephen Douglass, *Free Tea, Free Coffee, Free Harbors, and Free Territory: Remarks of Mr. John Wentworth, of Illinois, Delivered in the House of Representatives, February 2, 1847, Upon the Civil and Diplomatic Appropriation Bill, with His Personal Explanations, in Answer to the Attacks of the Washington Union. To Which Is Added a Portion of the Speech of His Colleague, (Mr. Douglass,) Touching the Course of the Union's Reports Thereof.* (Washington, D.C.: Printed at the Office of Blair & Rives, 1847), 2.

[16] Merchants' interventions in tariff debates could range from formal memorials to simple letters to friendly legislators. For contrasting examples, see: Doc. No. 842, "Philadelphia, citizens of, in relation to reducing and regulating the duties on teas," 20-1 (January 31, 1828), in Lowrie and Clarke, *American State Papers: Finance*, 5:777-778. Bryant & Sturgis to Nathan Appleton, December 13, 1831, in Appleton family papers, Massachusetts Historical Society, Series I, Subseries A, Folder 4.

Congress investigated the issue, but little was done to arrest the EIC's dumping of tea in Canada intended for American consumption. The irony of American merchants suffering from competition from smugglers operating just outside the borders of their government's effective control, if noticed, was not mentioned by any Congressional informants with expertise in the China trade. Doc. No. 736, "Trade with China," 19-1 (February 6, 1826), in Lowrie and Clarke, 5:266-282.

association with customs house officials, and imposed tighter controls. Federal authorities were especially eager to rein in the longstanding practices of allowing merchants to use customs house bonds to pay import duties, and of relying on merchants to accurately appraise the value of their own goods. Originally expedients intended to provide enough flexibility to enlist merchants' loyalties to the new republic and secure their payment of (at least some) duties, over time these practices became expected services – and were abused. China traders' notable excesses and frauds in both areas were exposed in the course of federal investigations in the 1820s, contributing to the trade's reputational decline, as well as the more direct unraveling of major import-export firms in New York and Philadelphia.[17]

In part because of these developments, China traders' peculiar interests did not find a comfortable home in the emerging party coalitions disputing national politics. But that did not mean that their commerce was absent from the scene; their business still brought them attention. Specifically, the part of that business that led them to ship millions of dollars' worth of silver into Canton annually attracted a

[17] Gautham Rao, *National Duties: Custom Houses and the Making of the American State*, American Beginnings, 1500-1900 (Chicago, IL: University of Chicago Press, 2016), 167–96. Caught by the 1825-1826 credit contraction and the government's sudden interest in enforcing proper custom duty payments, the firms of Thomas H. Smith (New York) and Edward Thomson (Philadelphia) failed, leaving the field open for the Boston Concern to expand and consolidate its hold on the trade, an arrangement institutionalized in Russell & Co. See: Jacques M. Downs, *The Golden Ghetto: The American Commercial Community at Canton and the Shaping of American China Policy, 1784-1844* (Bethlehem, PA: Lehigh University Press, 1997), 110; Latourette, *The History of Early Relations Between the United States and China, 1784-1844*, 68–69; Doc. No. 736, "Trade with China," 19-1 (February 6, 1826), in Lowrie and Clarke, *American State Papers: Finance*, 5: 266-281; Doc No. 752, "Frauds Upon the Revenue Laws," 19-1 (March 23, 1826), in Lowrie and Clarke, 5: 371-477. "Letter from the Secretary of the Treasury … In relation to Fraud Practised, or Attempted, upon the Revenue Laws of the United States," H. Doc 137, 19-1 (March 24, 1826).

great deal of interest from publicists and policymakers concerned that the "drain" was ruining the nation's currency, and destabilizing the republic. [18]

American merchants had always shipped significant amounts of silver specie to Asia. Spanish-minted dollars were the only always-welcome commodity in Canton's markets; and because of the United States's considerable involvement in Latin American trade, U.S.-based merchants usually had access to a ready supply. Spanish dollars also held a special place in the American economy. They were legal tender, a common medium for commercial transactions, and functioned as a reserve currency upon which banks issued paper banknotes. Silver specie was deeply important to the nation's monetary stability. [19]

Prior to the boom in state banking institutions that accompanied the War of 1812 (and the interregnum between the First and Second US Banks) China traders' specie shipments attracted some comment, but no significant attention. After the war, policymaker's assumptions changed. Awash in banks and bank money, and nervous about the soundness of the currency, legislators in Washington became alarmed at the rate of silver exports – just as Americans merchants became the dominant suppliers of specie to Canton. Between 1807-13, Americans imported silver worth $15.5 million,

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[18] The efforts of Boston merchant Thomas H. Perkins on this front are notable, though not unique: J. & T.H. Perkins & Co. to LeRoy, Bayard & Co., May 27, 1819, in James Elliot Cabot, "Extracts from Letterbooks of J & T H Perkins et Al." (1838 1786), 304–5, Boston Athenaeum, http://www.cap.amdigital.co.uk/Documents/Details/BA_L289; Doc. 653: T. H. Perkins et al., "Revision of the Revenue Laws," 17-2 (December 23, 1822), in Lowrie and Clarke, *American State Papers: Finance*, 4:3-5. Thomas Handasyd Perkins to Perkins & Co., May 16, 1838, in Thomas Handasyd Perkins papers, Massachusetts Historical Society, Series I, Reel 2 (Box 2), Folder 9.

Daniel Peart has argued that partisan organizations mattered much less than the petitions of special interest groups did, at least for tariff legislation. This may or may not hold for the entire early republican period – but even considered as an interest group, it is still certainly notable that the place of the China trade shifted politically after 1815, moving from having wide support to attracting broad condemnations. Daniel Peart, "Looking Beyond Parties and Elections: The Making of United States Tariff Policy during the Early 1820s," *Journal of the Early Republic* 33, no. 1 (2013): 87–108, https://doi.org/10.1353/jer.2013.0020.

[19] The U.S. did of course produce its own coins, but the mint could never keep up with demand; new U.S. dollars tended to flow out into the Caribbean while worn foreign currency stayed at home. See: "Report on U.S. and foreign coins and establishing mint," H.doc.no.111, 15th Cong., 2nd Sess. (January 26, 1819) and A. Barton Hepburn, *History of Coinage and Currency in the United States and the Perennial Contest for Sound Money* (New York: The Macmillan Company, 1903), 30–33.

accounting for 98% of the specie coming into the port; in 1814-1820, they carried nearly double, $25 million, for 75% of the total; and in 1821-1827, they brought a record $32 million into Canton, accounting for 96% of silver imports there. This trend eventually slowed and then reverse in the 1830s, as Chinese demand for dollars slackened and opium imports and bills drawn on London replaced silver as key trade commodities and financial instruments, respectively. But in the medium-term, this unprecedented flow was noticed. The steepest parts of the ramping-up of American silver imports coincided not only with the new approach to political economy in the United States, but also a major economic downturn: the Panic of 1819. Many contemporaries connected the unprecedented flow of silver to Asia to the credit contractions, bank runs, and currency instability then plaguing the country – an impression that shaped attitudes toward the China trade for decades. [20]

In the context of a souring economic outlook, some of the same voices that had pushed for reformation of American political economy found new traction by arguing that China traders' were endangering the nation by creating a specie scarcity. They built on a foundation of existing knowledge in political economy: merchants' large silver exports were already a mainstay of tracts on banking,

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[20]On the banking boom, see: Davis Rich Dewey, *Financial History of the United States*, American Citizens Series (New York, etc.: Longmans, Green and co., 1924), 154, https//catalog.hathitrust.org/Record/006565434. On silver shipments, see: Fig. TBD, and Louis Dermigny, *La Chine Et L'Occident: Le Commerce À Canton Au XVIIIe Siècle, 1719-1833* (Paris: S.E.V.P.E.N, 1964), 2:735; Irigoin, "The End of a Silver Era." Like most economic disasters, the panic of 1819 had many causes. A postwar land bubble aided by an over-expansion in credit turned into a spiraling crisis in late 1818 when European demand for American agricultural commodities began to slide. As prices crashed, farmers, planters, and merchants found themselves unable to pay off existing debts. This wave of failures was intensified by the decision of the Second Bank of the United States to protect its specie reserves by calling in loans and curtailing issuances of banknotes. Begun in the fall of 1818, this contraction of the money supply spread down the credit chain and across the country, creating a financial panic that became a national disaster over the opening months of 1819. The best, short account of the panic is Sharon Ann Murphy, *Other People's Money: How Banking Worked in the Early American Republic* (Baltimore, MD: Johns Hopkins University Press, 2017), 82–99. Other accounts include: Murray Newton Rothbard, *The Panic of 1819: Reactions and Policies* (New York: Columbia University Press, 1962); Andrew R. L. Cayton, "The Fragmentation of 'A Great Family': The Panic of 1819 and the Rise of the Middling Interest in Boston, 1818-1822," *Journal of the Early Republic* 2, no. 2 (July 1, 1982): 143–67, https://doi.org/10.2307/3122690; Robert M. Blackson, "Pennsylvania Banks and the Panic of 1819: A Reinterpretation," *Journal of the Early Republic* 9, no. 3 (Fall 1989): 335–58; Sarah Kidd, "To Be Harrassed by My Creditors Is Worse Than Death": Cultural Implications of the Panic of 1819," *Maryland Historical Magazine* 95, no. 2 (June 2000): 160–89; Clyde A. Haulman, *Virginia and the Panic of 1819: The First Great Depression and the Commonwealth* (London: Pickering & Chatto, 2008); Clyde A. Haulman, "The Panic of 1819: America's First Great Depression," *Financial History*, no. 96 (Winter 2010): 20–24.

Treasury reports, and statistical accounts, and even appeared as contextual information in articles about the China trade.[21] The arch-protectionist *Niles' Weekly Register* was among the first and most influential to apply this knowledge to the banking crisis. "So great is the present rage for the East India and China trade," *Niles'* reported in November 1818, "that Spanish dollars are at about 9 per cent. premium, over the best bank notes" – in other words, merchants desire for silver was devaluing the paper of the best American banks. "[W]e are altogether willing to wish," Niles' continued, "that many may 'burn their fingers,' [in this trade] for it is certainly is disadvantageous to us."[22] A month later, the paper reprinted an even more extreme suggestion, from a "northern correspondent of the *National Intelligencer*" who argued that merchants exporting silver coin from the U.S. should forfeit the coin they sent out of the country and lose their right to vote.[23] Although the editor of *Niles'* himself preferred less extreme measures – "levying *rightful* duties" on the offending branches of commerce would serve the purpose more efficiently, he thought – he nonetheless agreed with the spirit of the suggestion. Traders to

[21] Peter Stephen Chazotte, *A New System of Banking Developed and Exemplified in a New Scheme to Establish a Merchants Bank of General Deposits, and Also in a Scheme to Establish a Grand National Bank* (Philadelphia: Published by the author, 1815), 25; Erick Bollmann, *Plan of an Improved System of the Money-Concerns of the Union* (Philadelphia: Printed for the author by William Fry, 1816), 29; Doc. No. 462, A.J. Dallas, "National Bank" (January 8, 1816), in Lowrie and Clarke, *American State Papers: Finance*, 3:59; Adam Seybert, *Statistical Annals: Embracing Views of the Population, Commerce, Navigation, Fisheries, Public Lands, Post-Office Establishment, Revenues, Mint, Military and Naval Establishments, Expenditures, Public Debt and Sinking Fund, of the United States of America: Founded on Official Documents: Commencing on the Fourth of March Seventeen Hundred and Eighty-Nine and Ending on the Twentieth of April Eighteen Hundred and Eighteen* (Philadelphia: T. Dobson & Son, 1818), 280–81. "GINSENG," *The American Magazine; a Monthly Miscellany Devoted to Literature, Science, History, Biography, and the Arts* 1, no. 5 (October 1, 1815): 201.

[22] Emphasis in original. "Chronicle," *Niles' Weekly Register* 15, n375 (November 7, 1818), 175. On the importance of *Niles'* as a national newspaper of record, see: Norval Neil Luxon, *Niles' Weekly Register, News Magazine of the Nineteenth Century* (Baton Rouge: Louisiana State Univ. Press, 1947). On Hezekiah Niles's own developing opinions about banks and currency, see: Robert E. Shalhope, *The Baltimore Bank Riot: Political Upheaval in Antebellum Maryland* (Urbana, IL: University of Illinois Press, 2009), 17–22.

[23] "Exportation of Specie," *Niles' Weekly Register* 15, n379 (December 5, 1818), 242.

China who exported specie were, in his opinion, “destructive merchants … whose business ought to be annihilated” for the trouble they caused with the currency.[24]

Cooler heads came to similar conclusions, if not the same solutions. In early 1819, Congress considered banning the exportation of specie and other precious metals, but in the end concurred with Secretary of the Treasury William H. Crawford that such a policy was appropriate only to the “dark ages.”[25] Reflecting on the crisis a year later, Crawford decided that paper money was the real underlying problem – but he had not forgotten the role of the China trade in making the panic worse. He told Congress that “the prosecution of the trade to the East Indies and to China” drained “the metallic currency” in amounts that “seriously affected the amount of circulation, by compelling the banks to diminish their discounts.”[26] In his own retrospective analysis, Mathew Carey agreed. The Philadelphia entrepreneur, whose writings on political economy provided significant intellectual support for Henry Clay’s “American System,” described how the “extravagant drain of specie for the China trade” had pressed banks to the breaking point, leaving them “no alternative but to press on their customers, or to stop the payment of specie,” creating “great distress and embarrassment” for all.[27]

The ignominy of having helped cause a major financial crisis proved a stubborn stain. For the rest of the 1820s, supporters of commercial and shipping interests felt it necessary to offer apologias for the role of the China trade’s part in currency exports, in an effort to erase the idea that such trade posed a

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[24] Emphasis in originals. "Exportation of Specie," *Niles’ Weekly Register* 15, n379 (December 5, 1818), 243; "Cash – queer Calculation" *Niles’ Weekly Register* 16, n398 (April 17, 1819), 130.

[25] Doc. No. 549, William H. Crawford, “Exportation of the Coins of the United States,” (Jan. 25, 1819), in Lowrie and Clarke, *American State Papers: Finance*, 3:393-395. Doc. No. 551, William Lowndes, “Coins, foreign and domestic” (January 26, 1819), in Lowrie and Clarke, 3:398-401.

[26] Doc. No. 582, William H. Crawford, “Bank of the United States and other Banks, and the Currency,” (February 24, 1820), in Lowrie and Clarke, *American State Papers: Finance*, 3: 495.

[27] Mathew Carey, *Essays on Political Economy, or, the Most Certain Means of Promoting the Wealth, Power, Resources, and Happiness of Nations Applied Particularly to the United States* (Philadelphia: H.C. Carey & I. Lea, 1822), 426. Carey’s analysis was first published February 11, 1821. For an analysis of the American System focused on actors other than Carey, see: Songho Ha, *The Rise and Fall of the American System: Nationalism and the Development of the American Economy, 1790-1837*, Financial History (London: Pickering & Chatto, 2009).

danger to the republic. Some argued that specie exports were as small or nonexistent part of the trade. "We hear the India and China trade denounced, as a commerce conducted on our side, in a great measure, with gold and silver," Daniel Webster lamented in a reply to a burst of protectionism from Henry Clay in April 1824, "[t]hese opinions, Sir, are clearly void of all just foundation, and we cannot too soon get rid of them."[28] Others, like the authors of the influential anti-protectionist "Boston Report" found it helpful to use an examination of the China trade as an opportunity to push back on the "erroneous notions of balance of trade, and the prejudice against exporting specie" they felt were deranging American political economy. Insisting on the wisdom of the invisible hand to set the course of silver flows, they argued the China trade was best left alone: "since those are engaged in it find it lucrative, and when it ceases to be so to them, it will cease to be so to the country; and the merchants who carry it on, will discontinue it, without the interference or advice of politicians or legislators."[29]

The trope of the China trade as a dangerous threat to American economic stability would take a long time to disappear from political rhetoric. Answering a Congressional inquiry in 1825, well-known Boston China merchant Thomas Handasyd Perkins gave a hint as to why when he attempted to explain the trade's operations. The trade, he said, "cannot be prosecuted with specie alone." Explaining that while his firm "averaged more than a million of dollars annually" in imports from China, they had not "shipped a Spanish dollar for the past *three years to China*," instead exporting "opium from Turkey, British goods from Great Britain, lead and quicksilver from Gibraltar, and the same articles, on a large scale, from Trieste" to Canton. The funds used to make these purchases abroad were from "merchandise shipped from China or this country, and bills of exchange." In trying to show how silver outflows were

[28] "The Tariff, April 1-2, 1824," in Daniel Webster, *The Papers of Daniel Webster : Speeches and Formal Writings*, ed. Charles M. Wiltse and Alan R. Berolzheimer (Hanover, NH: Published for Dartmouth College by the University Press of New England, 1986), 1:139, 141.
[29] Henry Lee and Nathaniel Goddard, *Report of a Committee of the Citizens of Boston and Vicinity, Opposed to a Further Increase of Duties on Importations* (Boston: From the press of N. Hale, 1827), 107.

no longer anything to fear, the merchant casually revealed that the new basis for the trade intensified and thickened the links between the American economy and the rest of the world. A conduit to global flows of capital and goods resistant to the influence of the sovereign authority of the United States government, the trade posed a potential threat to stability at home – and in China.[30]

That destabilizing potential sprouted first in an unlikely ground: the counting house of the resident commission merchant. In the first decades of the American China trade, the business decisions of each voyage were managed by a supercargo, a floating agent for the ship's investor-owners who oversaw all transactions in return for a share of the profits. The system was a common and effective one for new trades with uncertain routes. But as they gained experience in Canton, and spent longer periods there, some Americans found that having a resident agent was a substantial advantage. Resident merchants knew local conditions better and could cultivate closer relationships with business partners, like Hong merchants, enabling them to get better rates on warehouse space, which made timing sales to meet the market easier; and they could leverage all of these services and relationships for further profit by offering them to other merchants on commission.[31]

Yankees like Samuel Snow and Sullivan Dorr began offering services as resident merchants in the late 1790s, but American China merchants embraced the practice unevenly. Regional as well as personal differences mattered. The families and firms linked in the "Boston Concern" – Perkins, Sturgis, Forbes, etc. – seized on the form early and aggressively, establishing Perkins & Company at Canton in 1805 as a sister firm to houses in North America, the Caribbean, Europe, and the Mediterranean.[32] After 1815,

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[30] Emphasis in original. "Extract of a letter from ———, dated Boston, December 29, 1825", Doc. No. 736, "Trade with China," (February 6, 1826), in Lowrie and Clarke, *American State Papers: Finance*, 5: 280. The author is identified as Thomas Handasyd Perkins on the following page.
[31] Downs, *Golden Ghetto*, 143–45.
[32] On the Boston Concern, see Downs, 150–62, esp. 155; John Rogers Haddad, *America's First Adventure in China: Trade, Treaties, Opium, and Salvation* (Philadelphia, PA: Temple University Press, 2013), 31–55.

Thomas H. Smith's New York-based house relied on resident agents working on commission, but other firms in the city, as well as those in Philadelphia and Baltimore were slower to shift away from supercargoes. When they did, they tended to rely on existing resident merchants working on commission rather than establishing their own employees or partners.[33]

Still, by the early 1820s the most dominant firms in the trade all relied upon resident merchants. None wrung more from the system than Perkins & Co.. The firm was a formal expansion of James and Thomas Handsyd Perkins's mercantile empire, designed to take advantage of the mutually profitable and interdependent circuits in furs, silver, teas, and cotton goods linking the West Indies, East Asia, Europe, and the Pacific Northwest. But the Canton branch nearly died as it was born. The man Thomas H. Perkins had chosen to lead the outpost in 1803, Ephraim Bumstead, became ill soon after his arrival in Canton and died while attempting a return journey home. All the responsibilities of the enterprise then fell on the shoulders of his clerk, John Perkins Cushing, the teenaged son of the Perkins's late sister. After some months of "extreme mortification" waiting for word on which way this disaster would break, Thomas was relieved to find that his nephew was "very competent," shipping well-selected cargoes of teas that made the firm healthy profits. In 1805, Cushing was elevated to partner, taking full control of Canton operations for the Boston Concern.[34]

"Very competent" proved an understatement. During his nearly thirty years at Canton Cushing revealed himself as a man dedicated to "doing every thing with system," whose regularity and attention to detail won him the respect and friendship of many, including the leader of the Co-Hong, Wu Bingjian

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[33] Testimony of William Brown (February 25, 1830), *First Report from the Select Committee on the Affairs of the East India Company: China Trade*, House of Commons. Reports and Papers (London, 1830), 80, https//catalog.hathitrust.org/Record/100580259; Downs, *Golden Ghetto*, 143–89.

[34] J. & T.H. Perkins to John Perkins Cushing, April 28, 1805, in James Elliot Cabot, *Extracts from Letterbooks of J & T H Perkins et al.*, *1838-1786*, Boston Athenaeum and *China, America and the Pacific* (Adam Matthew database), 111; As quoted in Carl Seaburg and Stanley Paterson, *Merchant Prince of Boston: Colonel T. H. Perkins, 1764-1854*, Harvard Studies in Business History 26 (Cambridge Mass: Harvard University Press, 1971), 165.

(better known to Americans under his trade name, Houqua).[35] Their close business and personal relationship made Cushing one of the most influential men in the business – more than even the Select Committee of the EIC, according to one British trader. Cushing complemented the advantage his favorable ties to other merhcants provided with his own innovations, including finding new ways to exploit loopholes in Chinese customs regulations to reduce his ships' port charges, designing protocols for smuggling opium into the Pearl River, and manipulating the opium market to drive off competitors.[36] Cushing may have been thinking prescriptively rather than descriptively when he described Canton to a business partner as "a place of business where he had had more facilities and less disputes than any other he was acquainted with," but with his acumen and close links to men in Boston, Canton, and London who shared his skills and complemented his interests, he certainly made it work that way.[37]

The opium trafficking system Cushing helped perfect built on earlier experiments, and was, in part, a response to British colonial policy. Small shipments of the drug had been arriving in China since the early eighteenth-century, and the first Qing edict against the trade was promulgated in 1729, and reiterated periodically thereafter.[38] In the late eighteenth and early nineteenth century, British colonial administrators in India sponsored cultivation of the drug to squeeze more a revenue from the peasantry, contracting to produce it directly in Company territory, and taxing its transit if grown in beyond their monopoly. Pushing opium exports allowed the Company to balance its growing specie deficit in the tea trade, albeit indirectly. Concerned to maintain peaceful relations with the Chinese, the EIC did not ship

[35] John Perkins Cushing, "Lagniappe: 'Memo. for Mr. Forbes Respecting Canton Affairs . . .,'" *The Business History Review* 40, no. 1 (April 1, 1966): 105, https://doi.org/10.2307/3112304. On Houqua, and his family firm, see: John D. Wong, *Global Trade in the Nineteenth Century: The House of Houqua and the Canton System* (Cambridge, UK: Cambridge University Press, 2016).
[36] Testimony of John Argyle Maxwell (March 16, 1830) *First Report from the Select Committee on the Affairs of the East India Company*, 247; Haddad, *America's First Adventure in China*, 48–52; "Perkins and Company, Canton 1803-1827," *Bulletin of the Business Historical Society* 6, no. 2 (March 1, 1932): 1–5, https://doi.org/10.2307/3110803; Cushing, "Lagniappe: 'Memo. for Mr. Forbes Respecting Canton Affairs . . .'"
[37] Testimony of Joshua Bates (June 10, 1830), *Select Committee of House of Lords on State of Affairs of East India Company, and Trade between Great Britain, E. Indies and China*, House of Commons Parliamentary Papers 646 (1830), 377.
[38] Downs, *Golden Ghetto*, 112.

opium to Canton in its own ships, but rather sold the drug, and licenses to traffic in it, to "country" (intra-Asia) merchants: Britons, Armenians, and Parsees. Through these measures, "by 1800, the East India Company had perfected the technique of growing opium in India and disowning it in China."[39]

Americans began experimenting with the trade soon after, but their methods were different than those pursued by the British. Unable to make purchases in India, they instead turned to the Ottoman port of Smyrna (modern Izmir) for their supply. Experiments in the commerce likely began in 1804, when merchants from Baltimore and Philadelphia – including the future consul Benjamin C. Wilcocks – imported large cargoes of the drug to Batavia and Canton. Other traders soon followed suit, most notably the operatives of the Boston Concern, who used their network of resident merchants to secure a dominant position in opium and support their tea trade out of Canton.[40] The "Turkey" Americans imported from the Anatolian coast was of lower quality than the opium produced in India, but the narcotic still found a ready market – and by contributing to early gluts, helped expand the population of consumers, too.[41]

American opium shipments came to the EIC's attention as early as 1807, but Jefferson's embargo and then the Anglo-American war suppressed any concerns Company Directors had until peace was restored.[42] However, during the war Americans stranded at Canton began trading in cargoes of Indian opium as well as the Turkish variety, inserting themselves as competitive middlemen able to provide "country" traders in the drug with remittances to Europe, helping drive strong postwar growth in

[39] Michael Greenberg, *British Trade and the Opening of China, 1800-1842*, Cambridge Studies in Economic History (London: Cambridge University Press, 1951), 109–10; Dilip Kumar Basu, "Asian Merchants and Western Trade: A Comparative Study of Calcutta and Canton 1800 - 1840" (Ph.D. diss., University of California, Berkeley, 1975), 113–29.
[40] Downs, *Golden Ghetto*, 112–28; Jacques M. Downs, "American Merchants and the China Opium Trade, 1800-1840," *The Business History Review* 42, no. 4 (Winter 1968): 418–42, https://doi.org/10.2307/3112527.
[41] Charles C. Stelle, "American Trade in Opium to China, Prior to 1820," *Pacific Historical Review* 9, no. 4 (December 1, 1940): 425–44, http://www.jstor.org/stable/3632952; Charles C. Stelle, "American Trade in Opium to China, 1821-39," *The Pacific Historical Review* 10, no. 1 (March 1941): 57–74; Seaburg and Paterson, *Merchant Prince of Boston*, 265–66; Downs, *Golden Ghetto*, 105–40; Haddad, *America's First Adventure in China*, 49.
[42] On British concern with American competition in this period, see: Hosea Ballou Morse, *The Chronicles of the East India Company, Trading to China 1635-1834* (Oxford: The Clarendon Press, 1926), 3:72-73; Downs, *Golden Ghetto*, 116.

importations – an especially welcome service once the Company's monopoly on Indian trade was withdrawn in 1813, and the supply of "country" traders increased. Here, too, Cushing was an important figure, using the Boston Concern's capital and his considerable influence in Asia to float the early business of American dealers in Indian opium like Russell & Co.[43] In this way, the opium traffic was a species of "collaborative competition" between Britons and Americans of the kind that historian Jay Sexton has drawn attention to in Latin America.[44]

Over the next decade and a half, opium imports doubled, then tripled, and nearly quadrupled. The boom cemented the drug as the "keystone" commodity for the China trade, doing for the creation of modern capitalist market dynamics in Asia "what tobacco, sugar and tea had done for Europe."[45] The drug trade's growth coincided with an increasing volume of silver flowing out of Qing territory, though whether this reversal of centuries of global commercial practice was caused by growing opium imports, the minting practices of new Latin American republics, or a symptom of growing monetary disorder within China is unclear. Whatever the root cause, the consequence was that opium imports increasingly replaced silver in East-West exchanges.[46]

Or at least, they did so as a trade good. Viscous, bulky, and easily recognized as contraband, opium did not serve well as currency. Instead, credit instruments took the place of silver money, mostly in the

[43] In 1823, Philip Ammidon reported that Cushing, with Houqua's assistance, was helping to set him and Samuel Russell up as a new firm to capture a share of the "India business," guaranteeing commissions and advancing funds to establish their reputation and attract new customers. Philip Ammidon to brother, December 27, 1823, Box 4 (Reel 3), Russell & Company Records, Manuscript Division, Library of Congress, Washington, D.C. Downs, *Golden Ghetto*, 112–18; Sibing He, "Russell and Company, 1818-1891: America's Trade and Diplomacy in Nineteenth-Century China" (Ph.D. diss., Miami University, 1997), 54. The later merger of Perkins & Co. and Russell & Co. under the latter firm's name would create the largest and most dominant American China firm of the nineteenth-century.

[44] Jay Sexton, "The Monroe Doctrine in the Nineteenth Century," in *Outside In: The Transnational Circuitry of US History*, ed. Andrew Preston and Doug Rossinow (New York: Oxford University Press, 2016), 27. This collaboration in opium trading was likely the largest and most profitable smuggling operation the world had ever seen. Greenberg, *British Trade and the Opening of China, 1800-1842*, 104.

[45] Greenberg, *British Trade and the Opening of China, 1800-1842*, 221; Trocki, *Opium, Empire and the Global Political Economy*, 58–87.

[46] For a summary of this debate, and a new arguments about the root cause of silver outflow and the true dimensions of the silver crisis, see: Irigoin, "The End of a Silver Era"; Man-Houng Lin, *China Upside down: Currency, Society, and Ideologies, 1808-1856*, Harvard East Asian Monographs 270 (Cambridge, MA: Harvard University Press, 2006), 72–114.

form of bills of exchange drawn on London. Like their experiments with the opium trade, Americans had intermittently used bills before the War of 1812, but the trade accelerated in the late 1810s and early 1820s as their ability to draw on credit abroad grew. The growth of Southern cotton exports were of particular importance for U.S. China traders, because they made larger amounts of British commercial paper available in the United States, where it was issued as payment by the U.S. agents of major London and Liverpool merchant banks who bought bales of raw fiber for British textile firms. Simultaneously, a growing demand in India for new and easier ways to remit funds to England contributed to the wide adoption of London-issued credit instruments in Asia among British traders, including those at Canton. By the late-1820s, this complex improvised circuit of global commodity exchanges had crystallized into a system: "Americans drank Chinese tea paid for by Southern cotton through the medium of London bills and Asian opium."[47]

The operations of this system involved multiple individual negotiations and a large number of intermediaries. A merchant in the U.S. would first purchase or borrow a bill from an agent of a London merchant bank, or, sometimes, the Bank of the United States. Then, once in China, he would either sell that bill to a "country" trader who had imported English textiles, or, more likely, Indian opium, and received silver as payment; or, the US merchant could use bills to pay for goods from a Chinese merchant directly. Either way, Americans were using London bills to pay for purchases of teas, silks, nankeens, and porcelain, while Chinese merchants used them, along with silver, to buy opium to sell in China. British "country" merchants from India became the end holders of the bills, and they sent them to England as remittances, avoiding the expenses of shipping specie, saving on insurance premiums and lost interest. If the originating U.S. China merchant had borrowed to acquire a bill, he would answer the claims of the banks in England by sending them London bills that had been previously exchanged for

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[47] Downs, *Golden Ghetto*, 111.

cotton or other slave-produced goods. Much easier to augment or curtail in response to demand than silver had ever been, bills facilitated a growing business in China at the same time that the expanding demand for opium enabled larger and larger purchases.[48]

The rise of bills as the medium of exchange meant that even those who were not directly involved in the opium trade themselves relied on the infrastructure it created. Olyphant & Co., an American commission firm staffed by committed evangelicals who loudly refused to deal in the drug, nonetheless still paid for their teas and silks using bills made liquid by the illicit flow of opium; their business was underwritten by opium just as much as it was the new and fiercely exploitative labor regimes powering the expansion of the textile industry in Europe and the cotton frontier in North America.[49] "[E]very one trading" at Canton, Robert Bennet Forbes explained to his wife Rose, depended on bills to "get money" for purchases.[50] The flourishing of the American China trade in the postwar era was only possible because of rapid growth of a global capitalist system that depended on black market narcotics, native dispossession, slavery, and confidence in the precarious promises encoded in paper credit instruments to function.

American involvement in the opium trade pushed them into closer identification with British traders and officials. US merchants forged especially close ties with the British houses of Jardine, Matheson, & Co. and Dent, Whiteman & Co, who together with the American firm of Russell & Co. took over Canton's trade when the EIC lost its China monopoly in 1834.[51] These collaborations increased conflict

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48 Downs, 108–12; He, "Russell and Company, 1818-1891," 82–119.
49 Baptist, "Toxic Debt, Liar Loans, Collateralized and Securitized Human Beings, and the Panic of 1837"; Sven Beckert, "Slavery Takes Command," in *Empire of Cotton: A Global History* (New York: Knopf, 2014), 98–135.
50 Robert Bennet Forbes to Rose Smith Forbes, Canton, 10 March 1839, in Robert Bennet Forbes, *Letters from China: The Canton-Boston Correspondence of Robert Bennet Forbes, 1838-1840*, ed. Phyllis Forbes Kerr (Mystic, CT: Mystic Seaport Museum, Inc, 1996), 105.
51 W. E Cheong, *Mandarins and Merchants: Jardine Matheson, & Co., a China Agency of the Early Nineteenth Century* (London: Curzon Press, 1979), 8; cf. James R. Fichter, *So Great a Proffit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge, MA: Harvard University Press, 2010), 286 who describes American activity at Canton as an "unimperial channel of commerce."

between Anglo-American traders and Qing officials tasked with policing illicit trading. Because of Americans' deep involvement in opium smuggling, two violent incidents – the pirate attack on the hip *Wabash* and the execution of Francis Terranovia of the *Emily* – were transformed from simple local policing issues into wide-ranging disputes over the rules of trade and foreigners' sovereignty and security in China, roiling manifestations of the powerful currents that would soon disturb Canton's ostensibly calm and profitable surface waters.[52]

Qing officials' attention was drawn to foreign merchants by smuggling incidents, but also by an increasing conviction among the imperial administrators that opium imports were the cause of the silver outflows that, they thought, were destabilizing the empire's money and weakening the dynasty's authority.[53] This heat put pressure on American and British traders, who developed new ways to move and market the opium they imported. The "Lintin system," called after the island in the Pearl River Delta where store ships anchored, was the result. An unofficial "second seaport," vessels in the waters around the island operated as a floating warehouse and smuggler haven. Incoming ships carrying opium would stop at the island and transfer their cargo to waiting store ships before finishing their journey upriver to Canton's official port, Whampoa. In lieu of opium, ships would take on rice, using a loophole

[52] For details on the Wabash incident, see: "Political Relations Between the United States and China," *H.exdoc.71*, 26th Cong., 2nd Sess. (25 January 1841); Lo-shu Fu, trans., *A Documentary Chronicle of Sino-Western Relations, 1644-1820* (Tucson, AZ: Published for the Association for Asian Studies by the University of Arizona Press, 1966), 1:408-413; 2:621-623; Tyler Dennett, *Americans in Eastern Asia: A Critical Study of the Policy of the United States with Reference to China, Japan, and Korea in the 19th Century* (New York: The Macmillan Company, 1922), 119–21; Morse, *The Chronicles of the East India Company, Trading to China 1635-1834*, 3:318-321; Downs, *Golden Ghetto*, 119.

On the Terranova affair, see: "Political Relations Between the United States and China," *H.exdoc.71*, 26th Cong., 2nd Sess. (25 January 1841), 9-55 and *M101: Despatches from U.S. Consuls in Canton, China 1790-1906*, RG 59: General Records of the Department of State (Washington, D.C.: National Archives, 1964), reel 1.; Joseph Benjamin Askew, "Re-Visiting New Territory: The Terranova Incident Re-Examined," *Asian Studies Review* 28 (December 2004): 351–71, https://doi.org/10.1080/1035782050003 4771. For the EIC's report on the trial, see "Statement of Proceedings in the Matter of the American Ship Emily and the Seaman Francis Terranovia," in Morse, *The Chronicles of the East India Company, Trading to China 1635-1834*, 4:23-27. For additional perspectives on the Terranova incident, see: William J. Donahue, "The Francis Terranova Case," *Historian* 43, no. 2 (February 1, 1981): 211–24, https://doi.org/10.1111/j.1540-6563.1981.tb00590.x; Jacques M. Downs, "The Fateful Case of Francis Terranova: An Incident of the China Trade," *Mains'l Haul: A Journal of Pacific Maritime History* 39, no. 2 (2003): 4–13.

[53] Lin, *China Upside Down*.

in the customs laws to lower their port charges.[54] Chinese opium dealers would then purchase chits from foreign merchants at Canton, paying in silver or bills. Redeeming their receipts back at the store ships, they would smuggle the illicit chests to shore in long, narrow vessels, known as "scrambling dragons" or "fast crabs" for their speed and mode of propulsion (rows of oars).[55] Chinese brokers assumed all the most dangerous aspects of the smuggling – bribing officials, delivering the product to consumers, etc. – while the foreign merchants ran the warehouse and collected commissions and demurrage fees, as they would for warehousing services anywhere.[56] Americans had been posting receiving ships since 1818, but the 1820-21 crackdown which the U.S. ship *Emily* sparked had the effect of spurring these innovations among the smugglers.[57]

Operating store ships gave American merchants a profitable way to get in to the India opium trade, and by the 1830s traffic in that variety of the drug had eclipsed trade in Turkish opium.[58] Americans' nationality, and the plausible deniability that came with neutrality, proved valuable during periods when the British trade was closed due to conflicts with Chinese authorities. As the Lintin system became more established, smuggling expanded. Store ships "became floating places of deposit *for all kinds of*

[54] In response to grain shortages, after 1743, duties on incoming ships were discounted by half if vessels carried at least 4,500 piculs of rice, but this requirement was later relaxed to include ships with rice-only cargoes. Paul Arthur Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700-1845* (Hong Kong: Hong Kong University Press, 2005), 135–36.

[55] The use of small, fast watercraft in drug smuggling operations is a common technique across time and place, from nineteenth-century Canton to 1980s Miami. See: Kathryn Meyer, "Fast Crabs and Cigarette Boats: A Speculative Essay," *Journal of Policy History* 3, no. 4 (October 1991): 64–88, https://doi.org/10.1017/S0898030600007430.

[56] Downs, *Golden Ghetto*, 122, 129. On the regularity of these operations, see: Jeremiah N. Reynolds, *Voyage of the United States Frigate Potomac, under the Command of Commodore John Downes, during the Circumnavigation of the Globe, in the Years 1831, 1832, 1833, and 1834: Including a Particular Account of the Engagement at Quallah-Battoo, on the Coast of Sumatra: With All the Official Documents Relating to the Same* (New York: Harper & Brothers, 1835), 353. The practice of using ships as floating contraband stores was developed most fully in Lintin, but Samuel Shaw observed a similar operation on other parts of the Pearl River during his late 18th-century voyages. Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700-1845*, 127; Samuel Shaw, *The Journals of Major Samuel Shaw: The First American Consul at Canton: With a Life of the Author*, ed. Josiah Quincy (Boston: Wm. Crosby and H.P. Nichols, 1847), 238–39.

[57] He, "Russell and Company, 1818-1891," 98–99.

[58] Downs, *Golden Ghetto*, 128.

*merchandize*, as well as opium," and the mechanisms perfected there spread up the coast to the closed ports of Northern China.[59]

These developments were deeply harmful to the Chinese state, though the damage was not necessarily obvious at first. The growth in opium smuggling also facilitated the growth of the legitimate tea trade – and thus expanded the revenues sent back to Beijing.[60] This apparent health hid the corruption that the Lintin system spread, while undercutting the effectiveness of local governance and coastal defense. Eventually Qing officials began to realize the true extent of the problem, but still found it impossible to effect reform. William C. Hunter, a Kentuckian employed by Russell & Co., explained how the smuggling system remained stable despite imperial attempts at reform:

> It is needless to say the opium trade was prohibited by Imperial edicts as well as by proclamations of the Canton authorities. The Chinese who dealt in 'foreign mud' [opium] were threatened even with capital punishment, but so perfect a system of bribery existed (with which foreigners had nothing whatever to do) that the business was carried on with ease and regularity. Temporary interruptions occurred, as, for instance, on the installation of newly arrived magistrates. Then the question of fees arose, but was soon settled unless the new-comer was exorbitant in his demands…[61]

Smuggling touched all aspects of the American community at Canton, and corroded all relations with the Chinese. Even the missionaries who criticized the drug's deleterious effects were compromised by it,

[59] Robert Bennet Forbes, *Remarks on China and the China Trade* (Boston, Mass: Samuel N. Dickinson, printer, 1844), 45; Downs, *Golden Ghetto*, 122, 128–29. On the longer history of contraband trade at Canton, and its mechanics, see: Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700-1845*, 117–41.

In many ways the dynamics of Lintin were similar those American officials encountered when trying to police smuggling and counterfeiting operations at the US-Canada border, especially at crossings in northern New York and Vermont. Indeed, at times the same China merchants who supported the Lintin system complained to the US government about the unfair competition in the tea market they faced British smugglers on the Canadian border (they did so hoping to see U.S. tariffs reduced, not smuggling outlawed). See, for example Lowrie and Clarke, *American State Papers: Finance*, 5:279-280, 777–78. For more on Canadian border smuggling, see: Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge, MA: Harvard University Press, 2009); Peter Andreas, *Smuggler Nation: How Illicit Trade Made America* (New York: Oxford University Press, 2013).

[60] Van Dyke, *The Canton Trade: Life and Enterprise on the China Coast, 1700-1845*, 2.

[61] Hunter, *The "Fan Kwae" at Canton Before Treaty Days, 1825-1844*, 65. Hunter's background was unusual, especially among the agents of Russell & Co.: born in Kentucky, he was not a member of one of the intermarried Boston clans that dominated the firm (and the trade more generally), and he could speak Chinese, having come out to Asia at age thirteen to learn the language. He began his career working at a New York firm that went spectacularly bankrupt in the mid-1820s (Thomas H. Smith & Co.). See: Downs, *Golden Ghetto*, 173; Philip de Vargas, "Hunter's Books on the Old Canton Factories," *Yenching Journal of Social Studies* 2, no. 1 (July 1939): 91–117.

using opium traders' ships to reach their posts, lodging in opium traders' factories, and supporting their ministries from opium traders' donations – and returning the favor by deploying their language skills to facilitate the opium commerce.[62]

Historian Jacques Downs has argued that the advent of long-term residences at Canton gave Americans traders a new familiarity with China – and this familiarity, in turn, bred contempt. Beyond the cultured and comfortable circle of *hong* merchants with whom American merchants traded and socialized, Chinese people of all kinds became the object of their racially-motivated resentment and disdain. In Downs's estimation, the "role-myth" of the merchants' relationship with the Chinese – a version of white supremacy – made the latter "fair game" for the degrading exploitation of the opium trade.[63] This theory has some explanatory weight to it, and certainly there needs be *some* explanation for why men who were pillars of their home communities (many of them well-known philanthropists) could countenance such a harmful trade. But in light of the long, storied history of American smuggling, it might also be said that the perceived "fairness" of selling debilitating narcotics was justified less by the particular circumstances of China, than by a general contempt for any law that impeded the pursuit of profit, be it handed down by a Republican Congress or imposed by the Daoguang Emperor.[64] American merchants simply did not like paying taxes to anyone, and avoided it whenever they could.

The new business realities that led the American mercantile community at Canton to draw closer to their British colleagues and estranged them from Chinese officials also influenced the trajectory of U.S. politics. It began with Nicholas Biddle's interest in silver exports to China, and the would-be central

[62] For example: Karl Gutzlaff, a Prussian missionary, was one of the first sinologists to write extensively in English; but to support his evangelism, he "acted as interpreter for the sale of opium" in order to earn the "privilege of distributing Scriptures and tracts" on illicit cruises up the North China coast. Hunter, *The "Fan Kwae" at Canton Before Treaty Days, 1825-1844*, 70.

[63] Jacques M. Downs, "Fair Game: Exploitive Role-Myths and the American Opium Trade," *Pacific Historical Review* 41, no. 2 (May 1, 1972): 133–49, http://www.jstor.org/stable/3638324.

[64] Andreas, *Smuggler Nation*.

banker's efforts to tame their monetary impact. Biddle was elected to the presidency of the Second Bank of the United States in 1822. His plans for the Bank, while ambitious, did not at first include the China trade – but a few years of managing operations changed his mind. [65]

The trouble was merchants' annual springtime calls on northeastern banks for silver specie to outfit their adventures in India and China. It was a practice that by 1825 Biddle had noticed intensified the already significant challenge of maintaining liquidity across the Bank's branch network. The outflow affected the bank directly, as China traders were not infrequently major BUS customers (and directors), as well as indirectly, when withdrawals from other banks forced smaller banks to curtail business, producing "a corresponding pressure on all classes of the community" that the Biddle felt the BUS had to help solve.[66]

To smooth out these perturbations, in the spring of 1825, Biddle's bank began selling what he called "E India Bills." These were bills of exchange issued by the BUS to American merchants that drew on

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[65] Jane Ellen Knodell convincingly argues that while the Second Bank of the United States "fell short of the (modern) central-banker test" – monetary stability was a by-product of its activities and not the central mission – it is still quite clear from Biddle's private and public writings that he aspired to play the role of central banker. His interest in the China trade emerged largely out of those aspirations. Jane Ellen Knodell, *The Second Bank of the United States: "Central" Banker in an Era of Nation-Building, 1816-1836*, Routledge Explorations in Economic History (New York: Routledge, 2016), 3. For a recent, expansive consideration of Biddle's philosophy, see: Jeffrey Sklansky, "The Moneylender as Magistrate: Nicholas Biddle and the Ideological Origins of Central Banking in the United States," *Theoretical Inquiries in Law* 11 (2010): 319–59, http://proxy.library.upenn.edu:2719/HOL/Page?handle=hein.journals/thinla11&div=15&collection=journals&set_as_cursor=0&men_tab=srchresults&terms=Sklansky, Jeffrey&type=matchall. For other entries in the long-running debate over whether or not the BUS and/or Biddle were central bankers (and to what effect), see: Meerman Ralph Charles Henry Catterall, *The Second Bank of the United States* (Chicago, IL: The University of Chicago Press, 1903); John Thom Holdsworth and Davis R. Dewey, *The First and Second Banks of the United States*, Publications of the National Monetary Commission (Washington D.C.: GPO, 1910), https://fraser.stlouisfed.org/scribd/?title_id=626&filepath=/docs/historical/nmc/nmc_571_1910.pdf; Walter Buckingham Smith, *Economic Aspects of the Second Bank of the United States* (Cambridge, Mass.: Harvard University Press, 1953); Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton: Princeton University Press, 1957); Jacob P. Meerman, "Nicholas Biddle on Central Banking" (Ph.D. diss., The University of Chicago, 1961), http://search.proquest.com/pqdtglobal/docview/302085049/citation/EECB420B55C64CDCPQ/3; Fritz Redlich, *The Molding of American Banking: Men and Ideas*, 2nd ed., 2 vols. (New York: Johnson Reprint Corp., 1968).

[66] Nicholas Biddle to Timothy Pitkin, Philadelphia, February 4, 1835, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 20, 11004. Biddle's claim that 1825 was the critical year in attracting his attention to specie in the China trade is supported by more closely contemporaneous statements he made about the inauguration of the bills; the Bank's financial records are no longer extant, but a summary of bill issuances in a Congressional report also supports dating the bills origins to 1825. Nicholas Biddle to PPF Degrand, Philadelphia, June 22, 1826, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 42, 170; "Report of the Committee … to inspect the books and examine the proceedings of the Bank of the United States," H.rpt 92, 15-2 (Jan 16, 1819), 36, 57, 59.

the Bank's accounts with European banks.[67] They had a number of special features. Denominated in pounds sterling and redeemable at London and sometimes Paris banks, they were designed to find a ready market among private "country" traders in Asia looking for secure remittances back to Europe. Payable at 120 days after sight, much longer than the standard 30 or 60 days, the bills were well-suited to the long travel times the China trade required – a premise that the Bank's lending agreement, which required that the bills be negotiated only "to the eastward of the Cape of Good Hope" made explicit. In exchange for using the BUS's credit, purchasers agreed to provide a one-year promissory note as security, and to pay a 2.5% premium on the sterling-dollar exchange rate. If the bills went unused, the merchant could return them to the BUS and get their money back, for the cost of a 1% premium – a small fee, Biddle thought, for guaranteeing "the solvency of a merchant for thirteen months."[68]

In many ways, the BUS's East India bills were indistinguishable from private bills already used in the China trade. But because they were issued by (and drew on) some of the world's most reputable banks, the bills worked better as currency than private bills; they were readily trusted.[69] This was by design. Biddle and the BUS's directors understood the bills as an extension of methods they had perfected on the domestic scene that used the Bank's institutional power to effect cheap and easy transfers of capital. Since 1817 the Bank had bought domestic bills of exchange and sold drafts on BUS branches, facilitating secure and reliable remittances for long distance trade within the United States.

[67] Nicholas Biddle to PPF Degrand, Philadelphia, June 22, 1826, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 42, 170. For additional evidence of 1825 as the year these bills originated, see: "Report of the Committee … to inspect the books and examine the proceedings of the Bank of the United States," H.rpt 92, 15-2 (Jan 16, 1819), 36, 57, 59.

[68] Nicholas Biddle to PPF Degrand, Philadelphia, June 22, 1826, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 42, 170; "No. 27: Form of obligation given by purchasers of bills to go circuitously," in "Bank of the United States," H.rpt. 460, 22-1 (April 30, 1832), 209.

[69] The general point about bank-issued bills of exchange is developed in Albert Gallatin, *Considerations on the Currency and Banking System of the United States.* (Philadelphia: Carey & Lea, 1831), 28–29, https//catalog.hathitrust.org/Record/001126514. During the Bank War, Biddle had this pamphlet printed and distributed. See: "Investigation of affairs and conduct of Bank of United States," S.doc 17, 23-2 (Dec 18, 1834), 322.

From 1825, "E India bills" similarly leveraged the Bank's size, expertise, and credit to accomplish the same feat across vaster distances. [70]

But Biddle intended the East India bills to do more than help merchants move money. As the Bank had done in forging connections between different American markets, Biddle worked to position the BUS as an intermediary in international commerce, in order to create a buffer capable of absorbing the "sudden and violent fluctuations" of global trade.[71] Specifically, East India bills provided a means to head off the financial panics that could result when the spread in the price of specie in domestic versus foreign markets widened sufficiently to induce the exportation of silver. As Biddle explained to P.P.F. Degrand, a member of the BUS's stable of friendly publicists, during such moments of crisis, large exports of coin led state-charted banks to "diminish their issues" of notes and restrict their business, "sometimes with great rapidity." While this was a "natural & inevitable remedy" to changing circumstances, it nonetheless was a "harsh corrective" that "may bring in its train the most disastrous consequences": a credit crunch and business failures.[72]

The fall of 1825 had threatened just such a crisis. A summer slump in cotton prices and the bursting of an investment bubble in Latin America caused a wave of failures on both sides of the Atlantic, and led the Bank of England to contract its credit – difficulties which sharply increased specie calls on

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[70] On the links between the Bank's domestic and foreign exchange businesses  Bank of the United States, *Report of the Proceedings of the Triennial Meeting of the Stockholders of the Bank of the United States: Held According to the Thirteenth Article of the Eleventh Section of the Charter, at Philadelphia, on the First Day of September 1831*, Goldsmiths'-Kress Library of Economic Literature ; No. 26826.5-1 (Philadelphia: sn, 1831), 29, http://nrs.harvard.edu/urn-3:hul.ebookbatch.MOME_batch:U104796915; Knodell, *The Second Bank of the United States*, 67–98, esp. 84–85. The Bank also issued similarly structured bills intended for South American, Caribbean, and European trade, but the value of these was far lower than those issued for the "East Indies." See: "No. 26: STATEMENT of all the bills of exchange on London and Paris" in "Bank of the United States," H.rpt. 460, 22-1 (April 30, 1832), 206.

[71] "Report by a Committee of Seven appointed by the Stockholders," in Bank of the United States, *Report of the Proceedings of the Triennial Meeting of the Stockholders of the Bank of the United States*, 29.

[72] Nicholas Biddle to PPF Degrand, Philadelphia, April 27, 1826, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 6, 2826.

American banks, including the BUS.[73] To head off disaster, Biddle worked the BUS as a "balance-wheel," selling coin and issuing notes to provide liquidity and counter prevailing market forces. It was a course, he later alleged, "by which there can be no doubt that much inconvenience & distress was averted." Eager to promote his good work as well as highlight his recent innovations, Biddle further explained to his friend Degrand that the BUS's practice of "furnishing its bills for the trade to countries east of the Cape of Good Hope" had been another important "preservative" for the Bank's specie stocks. In May 1826 Degrand published a glowing account of the Bank's actions in his newspaper, noting that the issuance of "East-Indies" bills were part of an "enlightened plan" and phlegmatic courage of the BUS's officers had allowed U.S. to "ESCAPE FROM THE MISFORTUNES WHICH HAVE OVERWHELMED THE BRITISH EMPIRE."[74]

When the BUS later came under sustained attack from Jacksonian Democrats in the Bank War, Biddle and his allies pointed, repeatedly, to the East India bills as proof of the good the Bank had done. In 1831, the BUS's triennial report noted that the "trade to China and India" had heretofore required "millions of the precious metals" annually, with attending "abrupt and inconvenient changes in the amount of the currency and of private credit" – but then the BUS's experiment in offering bills

[73] W. E. Cheong, "China Houses and the Bank of England Crisis of 1825," *Business History* 15, no. 1 (January 1973): 56–73; Knodell, *The Second Bank of the United States*, 118–21. Biddle's outgoing correspondence with cashiers and other officials at BUS branch banks in the early 1820s is filled with minute instructions regarding the management and transfers of the bank's specie supplies, and including managing stocks of the Spanish coin likely to be drawn out for use in the China trade. For his reactions to exigencies of 1825, in which these actions took on special importance, see Vol. 114: Letter Books, Feb 1, 1823-Feb 2, 1829, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C., reel 42.

[74] Biddle wrote to Degrand to provide the journalist with material for articles praising the BUS's operations. Nicholas Biddle to Peter Paul Francis Degrand, Philadelphia, April 27, 1826, in Reel 6, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C.; PPF Degrand, "The Money-Market in the U.S.," *Boston Weekly Report of Sales and Arrivals* (May 6, 1826), no 367, 907. On Biddle's publicity efforts and their limited efficacy, see: Stephen William Campbell, "Fighting the Bank War: How Newspapers, Banks, and the Post Office Shaped Jacksonian Era Politics, 1828–1834" (Ph.D. diss., University of California, Santa Cruz, 2013), http://proxy.library.upenn.edu:2251/pqdtglobal/docview/1468440503/9314B2F8127744CDPQ/2?accountid=14707; Stephen W. Campbell, "Funding the Bank War: Nicholas Biddle and the Public Relations Campaign to Recharter the Second Bank of the U.S., 1828–1832," *American Nineteenth Century History* 17, no. 3 (September 2016): 273–99, https://doi.org/10.1080/14664658.2016.1230930.

succeeded, with clear benefits to "the merchants and to the community" alike.[75] Responding to hostile Congressional inquiries in 1832, Biddle claimed that once the BUS had led the way other "capitalists" followed suit, such that "the use of specie in the China trade is almost superseded."[76] *Niles Weekly Register*, in 1834, called the East India bills "better than dollars, even at *Canton*," and decried those who had slandered the Bank "as an *unsafe* depository of the public money."[77] Even in 1835 – after the Bank War was lost, and the BUS was in the last months of its charter – Biddle took time to remind the influential political economist Timothy Pitkin that the BUS's bills were what lay behind the salubrious decline in American specie exports to Canton.[78]

Much to his surprise, Biddle's claims backfired, hurting his cause by failing persuade his enemies of his bank's necessity, and providing a field for another skirmish in the larger Bank War.[79] Like the Bank itself, East India bills had not always been controversial. No less than Andrew Jackson had celebrated the "increased facilities which the credit and capital of our merchants afford by substituting bills for payments of specie" in the China commerce in his 1831 annual message.[80] But after Biddle and his allies made the Bank's re-chartering a campaign issue, East India bills attracted more negative attention.

Georgia Democrat A.S. Clayton, one of the anti-Bank leaders in the House, seized on the Biddle's explanation of how China bills replaced specie exports as evidence that there was "something delusive

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[75] "Bank of the United States," *Hazard's Register of Pennsylvania* 8, no. 12 (September 17, 1831): 188.
[76] "Document A.: Nicholas Biddle to A. S. Clayton, Bank of the United States, April 16, 1832," in "Bank of the United States," H.rpt. 460, 22-1 (April 30, 1832), 322.
[77] "THE BANKS — THE CURRENCY AND THE TIMES," *Niles Weekly Register*, 5 April 1834
[78] Nicholas Biddle to Timothy Pitkin, Philadelphia, 4 February 1835, reel 20, Nicholas Biddle Papers, Manuscript Division, Library of Congress, Washington, D.C. See also: Timothy Pitkin to Nicholas Biddle, New Haven, January 6, 1835, reel 19, ibid.
[79] The Bank's interventions in the China trade have been noted by some historians, but they have not been the object of sustained analysis, with the consequence that Biddle's own interpretations of his bills' effectiveness (in private letters or public reports) have more or less been taken at face value. Cf. Catterall, *The Second Bank of the United States*, 112; Redlich, *The Molding of American Banking: Men and Ideas*, 1:134; Smith, *Economic Aspects of the Second Bank of the United States*, 34,89-91,138-139, 145, 290n13; Peter Temin, "The Economic Consequences of the Bank War," *Journal of Political Economy* 76, no. 2 (March 1, 1968): 270, http://www.jstor.org/stable/1830486; Downs, *Golden Ghetto*, 111–12.
[80] Andrew Jackson, "Third Annual Message," 6 December 1831, in James D. Richardson, ed., *A Compilation of the Messages and Papers of the Presidents, 1789-1908* (New York: Bureau of National Literature and Art, 1908), 2:551.

in the operation." Rather than facilitating legitimate commercial operations, the bank simply "becomes the shipper of the specie, to pay its bills, in place of the merchant."[81] Silver, Clayton claimed, would still have to flow abroad – now to London instead of Canton. Worse,

> "[t]here is not a dollar less carried away than before; but there is every probability that there is much more: for this credit plan will enable more persons to engage in this trade than if they had to carry the specie themselves; and they will obtain credit to a larger amount than any amount of specie which they could possibly command. This is dealing without capital, and leads inevitably to overtrading– the curse of any country– and under which it is now experiencing very heavy suffering."

This logic did not go unchallenged. Replying in debate, fellow Southern Democrat George McDuffie proclaimed himself "a little surprised" that his colleague would "question the utility of a measure so beneficial to the planting states." Specie did not need to be sent across the Atlantic to settle accounts: "the cotton, the rice, and the other agricultural productions of the South," would, through trade, "furnish the means of paying these bills in London." In a minority report on an investigation of the Bank, William Gray's good friend John Quincy Adams mockingly remarked that Clayton's carping about bills of exchange reminded him of Beatrice's approach to men in "Much Ado about Nothing" – a transparent and willful contradiction. [82]

As in so many other aspects of the Bank War, the dispute over the bank's experiments in China bills revolved around conflicting understandings of the role of bank-made money in American political economy. The BUS's opponents, like Clayton, saw only dark designs: leery of how credit instruments circulating as currency disintermediated finance from the "real" economy, and skeptical of the long-term consequences of centralizing financial authority, they rejected the premise that the bank's management could be trusted to work in the community's interests. Friends of the bank, on the other hand, saw in the

[81] "Bank of the United States," H.rpt. 460, 22-1 (April 30, 1832), 14-15.
[82] "BANK OF THE UNITED STATES," 8 *Cong. Deb.* Part 2 (1833), 2654; "Report of Mr. Adams," H.rpt. 460, 22-1 (April 30, 1832), 402.

bills a global extension of the useful work already accomplished by the Bank's notes and domestic bills: they "annihilated time and space," and made commerce more viable and reliable.[83] Curiously, given the Anglophobia of the era, neither pro- or anti-bank commentators made much of how the bills bound American traders and financiers more tightly to the financial core of the British empire – though this was key to both their benefits and their potential drawbacks.

The BUS's East India bills accomplished the opposite of what Biddle intended, politically. Their economic effect was more substantive, though perhaps not to the degree Biddle sometimes claimed.[84] American imports of specie into Canton fell precipitously in the late 1820s, and the Select Committee of the East India Company at Canton blamed "Bills upon the Bank of the United States" for the silver shortage that forced them to sell their own bills drawn on Bengal on more "favourable terms" to balance the Company's books.[85] According to documents the BUS produced for a House committee, the bank issued at least $1.4 million (£303,923) of "East Indies" bills between 1825-1831, a significant sum. Given the illicit nature of much of the business, figures for trade at Canton are at best estimates – but from the available evidence, it seems that after their introduction BUS bills comprised anywhere between 5%-67% percent of the total value of bills Americans imported into Canton, averaging 23% of

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83 "Report of the Minority," in "Bank of the United States," H.rpt. 460, 22-1 (April 30, 1832), 313.

84 Contrary to some of Biddle's declarations, the BUS did not originate the practice of using sterling bills drawn on London to make purchases in China; American trading in China had been shifting away from coin and toward the use of bills and merchandise for longer than the BUS was in the business. See, for example: "AMERICAN TRADE TO CHINA," *Niles' Weekly Register*, 9 August 1828, 378-379; Condy Raguet, *A Treatise on Currency and Banking* (Philadelphia: Grigg & Elliott, 1839), 8. On declining American imports of silver into China, see: "Table No. XVIII. General Trade. – Statement exhibiting the amount of Specie, Bills, and Merchandize, exported to Canton, on American account, annually, from 1805 to 1833," in Pitkin, *A Statistical View of the Commerce of the United States of America*, 1835, 303.

85 Select Committee at Canton to Supreme Government at Calcutta, September 28, 1828, as quoted in Morse, *The Chronicles of the East India Company, Trading to China 1635-1834*, 4:179.

the total from their introduction to the Bank's demise.[86] Even after the BUS's federal charter ended, major American China trade houses like Russell & Co. continued to use its bills, suggesting that they found them a useful – and perhaps necessary – tool for their business.[87]

That business was about to undergo a major trial as tensions over trade in the Pearl River Delta boiled over into direct conflict between Great Britain and China in the late 1830s. During the early stages of the Opium War, American traders found the limits of their cooperation with the British, and showed their true colors as agents of capital. Robert Bennet Forbes recounted in his memoir how he had refused to join the English in abandoning Canton in 1839 after Chinese officials seized British stores of opium. He was then the head of Russell & Company, the dominant American firm that had – along with Jardine, Matheson & Co. and Dent, Whiteman & Co. – "virtually inherited" the financial and commercial power of the EIC after the end of its monopoly. Reminiscing, Forbes framed his refusal to flee as a principled dedication to business: "I replied that *I had not come to China for health or pleasure, and that I should remain at my post as long as I could sell a yard of goods or buy a pound of tea*." But he also put his position in terms of state power: "we Yankees had no Queen to guarantee our losses."[88]

Forbes's retrospective bravado belied the much more complex entanglements he relied upon in reality. At that very moment his fortunes depended on serving as a middleman trafficking on commission in British-owned property on behalf of opium merchants exiled from Canton. For decades,

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[86] "No. 26: STATEMENT of all the bills of exchange on London and Paris, furnished by the Bank to go circuitously; stating the places they were conditioned by the purchasers to be sent to, and the amount to each place; the amount each year; and the amount now unsettled for" in "Bank of the United States," H.rpt. 460, 22-1, April 30, 1832, 206; "Table No. XVIII. General Trade. – Statement exhibiting the amount of Specie, Bills, and Merchandize, exported to Canton, on American account, annually, from 1805 to 1833," in Pitkin, *A Statistical View of the Commerce of the United States of America*, 1835, 303. For greater detail on Pitkin's figures and how they compare to other, similar compilations, see: Downs, *Golden Ghetto*, 358–63 Appendix 3.

[87] See, for example, "Bills of Exchange, 1835-1836," Container 12, Reel 8, Russell & Company Records, Manuscript Division, Library of Congress, Washington, D.C.

[88] Emphasis in original. Robert Bennet Forbes, *Personal Reminiscences*, 2nd ed. (Boston: Little, Brown, and Company, 1878), 149. "to guarantee our losses" refers to the superintendent's promise of the Crown's indemnification for any traders for suffering property losses sustained in following the Chinese government's order to give up the opium they had imported.

Forbes and other Americans had built their Chinese trade on the keystone product of British empire in Asia, and executed their transactions using financial instruments anchored in credit from British banks. In the longer term, they also stood to benefit from how British guns would force open new Chinese markets. As they revealed in their actions and their accounts, the ultimate loyalty of the men staffing American counting houses in Canton was to their profits. Perhaps drawing on his own experience trading in slaves and sugar during the Haitian Revolution, Forbes's mentor and investor Thomas Handasyd Perkins urged him to embrace the opportunities created by war: "[w]hile the trouble lasts you will be enabled to do great things -- But one such chance happens in a life time -- Il faut en profiter."[89]

In the aftermath of the War of 1812, Americans' increasingly close entanglement with British systems of imperial commerce at Canton formed a new and influential connection between U.S. political economy and global markets. This development coincided with a rising interest in consuming Chinese objects, scenes, texts, and even bodies in American culture.[90] Among the rising generation of practical American political economists, enough glimpsed how integral new traffics of silver, bills, and opium were to American fiscal and monetary health to make controlling these flows a significant issue of

[89] Thomas Handasyd Perkins to Robert Bennet Forbes, Boston, 14 February 1840, in Thomas Handasyd Perkins Papers, Massachusetts Historical Society, Series I: Loose Papers, 1789-1853, Reel 2 (Box 2), Folder 10, Part 1.

[90] For a discussion of the various manifestations of China and Chinese in American culture, see: John Rogers Haddad, *The Romance of China: Excursions to China in U.S. Culture, 1776-1876*, Gutenberg <e> (New York: Columbia University Press, 2005), http://www.gutenberg-e.org/haj01/; John Kuo Wei Tchen, *New York Before Chinatown: Orientalism and the Shaping of American Culture, 1776-1882* (Baltimore, MD: Johns Hopkins University Press, 1999).

public concern.[91] In this regard, American politicians and publicists paralleled their counterparts among the official class in China; both worried that their countrymen's profitable entanglements in the Canton trade was destabilizing the money supply – and subverting the state.[92]

The heated debate over specie exports and bank money in the political conflicts of the 1820s and 1830s suggested some of the ways that the new, globally integrated operations of China traders could influence debates over U.S. political economy, and the actions of U.S. institutions. When, as Robert Bennet Forbes watched, the simmering conflict between Western smugglers and Chinese officials broke out into war in 1840, American policymakers found themselves with more than new questions about their foreign relations. As they learned why Forbes might want his losses guaranteed (queen or no), deep debates over sectional politics over slavery, sovereignty, and the limits of liberal capitalist marketplaces came out into the open through the medium of discussions of the China trade – influencing U.S.-China relations, as well as U.S. domestic politics for the next several decades. The complex entanglements of empire, capital, and sovereignty that had slept in the hold of the ship *Congress* would not stay hidden in the new daylight of American efforts to understand their relationship with China in the wake of Britain's war for opium.[93]

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[91] Timothy Pitkin – a moderate New England Federalist who first turned to statistics while in Congress in order to evaluate the impact of Republican foreign policy – was particularly taken with the progress of American trade with China, and continued to see it as both a source of pride and of profit even in to the 1830s, though he also recognized how the American economy had changed dramatically. See: Timothy Pitkin, *A Statistical View of the Commerce of the United States of America: Its Connection with Agriculture and Manufactures: And an Account of the Public Debt, Revenues, and Expenditures of the United States. With a Brief Review of the Trade, Agriculture, and Manufactures of the Colonies, Previous to Their Independence. Accompanied with Tables, Illustrative of the Principles and Objects of the Work* (Hartford: Printed by Charles Hosmer, 1816); *A Statistical View of the Commerce of the United States of America*, 1835 et passim; Stephen R. Grossbart, "Pitkin, Timothy," *American National Biography Online* (New York: Published by Oxford University Press for the American Council of Learned Societies, February 2000), http://www.anb.org/articles/03/03-00385.html. Regarding textiles see: Edward Dewey Graham, *American Ideas of a Special Relationship with China, 1784-1900*, Harvard Dissertations in American History and Political Science (New York: Garland Publishing, Inc., 1988), 83–89.

[92] For the Chinese side of these debates – which were as little influenced by foreign thought as American debates were by Chinese – see: Lin, *China Upside Down*, 147–284.

[93] This is the topic of the chapter that follows.