11

THE TRIUMPH AND TRAGEDY OF FREE TRADE

There is cause for apprehension lest in centuries or millennia to come China may be endangered by collision with the nations of the West.—Kang Hsi, emperor of China, warning of the British presence at Canton in 1717[1]

On March 30, 1802, William Jardine, an eighteen-year-old Scot, shipped out as a surgeon's mate on the *Brunswick,* bound for China. He was typical of up-and-comers in the East India Company (EIC). After the death of his father, a humble Highlands farmer, William managed to make it through medical school at Edinburgh with the help of an older brother.

In those days, a berth on an Indiaman was a rare plum. Its advantage derived not from the Company's salary—a miserly two-month £5 signing advance in Jardine's case, or about $800 in today's currency—but because of the "privileged tonnage" allotted to crewmen. The EIC granted a surgeon's mate two tons; a surgeon, three; and a captain, fifty-six outbound and thirty-eight homebound. An Indiaman's crew members could rent out their personal allowances to private merchants at £20 to £40 per ton, but an enterprising man like Jardine could do far better on his own account. The career of this young medical officer, who later founded one of the modern world's great trading empires, eloquently portrays the changes that swept through world commerce in the early nineteenth century.

Though no record of Jardine's medical ability exists, there is little doubt that he discharged his duties competently and conscientiously, since on the very next passage he was promoted to ship's surgeon. But his real talent lay elsewhere. On his six voyages to the East with the EIC, he amassed a considerable personal fortune by exchanging silver and merchandise from England and India for Chinese goods, mainly tea and silk.

By nineteenth-century standards, his fifteen-year tenure in the EIC was fairly routine, despite the fact that four of his six voyages took place in wartime. On his second voyage in 1805, his ship, the ill-fated *Brunswick,* was captured off Sri Lanka by the French, who transferred him to a prison on the Cape of Good Hope, then controlled by Napoleon's newly conquered Dutch Republic, and allowed him to return home on an American vessel. Since it was Company policy to pay only those who served on successful missions, his salary for the journey was forfeit.

The most fateful event on this voyage, however, was Jardine's introduction to a flamboyant and ambitious Parsi merchant, Jamsetjee Jeejeebhoy, who even by the standards of the time exuded an extraordinary exoticism. Although the Parsis were an ethnically Indian sect and lived in the Bombay area, they practiced an offshoot of Persian Zoroastrianism. Given their Persian-Indian roots, it is not surprising that they were deeply involved in the ancient Indian Ocean emporium trade. They were familiar with China, to which they had for centuries shipped both raw and finished cotton, myrrh, ivory, shark's fins, and a myriad of other goods, earning a reputation as the "Jews of India."[2] (This term overlooked the fact that real Jews had lived on the subcontinent for millennia, perhaps as early as Solomon's reign.)

Born to a poor but priestly family in 1783, Jeejeebhoy was apprenticed to his uncle, a bottle wallah (that is, a bottle seller). The young man soon became bored with the profession his family had chosen for him and within a year shipped out to China, the first of several sojourns there in the subsequent decade. Like Jardine, he lost his cargo and purse to the *Brunswick*'s captors, but over the next four decades these two brothers in commerce would amass fortunes and knighthoods—Jeejeebhoy's being the first ever awarded an Indian—in the morally ambiguous world of maritime commerce between India and China, the so-called "country trade."[3]

If Jardine epitomized the new breed of English merchant in Canton, then Commissioner Lin Tse-hsü personified the Chinese society and culture that greeted the ambitious Scot in Canton. Hailing from a long line of scholars and statesmen, Lin followed the traditional Mandarin meritocratic pathway of academic immersion—success in rigorous qualifying examinations followed by advancement through the government bureaucracy. He served successively as secretary to the governor of coastal

Fukien province, compiler at the provincial academy, chief provincial examiner, circuit judge, salt controller, judicial commissioner, financial commissioner, director of river conservation, provincial governor, and provincial governor-general, before finally being appointed to the coveted position of imperial commissioner in 1838. Along the way, he advised the emperor on opium policy, and as imperial commissioner he would face off against the English in a momentous struggle that sours East-West relations to this day.[4]

The trading world in which Jardine, Jeejeebhoy, and Lin operated ran according to long-established rules and customs. In 1650, the Manchu Ching, the last Chinese dynasty, conquered Beijing and dethroned the Mings. A dozen years later began the sixty-year reign—from 1662 to 1722—of Emperor K'ang-hsi, the Asian counterpart of Louis XIV. Initially, K'ang-hsi reversed Ming isolationism and opened the country to foreign merchants, but he soon pulled back and established a restrictive set of diplomatic and trading rules that became known as the "Canton System," named after the southern city to which Western merchants were confined.[5] That Canton was nearly as far from the center of power in Beijing as it could be and still have a deepwater port was no accident.

The main European player in this time-honored system that greeted young Jardine on his first visit to Canton was, of course, his employer, the EIC (or, as it had become known by that time, the "Honourable Company"). For more than a century, its monopoly on traffic with the Orient had been threatened by "interlopers," who were increasingly its former employees.

As the eighteenth century drew to a close, a new and more potent domestic enemy appeared to bedevil the Honourable Company—Adam Smith and his disciples, who practiced the new science of "political economy." Their credibility derived from their *not* having a dog in the age-old fight between monopolists and free-traders. However persuasive were Thomas Mun and Josiah Child, they had been, after all, Company directors who benefited from its monopoly on Eastern trade, and, at the same time, were hurt by the protectionism of the domestic textile manufacturers.[6] Now, respected scholars with no financial interest in the outcome of the debate were making powerful arguments in favor of free trade.

Smith's compelling analysis of the EIC would ultimately deal the death blow to its Eastern monopoly. The Company was not only the world's largest commercial enterprise but also a crown monopoly, and it is not surprising that Smith had a great deal to say about its operations.

Smith's analysis of Company policy in India, as well as its China trade, cannot be understood without some knowledge of Indian history. In 1757, a brash young colonel of the EIC, Robert Clive, defeated the Mogul Nawab of Bengal and his French allies at the battle of Plassey (about a hundred miles north of present-day Calcutta). He thus acquired for the EIC its first significant territorial holdings on the subcontinent —roughly, present-day Bangladesh and adjoining eastern India, about the size of New Mexico. More important, Clive also inherited the old Mogul *diwani*—the ruler's right to tax—which in that day meant receiving, in lieu of money, a portion of the land's produce, particularly cotton.[7] The undermanned Company now directly ruled a small portion of the Indian landmass, and it wisely left the Mogul institutional structure intact. One of the EIC's edicts reflected the looseness of its control at the local level: "There should be no restriction whatever upon the Princes taking as many women, either wives or concubines, as they may think proper. They cannot employ their money in a more harmless way."[8]

Smith, writing less than two decades after the battle of Plassey, described the Bengal as a declining society whose benighted citizens were doomed to "starve, or be driven to seek a subsistence either by begging, or by the perpetration of the greatest enormities."[9] He laid the blame for this sad state of affairs squarely in the lap of the Honourable Company. The job of government, Smith asserted, was to look after its people and to ensure that a multitude of enterprises would compete with each other for business and investment capital, precisely what a monopoly wishes to avoid. To let a monopoly run a government was thus a prescription for disaster, as occurred when the Company restricted the rice trade in the Bengal and precipitated a famine that killed one-sixth of the population.[10]

As revered as Smith is today, in his own time he was just one man of ideas among many, with little direct influence over policy. The victory of free trade in England during the nineteenth century would be won not by economists but by their disciples, the hard-nosed captains of the

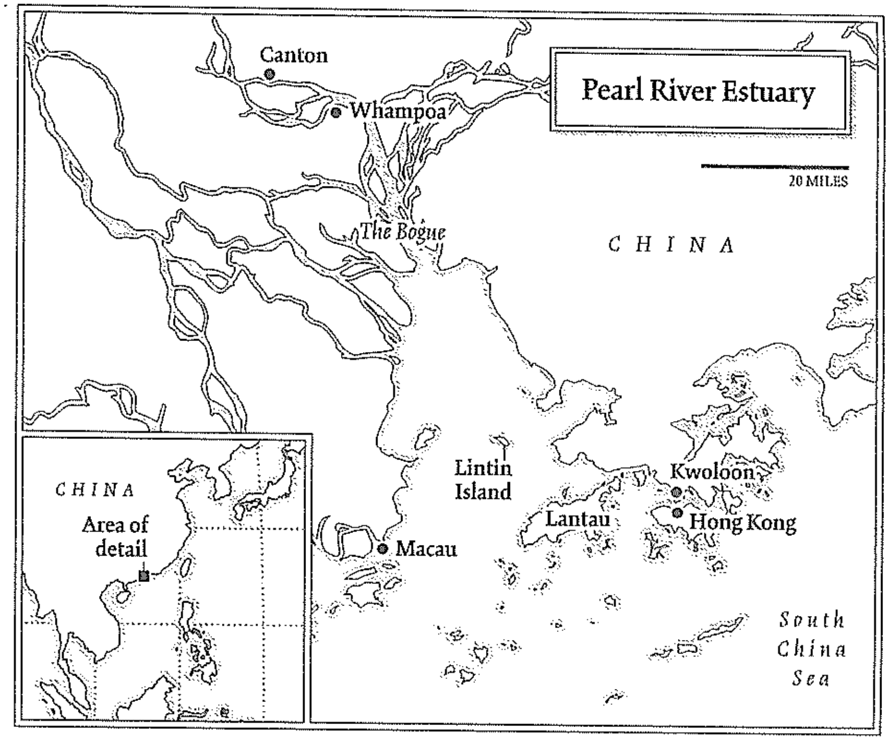
Industrial Revolution, Manchester's factory owners, who had a vested interest in open international markets for their inexpensive wares.

The first skirmish came with the Charter Act of 1793, in which Parliament grudgingly allowed private traders a piddling annual allowance of three thousand tons (about fifteen shiploads) to be divided among them. Napoleon's "Continental System," which forbade his allies to trade with England, was met with the equally infamous British "orders in council" of 1807 and 1809, which forced all traffic heading to Europe to call first in Britain. This set off the War of 1812, which disrupted the flow of American cotton to England. Now suddenly dependent on higher-priced cotton from the EIC's Indian monopoly, the Lancashire mill owners were infuriated. Parliament repealed the orders in June 1812, too late to stop the war with the Americans, and in July 1813 voted to end the EIC's monopoly in India. Since the Canton trade was at that time important to neither the private traders nor the Lancashiremen, the Company retained its China monopoly, and the Canton System remained viable for another twenty years.[11]

The Canton System limited European merchants to dealing only with a few officially sanctioned Chinese trading companies, or hongs, and allowed a tiny colony for foreigners, just a few hundred yards square. Further, the merchants could not reside there permanently, but only during the several months between the summer monsoon, which blew them in, and the winter monsoon, which blew them out.

The Pearl River estuary provided the geographic stage for the great drama that would blight East-West relations. A sailor approaching Canton first saw a group of islands guarding a bay approximately twenty miles wide at its entrance. At its western end lay the small peninsula of Macao, the Portuguese trading post, and at its eastern end, the islands of Lantau and Hong Kong, with its magnificent harbor. The bay stretches north for forty miles, and roughly in its middle lies mountainous Lintin Island, an ideal locale for smuggling.

At the north end of the bay is the entrance to the Pearl River, called the Bogue, where the emperor had positioned an impressive array of artillery, designed to prevent enemy ships and pirates from proceeding upriver to Canton. There was just one problem with the configuration of these guns—they were permanently attached to the ground on fixed mounts. In other words, they could not actually be *aimed*. As one historian put it, "They



were more like fireworks than pieces of ordnance," a deficiency that would become painfully obvious during the coming Opium Wars.[12] The river then curves another forty miles to the north, then west, toward Canton. Along its course lay numerous low islands, the most important of which was Whampoa, just east of Canton, where the Canton System required foreign ships to anchor and transfer their cargoes to small junks.

The barriers between East and West in China were not merely geographic. Technically, China did not engage in trade at all; rather, it accepted tribute to the emperor, who then reciprocated with gifts to the foreign supplicants. In practice, however, the tribute-for-gift exchange looked remarkably like the normal trade in the other Asian emporia. China spectacularly mistook England for an ordinary vassal state like Siam, an error that was to cost it dearly.

The trading and diplomatic misunderstandings could be simultaneously tragic and comic. In 1793, when George III sent Lord George Macartney to Beijing as ambassador, the Chinese affixed to his riverboat a sign that proclaimed, "Tribute from the Red Barbarians." Contrary to popular legend, Macartney did agree to kowtow (a complex maneuver consisting of bowing once, kneeling once, and touching the forehead to the floor nine times), but only on the condition that the emperor's courtiers do the same before a portrait of the British monarch, which Macartney had thoughtfully provided for the occasion. The horrified Chinese politely refused, so no kowtows took place that day on either side.[13]

Although some Europeans became fluent in the Chinese dialects, the Chinese almost never became fluent in any European language. For example, Commissioner Lin hired the best translators he could find; later examination of their work showed it to be at the level of pidgin. More fundamentally, a chasm of culture and class separated China and Britain; by the eighteenth century, English traders occupied the higher rungs of British society, whereas in China, merchants had been despised as scum for millennia.[14]

At first, the Canton System suited the EIC well. The hongs had a monopoly on the trade from the Chinese side, and the Company, having effectively frozen both the Portuguese and the Dutch out of China during the preceding century, controlled all trade from the European side. Consequently, the hongs and the EIC monopoly fit together like a jigsaw puzzle.

Under the surface, all was not well. First, the EIC could finance its operations with the abundance of capital available in London, whereas China was a subsistence-level society with only the most rudimentary financial markets, scant capital, and sky-high interest rates. This greatly weakened the EIC's hong partners.

The high interest rates were a two-edged sword. On the one hand, they afforded the Company, and subsequent private English traders, enormous profits through borrowing at low rates in England and lending at astronomical rates in China. But it did the EIC no good to have chronically insolvent trading partners who were in constant need of rescue. Even today, international commerce is a highly uncertain enterprise, and merchants frequently have to bear losses. Adequate credit is to trade what altitude is to aircraft; without it, the odds of coming to grief over perilous commercial terrain are great. All merchant enterprises sooner or later lose cargoes or encounter soft markets. Without ample capital reserves and the ability to borrow at low rates of interest, bankruptcy is inevitable. Stretching the analogy a bit, if the hong system was an aircraft unable to attain a safe altitude, it also operated on

only one engine. The Chinese had no functioning insurance markets; when fire swept Canton in 1822, most of the local traders were wiped out.[15]

By the mid-eighteenth century, an even more serious problem arose: the English had developed an increasing thirst for tea, but the Chinese desired relatively little from England. In the words of the nineteenth-century British trade commissioner for China, Robert Hart:

> [The] Chinese have the best food in the world, rice; the best drink, tea; and the best clothing, cotton, silk, fur. Possessing these staples and their innumerable native adjuncts, they do not need to buy a penny's worth elsewhere.[16]

The revenues from copper and mechanical novelties—the only things China wanted from the West—did not pay for even a small fraction of tea purchases. If the English wanted tea, they would have to pay in silver. Eighteenth-century records of the EIC show that about 90 percent of the value of England's exports to China was in the form of bullion.[17] In 1751, for example, four British vessels arrived in China bearing £10,842 in trade goods and £119,000 in silver.[18]

Although the Chinese did not value English merchandise, they did crave Indian cotton, a commodity the EIC now possessed in abundance from the old Mughal *diwani* won at Plassey. Though China had grown cotton for millennia, before 1800 domestic production had been inadequate, and the Chinese had to import both raw bales and calicoes from India. A triangular system, similar to that in the Atlantic, began to flourish: British manufactured goods to India, Indian cotton to China, and Chinese tea back to England. Increasingly, England also began to export cotton from the new Lancashire factories to China and India.

By the 1820s China's demand for Indian cotton slacked off, because of hard economic times and increased domestic planting. The English, once again reduced to exchanging their precious silver for tea, turned their eyes to another *diwani* crop, opium, whose prime Indian fields lay in the territories surrounding Patna and Varanasi won by Clive in 1757.

For several thousand years, humans have dried the juice of the common poppy, *Papaver somniferum*, into opium. As with many modern crops, the poppy is a cultivar, that is, a cultivated variety that does not grow easily in the wild, which suggests that agricultural societies take their drugs as seriously as their food.

Humans probably first extracted opium for consumption in southern Europe, and the Greeks and Romans used it extensively. Arab traders transplanted the poppy to the more hospitable soils and climates of Persia and India, and then to China, where its use is recorded as early as the eighth century after Christ.[19]

For almost all of recorded history, no particular opprobrium was attached to consuming opium as a painkiller, relaxant, work aid, and social lubricant. The Dutch in Indonesia were the first to smoke opium, in the early 1600s, when they began adding a few grains to a recent New World import, tobacco. The Chinese probably acquired the practice from the Dutch base in Formosa, whence the opium pipe rapidly spread to the mainland.[20] As early as 1512, Pires observed opium commerce in Malacca, centuries before the British and Dutch became involved in the trade. This indicates that the drug was a high-volume item in Indian Ocean emporium commerce well before the English came to dominate it.[21]

Nineteenth-century Europeans swallowed enormous amounts of opium, whereas the Chinese smoked theirs. Since inhaled opium is more addictive than opium taken orally, it was considered much more dangerous in China than in the nations of the West. In England, horticultural organizations awarded prizes for particularly potent domestically grown poppies (although most opium used in Britain came from Turkey), and opium was consumed guiltlessly by both high and low, most famously by Samuel Taylor Coleridge ("Kubla Khan"), Thomas de Quincey (*Confessions of an Opium Eater*), and Arthur Conan Doyle's Sherlock Holmes. The drug could be purchased freely in England until the Pharmacy Act of 1868; other Western nations did not restrict its use until around 1900.

At the time the EIC acquired the Bengal, the Portuguese had been shipping opium from Goa to Canton for some time. Chinese authorities first outlawed its use in 1729, and their reasons for doing so were far from clear.[22] By the end of the eighteenth century, the EIC could not be seen as directly involved in bringing opium into China, which would incur the wrath of the emperor. In response, the Honourable Company, in the words of the historian Michael Greenberg, "perfected the technique for growing opium in India and disowning it in China."[23]

It did so by establishing strict oversight of production and maintaining both monopoly pricing and quality control at the Indian end of the supply chain. The Company's Patna and Varanasi trademarks (named after

the northern Indian cities housing its main opium agencies) came to signify excellence to Chinese users, and opium boxes bearing them commanded a premium.

The EIC sold its high-end branded product to private traders such as Jardine, who shipped it to the mountainous Pearl River estuary island of Lintin, where they based themselves on easily defended floating hulks just off its shore (as opposed to Canton's downriver wharf at Whampoa, where legitimate cargo was unloaded). Local smugglers brought the contraband upriver and slipped it past Canton's customs inspectors. The smugglers paid Chinese silver to the English private traders, who then exchanged it at Company offices for silver bills drawable by them on Company accounts in Calcutta and London. The EIC, in turn, used the silver obtained from the private traders to pay for tea.[24]

The popular image of an entire Chinese population and its economy ravaged by opium is a misconception. In the first place, the drug was quite expensive and largely the province of the mandarin and merchant elite classes. Second, like alcohol, it was catastrophically addictive in only a small proportion of its users. Even the infamous opium dens did not live up to their seedy reputation, as a disappointed Somerset Maugham discovered:

> And when I was taken to an opium den by a smooth-talking Eurasian, the narrow, winding stairway up which he led me prepared me sufficiently to receive the thrill I expected. I was introduced into a neat enough room, brightly lit, divided into cubicles the raised floor of which, covered with clean matting, formed a convenient couch. In one an elderly gentleman, with a grey head and very beautiful hands, was quietly reading a newspaper, with his long pipe by his side. . . . [In another room] four men squatted over a chess-board, and a little further on a man was dandling a baby. . . . It was a cheerful spot, comfortable, home-like, and cozy. It reminded me somewhat of the little intimate beer-houses of Berlin where the tired working man could go in the evening and spend a peaceful hour.[25]

Academic research on opium consumption in China bears out Maugham's observation: it was largely a social drug that harmed only a tiny percentage of users. One modern scholar estimates that although as many as half of men and one-fourth of women were occasional users, in 1879 only about one Chinese person in a hundred inhaled enough opium to even be at risk of addiction.[26]

The emperor and the mandarins did express some moral outrage over the debilitation caused by opium, but they were far more concerned about the drug's damage to their balance of trade. China subscribed to European-style mercantilism as faithfully as any seventeenth-century Western monarchy. Before 1800, the tea trade was, at least in the terms of the mercantilist ideology of the day, grossly favorable to the Chinese. The EIC's records pinpoint 1806 as the year when the silver flow reversed. After that date, the value of opium imports exceeded that of tea exports, and Chinese silver began flowing *out* of the Celestial Kingdom for the first time. After 1818, silver constituted fully one-fifth of the value of Chinese export goods.

In the 1820s, a powerful group of mandarins began to support legalizing opium as a way to reduce its price and staunch the outflow of silver. One of them, Hsü Nai-chi, wrote a memo to the emperor noting that some users were indeed enfeebled, but the fiscal damage to the nation was far worse. He recommended legalization, with the stipulation that opium should be purchased only by barter (presumably for tea), not with silver. The wide circulation of this memo among Canton's foreign traders gave them hope that legalization was imminent. Hsü's proposal was defeated, however, in a bitter battle at the imperial court.[27]

In the early nineteenth century, the British controlled only a small part of the Indian subcontinent, and it was not long before Parsi merchants, particularly Jamsetjee Jeejeebhoy, got around the EIC's opium monopoly in Bengal by shipping their local product, called *malwa,* out of Malabar and Gujarati ports. (*Malwa* was the generic term for non-EIC opium shipped out of the western ports, as opposed to the EIC-branded Patna and Varanasi blocks exported from the eastern port of Calcutta.) Eventually, the Company realized the advantage in centralizing *malwa* shipments from its convenient Bombay wharves, and after 1832 it began collecting a modest transit duty from local merchants.

By the early nineteenth century, cracks had begun to appear in the Honourable Company's monopoly. In addition to using private traders to ship opium to China, the EIC began to license a few private "country traders" to conduct legitimate trade to Whampoa as well, using what was left of its monopoly power to keep these entrepreneurs under its thumb. American fur merchants, led by John Jacob Astor, forced some of the first openings in the monopoly system with seal and sea otter skins from the Pacific Northwest, items highly prized in China.[28] The EIC, afraid to offend the fierce, unpredictable independent nation which had handed the mother country a stinging defeat in the Revolutionary War, left the Americans alone.

Even before the appearance of the former colonials, other English private merchants had hit on a ruse for getting around the EIC's monopoly: foreign diplomatic cover. In 1780, an Englishman, Daniel Beale, sailed to China under Austrian colors bearing an appointment as Prussia's consul. He would use his appointment to engage in the profitable country trade between India and China, free of EIC control. Another Englishman, John Henry Cox, the preeminent importer of singsongs to China, attempted to avoid interference from the EIC with a Swedish naval commission; when the Company still refused to let his vessel enter, he replaced the Swedish flag with a Prussian one. Poland, Genoa, Sicily, and Denmark would graciously and, presumably for a price, extend diplomatic privileges to British traders.[29]

When Jardine returned to London in 1817 and left the service of the Company a wealthy man, he formed a partnership with another former EIC ship's surgeon, Thomas Weeding, who had obtained a prized license from the Company to engage privately in the country trade. The two joined forces with a Bombay Parsi, Framjee Cowasjee, and in 1819 Jardine left for Bombay, where he assembled 649 chests of *malwa* that the partnership then sold for $813,000 in Canton.[30] (Henceforth, in this chapter, the dollar-sign signifies eight-real pieces, or Spanish dollars. This familiar sign probably has its origins in the coat of arms inscribed on these coins). It would be the first of many profitable smuggling ventures for Jardine. In Bombay, he reconnected with Jeejeebhoy, with whom he would also have a long and lucrative commercial relationship. There, he also met James Matheson; the two would later found the great firm that still bears their names—Jardine Matheson and Company.

Matheson came from a Scottish family wealthy enough to afford the necessary EIC license to privately ply the country trade. This allowed him to avoid the long apprenticeship with the Company endured by Jardine. Eventually, Matheson became the "Danish consul" in Canton, a position that enabled him to escape altogether the strictures imposed by his EIC license.

Matheson also invented another ruse, which would later assume global importance. Whereas the transport of goods directly from India to China by private traders violated the EIC's China monopoly, it was perfectly legal to ship merchandise sent from, say, Calcutta to the Strait of Malacca or from the strait to Canton. In 1822, the wily Scot first took advantage of this legal nicety by transferring his cargoes from ship to ship at the newly settled port of Singapore, just three years after Stamford Raffles had founded it on a marshy, malarial island.[31]

Matheson's wealth gave him the freedom to pursue both scholarship and journalism. Like many bright young merchants of his day, he adopted the free-trade ideology espoused by Adam Smith in *Wealth of Nations*. In 1827 Matheson founded the first English-language newspaper in China, the *Canton Register*, a broadsheet that printed local shipping news, tabulated opium prices, and editorialized against the tyranny of the EIC. That same year, after the death of his original partner, a Spaniard, Xavier Yrissari, he informed his Chinese customers that henceforth the overall management of the business would be undertaken by William Jardine. By 1830, the new firm, Jardine Matheson and Company, was smuggling about five thousand chests of opium per year into China, and like any young, vigorous organization, it sought efficiency in every direction.

It fell to a remarkable member of Jardine Matheson, the linguist and medical missionary Karl Friedrich August Gutzlaff, to blow apart the Canton System. He did so by operating from small smuggling craft that ranged as far up the coast as Manchuria, selling *malwa* to local merchants, in direct defiance of the Chinese authorities.[32] Gutzlaff, an intensely anglophilic Pomeranian Lutheran who spoke most of the major Chinese dialects, successively married three Englishwomen and believed strongly in the ability of commerce to bring salvation to the pagan Chinese.[33] Unfortunately for his historical reputation, he chose opium as his preferred vehicle of Christian redemption.

The historian Carl Trocki provides this vivid glimpse into everyday life on one of the coastal opium clippers. After anchoring in a secure bay, the crew of one ship found it

> overrun with Chinese, while [the captain], the shroff [a tester and changer of coins], and another European sat up far into the night selling opium to "all comers, high and low." While waiting, some smoked opium and fell asleep on the couch in his cabin and others occasionally napped on the floor while the abacus rattled, and Chinese and Europeans communicated by sign language. In four days, [the crew] sold opium worth . . . about $200,000.[34]

Although the EIC was steadily losing market share to private traders, it pioneered a sailing advance that would have momentous economic and historical impact. For nearly two thousand years, the monsoon allowed mariners only one annual round-trip between India and China. This limitation would be conquered not by the new steam technology, but rather by improved hull and sail design. During the War of 1812, the Americans came up with a revolutionary vessel whose speed enabled their privateers to ravage English shipping and outrun blockades—the Baltimore clipper. The most famous, the *Prince de Neufchatel*, seized numerous British merchantmen before being cornered by three Royal Navy frigates just prior to the war's end. The British towed the clipper to drydock and plumbed the secrets of its speed: a clean, narrow hull that kept the ship upright sailing into the strongest winds; and massive, tightly hung sails, characteristics easily visible in racing yachts even today. The fatal mistake of the *Prince de Neufchatel*'s captain, in fact, had been to overload the boat with too much weight in canvas sail, which had to be hauled down during the blustery conditions that prevailed during its final engagement.[35]

A Royal Navy skipper, William Clifton, eventually came into possession of the clipper's specifications. After leaving the navy, he commanded EIC vessels and realized that the Baltimore clipper's sleek hull and tight sails were just the ticket for conquering the monsoons. In 1829 the EIC, with the backing of its governor-general, Lord William Bentinck, commissioned production of the *Red Rover*, a 255-ton craft that combined a Baltimore clipper–type hull with the bark (or barque) sail configuration favored by the navy.[36] On January 4, 1830, the sleek new vessel slipped its moorings on the Hooghly River and headed downwind to Singapore, arriving just sixteen days later. Less than a week after that, it sailed north into the teeth of the monsoon and arrived in Macao in only twenty-two days. Clifton went on to complete three round-trips between India and China that year, a performance that earned him acclaim and a £10,000 prize from the EIC.[37] The *Red Rover* finally met its end, along with all hands, in a stormy Bay of Bengal in 1853, an unusually long career among China clippers that spent much of their careers beating into the rough monsoons.[38]

Clipper ships, to be sure, did not come cheap. One vessel, the *Lanrick*, cost the firm $65,000. But it carried 1,250 chests of opium, which would have earned $25,000 per voyage, thus paying off the entire purchase price of the ship by its third round-trip: that is, within one year.

Although the EIC introduced clipper ships into the China trade, in the end the private companies most successfully exploited the new vessel's potential. Jardine Matheson and others in the country trade had learned that it was more profitable to act as go-between and connect the sellers of *malwa* in Bombay to the buyers on Lintin Island. The commission, $20 per chest, was more reliably profitable than directly buying and selling opium themselves.[39]

In 1830, a coalition of country traders and Manchester factory interests, led by an eager Jardine, eyed the coming expiration of the EIC charter and petitioned Parliament in favor of a "new commercial code." In the spirit of the times, Parliament complied. The EIC's monopoly on Eastern trade finally lapsed permanently in April 1834. Almost immediately, the private merchants, already in control of opium, captured the venerable and profitable trade in tea, the Company's last major protected product.

What a difference 150 years had made. In 1700, the Honourable Company was in the vanguard of free trade, while England's protectionist textile industry sought to maintain its eroding monopoly. By the early nineteenth century, these positions had been reversed: the sclerotic EIC desperately sought to maintain its privileged position, while the cotton producers pushed for unrestricted commerce, envisioning that "if we could only persuade every person in China to lengthen his shirt tail by a foot, we could keep the mills of Lancashire running around the clock."[40] Before 1700, the globalist creed of Child and Martyn gained remarkably little public traction, but by 1830, Adam Smith's free-market principles, as personified by Willam Jardine and James Matheson, carried the day. For centuries before the arrival of the Europeans, the emporia of the Indian Ocean had known reasonably open markets. Now the West, wielding superior new military and maritime technologies, would forsake its armed monopolist ways and embrace free trade, whether or not the Chinese and Indians wanted it to.

The year 1828, for which we have particularly good records, provides us with a snapshot of the China trade just before the abolition of the Company monopoly. Of roughly $20,000,000 worth of imports into Canton, over three-quarters was carried by the private country traders, and three-quarters of that was opium. In other words, opium made up over half of the British trade, the lion's share of which was in private hands. Over 99 percent of the EIC's exports from China consisted of tea, which before 1834 the private merchants, who were paid mainly in silver, were not allowed to carry.[41]

After 1834, with the Company monopoly gone, private traders expanded the scope of their operations; they were now free to ignore the Canton System, which had been enforced almost as vigorously by the EIC as by the emperor. The sleek, fast clippers proved ideal for high-value cargoes such as opium and tea. By the late 1830s, these ships allowed companies such as Jardine Matheson to control both the older country trade and the newer coastal trade pioneered by Gutzlaff. Opium imports had grown relatively slowly from about four thousand chests per year in 1800 to about ten thousand in 1825. After the private companies took over the China trade from the EIC, volume mushroomed to forty thousand chests in the late 1830s.[42]

When the EIC relinquished its monopoly in 1834, its select committee, which regulated English trade, gave way to a superintendent of British trade in China, who was appointed by the crown and was greatly influenced by the powerful private traders and their hatred of the Chinese government. The misadventures of the first superintendent, the inept Lord William John Napier, symbolized the cultural gulf between China and the West. Napier arrived unannounced at the EIC's factory in Canton at 2 AM on July 25, 1834; by daybreak, he had already hoisted the Union Jack, a gross affront to the Chinese. This faux pas was only the beginning. Napier next had an introductory letter translated into Chinese and delivered to the local Chinese governor-general. Within forty-eight hours of his arrival in Canton, the superintendent had thus violated several imperial edicts relating to barbarians: he had traveled upriver to Canton without approval, taken up residence there, delivered a letter to the governor-general directly (not through the hong merchants), and written in Chinese (instead of in English). The Chinese rebuffed Napier, shut down all commerce with the English, and fired on English vessels. Jardine and the other private traders, who had egged Napier on, realized that they had overplayed their hand and mollified the Chinese by negotiating the hapless envoy's hasty exit.[43]

Four years later, it was the emperor's turn to overreach, when he appointed the brilliant but equally maladroit Lin as commissioner and set the stage for a far more disastrous confrontation between the two governments. Even before Lin's appointment, the Chinese authorities had begun to jail large numbers of local opium smugglers, and brought trade to a standstill. In March 1839, Lin increased the pressure by making foreign merchants criminally liable for any illicit shipments. Shortly thereafter, Lin ordered the public beheading of Chinese opium dealers under the eyes of horrified Europeans and then held all the resident foreigners—English, American, Parsi, and French—hostage in their factories for several weeks until they agreed to turn over more than twenty thousand chests of opium. Only after Lin's forces had destroyed the huge haul were the foreigners released.

The new superintendent of trade, Charles Elliot, was a retired Royal Navy captain and a veteran of the West African anti-slave patrols. (At one point he held the office of "protector of slaves.") A strict Calvinist who deplored opium, he compartmentalized his religious beliefs and official duties well enough to mollify the increasingly desperate private traders by compensating them for their confiscated opium. This action drew the English government directly into the fray.

Just a spark sufficed. Several months later, in August 1839, following the murder of a local villager by a drunk English seamen, Lin cut off food and water to the British naval forces and demanded that the sailor be handed over for trial. Elliot refused and instead submitted the defendant to a British jury of merchants, who meted out a fine and a six-month sentence, to be served in England. (When the sailor arrived in England, he was set free on the grounds that the jury, which included James Matheson, had been improperly constituted.[44]) At about noon on September 4, Gutzlaff, under orders from Elliot, presented letters to the commanders of two Chinese junks off Kowloon and informed them that if supplies were not forthcoming within thirty minutes, their ships would be sunk. No food or water arrived, and HMS *Volage* fired on the vessels.

In retaliation, Lin ordered that all trade with Britain be forever banned and that English ships would be fired on.

Meanwhile, Jardine and other veterans of Lin's blockade of the Canton factories made their way back to England. On arrival, they asked the cabinet of the Whig prime minister, Lord Melbourne, to demand an apology from the Chinese and negotiate a more "equitable" treaty that would open several other ports to the West. Dispatches from Elliot, whose pride and reputation were stung by Lin's ham-handedness, also favored taking a firm hand with the Chinese.

Jardine and his allies further recommended that their demands be backed up with naval force. All that remained was a means to finance the war. Thomas Babington Macaulay, the war minister, supplied it: have the Chinese pay reparations. Melbourne dispatched a force consisting of a dozen men-of-war and several thousand marines that arrived in China in June 1840.

The first Opium War had started. It would not end until 1842 and the infamous Treaty of Nanking, which awarded Britain monetary recompense, eliminated the hong monopoly, set Chinese export and import tariffs at a low rate, and opened Canton and four other treaty ports (Shanghai, Amoy, Foochow, and the island of Ningbo). In these ports, Britons had the privilege of extraterritoriality (immunity from Chinese law) and were governed by British consuls. No mention was made of opium, whose continued importation was tacitly understood by both sides. To this day,, the humiliation of the Treaty of Nanking burns in China's national consciousness. That not one American in a hundred has heard of it does not augur well for Sino-American relations in the twenty-first century.

The English sought, in addition, a permanent colony. Matheson had long desired Formosa, but from London Jardine argued that this island was too large to pacify and pushed for the port of Ningbo. Neither had his way; Elliot, a former naval officer, coveted Hong Kong's superb harbor, and on his own initiative had its transfer written into the treaty. Even before the treaty was signed, Matheson moved the partnership's headquarters to Hong Kong, beginning the island's and the firm's dual ascent to prosperity.

To be sure, Elliot was not the only Englishman who entertained doubts about the morality of the opium trade. The Anglican clergy and the Tory opposition leader Robert Peel spearheaded a movement against it. The most eloquent advocate of prohibition was a thirty year-old backbencher, William Gladstone, whose sister had been ravaged by opium addiction. When Peel moved in Parliament in 1840 to condemn the attack on China, young Gladstone gave an impassioned speech in the Commons that launched him into public prominence. Decades later he would serve four terms as prime minister.

For the most part, in mid-eighteenth-century England opium was still a benign nostrum dispensed to colicky babies and swallowed by little old ladies to ease the infirmities of age. The nascent prohibition movement was no match for what the historian W. Travis Hanes called "big opium"—the consortium of Chinese merchants and their allies in London led by William Jardine.[45]

Opium traffic grew even more rapidly after the First Opium War. In 1845, for example, the auditor-general of the new colony of Hong Kong estimated that at any one time, there were eighty clippers carrying opium to China or tea from it, one-fourth of them Jardine Matheson's. Gradually, Jardine Matheson became the focus of the increasing anti-opium sentiment in England.

In private, Jardine Matheson was happy with the illicit trade and greatly feared the possibility of legalization, which the Chinese entertained from time to time, as this would open the traffic up to competition from "men of small capital."[46] Its fears were well founded. In 1858, the Treaty of Tianjin, which concluded the Second Opium War, forced the Chinese to legalize opium (in addition to granting ten more treaty ports, paying further reparations, and handing over Kowloon). The legalization of the trade meant that anyone could purchase *malwa* in Bombay, ship it on one of the new vessels of the Peninsular and Oriental Steamship Company, and sell it in Hong Kong. Within a few years, Jardine Matheson found itself forced out of the opium trade by men like David Sassoon, a Bombay merchant of Baghdadi Jewish origin. Sassoon's knowledge of local Indian producers, his family's extensive business connections, and legalization enabled him to wrest control of the trade from the "old" English country traders. Sassoon would be joined in the opium trade by many Indian traders, especially Jeejeebhoy's Parsi heirs.

The displacement of Jardine Matheson from the opium trade proved a blessing in disguise, as it was forced to diversify. Imports of opium peaked at approximately a hundred thousand chests per year by 1880.[47]

Societal norms can change with great rapidity. For example, in 1600, even the most enlightened Europeans saw nothing wrong with black slavery; in 1800, few Europeans, and not very many Chinese, faulted Britain for exporting opium to China. It should not go unnoticed that tobacco, which is at least as addictive as opium and has killed far more people, is today aggressively marketed around the globe by the corporate heirs of William Jardine and James Matheson.

If the importation of a harmful product, opium, did China no good, the importation of a harmless good, machine-manufactured cotton cloth, is today blamed for plunging India into poverty. Certainly, that was how Karl Marx saw it when he quoted the EIC's governor-general, William Bentinck: "The misery hardly finds a parallel in the history of commerce. The bones of the cotton weavers are bleaching the plains of India."[48] India's founders saw it the same way, as do many Indians today.

The standard narrative goes something like this. The English forbade the export of Indian manufactured goods, while allowing British goods "free entry." The result was the destruction of India's vaunted textile industry. In the words of Jawaharlal Nehru, modern India's founding father and first prime minister:

> The liquidation of the artisan class led to unemployment on a prodigious scale. What were all these scores of millions, who had so far engaged in industry and manufacture, to do? Where were they to go? Their old profession was no longer open to them, the way to a new one was barred. They could die, of course; that way of escape from an intolerable situation is always open. They did die in the tens of millions.[49]

Marx and Nehru did capture an essential truth: in 1750, India provided nearly one-fourth of the world's textile output; by 1900, its output had shrunk to less than 2 percent.[50]

The overall loss to the Indian economy was relatively modest, since most of the nation's output was agricultural: somewhere in the range of two million to six million jobs—at most, 3 percent of the labor force—not the scores of millions in Marx's and Nehru's apocalyptic prose.[51] (By comparison, unemployment in the United States during the Great

Depression exceeded 30 percent.) Some economic historians argue that because of imports of superior and cheaper English thread, the domestic weaving industry actually expanded. Curiously absent from most discussions is the indisputable fact that hundreds of millions of Indians, poor and wealthy alike, were able to clothe themselves in English cloth that was both less expensive and better made.[52]

India had not gotten poorer; rather, the rapidly industrializing West had gotten vastly richer. Modern economic historians, in both Europe and India, now ascribe India's troubles in the eighteenth and nineteenth centuries to a number of factors unrelated to British trade policy: poor soils, the frequent failure of the monsoon rains, inadequate inland transportation systems, a lack of functioning capital markets, and the death, in 1707, of the last great Mughal emperor, Aurangzeb.[53]

Can we blame the British, as Nehru did, for letting British goods into India scot-free while barring the flow of Indian goods in the opposite direction? Only to a relatively small degree: by the mid-nineteenth century, most English imports into India were subject to a duty of either 3.5 percent and 7 percent (depending on whether they arrived on British or non-British vessels). The comparable duty paid on foreign (including Indian) goods landing in England was between 15 and 20 percent; agricultural goods, such as Indian sugar and raw cotton, incurred a much lower rate.[54] This was discriminatory, to be sure, but not prohibitive. Nor can it be plausibly argued that abuse of the *diwani* by the English drained India of its wealth. The British spent a much greater proportion of the *diwani* on public works, such as the subcontinent's massive rail system, than was ever spent under the luxury-loving Mughals, and in any case the revenues did not amount to much more than 1 percent of national income.[55, 56]

Having surveyed Britain's checkered dealings in Chinese opium and Indian cotton, we now turn to the final, and most historically significant, episode in the nineteenth-century history of free trade: its commerce with the Continent in grain.

Since at least the fifteenth century, the crown saw fit to micromanage its vital grain trade with a series of "corn laws." In common English usage, "corn" meant all grain—barley, rye, and particularly wheat. (Maize was unknown in Europe before Columbus.) Between 1660, when detailed statutory records begin, and the final repeal in 1846, no fewer than 127 corn laws were enacted to govern every imaginable facet of commerce in grain and other foodstuffs: retail and wholesale transactions, storage, import, export, and most critically of all, government tariffs. The great nineteenth-century battle over free trade was in many ways a debate over the wisdom of such intrusive involvement by government in what was increasingly an international trade.[57]

Until the mid-eighteenth century, England's wealth and power derived not from trade or manufacturing, but from the strength of its agriculture, which had become so efficient that by 1800 just two-fifths of the country's workforce was needed to feed it.[58] During the turbulent seventeenth century, English farmers exported little grain. When peace and institutional stability finally came in the wake of the Revolutionary Settlement of 1689, England became the granary of northern Europe.

Then, just as quickly as the surplus had appeared, it vanished. Four events consumed the bounty. First, a series of massive conflicts gripped Europe and crippled the regional grain trade. Between the Seven Years' War in 1756 and the end of the French-Napoleonic wars in 1815, England was either engaged in global conflict or preparing strenuously for it. Second, during the eighteenth century, England's population nearly doubled, to nine million. Third, rapid industrialization after 1760 shifted workers and financial capital from farms to factories. Finally, a series of crop failures began in 1756 and continued, on and off, for nearly two decades. In most years after 1780, Britain was a net importer of grain, mostly from Denmark, Poland, and coastal Germany. The year 1808 was the last time that England sent abroad more grain than it purchased.[59]

During the years of self-sufficiency and bounty, not many people, even farmers, had given the corn laws much notice. Sometimes these statutes favored the landed aristocracy by imposing high taxes and thus discouraging imports, or even by paying traders a bounty on exports, and sometimes they favored urban dwellers by doing the opposite. But for the most part, the laws were irrelevant: the medieval economy was largely self-sufficient, and in any case, law-enforcement manpower was spread so thin in medieval societies that it rarely got around to enforcing these obscure statutes.

The importance of the corn laws increased with the outbreak of the Seven Years' War in 1756; food shortages swept the industrial centers in the north, and rioters sacked granaries and even bakeries. Grain merchants, who for centuries had ignored or been blithely unaware of the sales strictures of the corn laws, suddenly found themselves condemned to hang by hastily assembled tribunals. (In the end, most were pardoned or "transported" to Australia.)

Suddenly, agricultural trade policy moved to the forefront of public debate. Over the next several decades, Parliament passed a series of corn laws designed to increase supplies to consumers and maintain the interests of the landed aristocracy. They usually did neither. After 1793, war with revolutionary France and a series of disastrous crop failures again caused scarcity. Wheat prices, which had averaged forty shillings per quarter (five hundred pounds, or a quarter ton) during the century before 1790, spiked to well above a hundred shillings, as shown in Figure 11-1. On October 29, 1795, when the king was on his way to deliver the opening speech to Parliament, a mob surrounded his entourage. Shots were fired into his carriage while the mob shouted "Peace! Peace!"

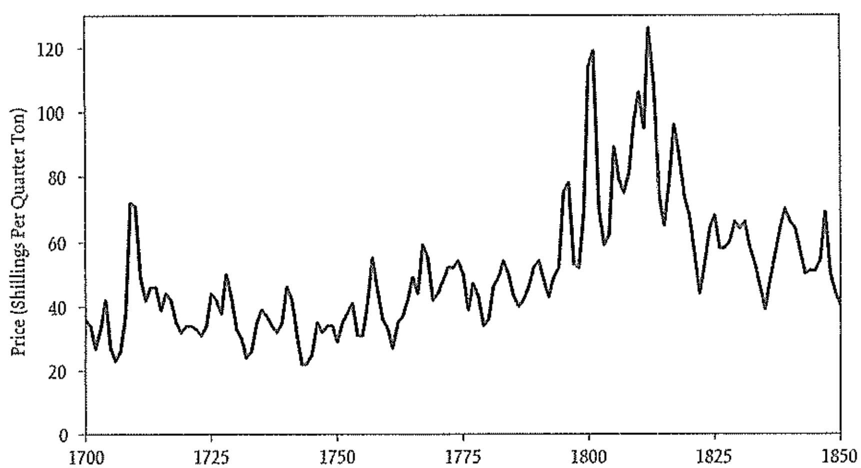


Figure 11-1. Price of Wheat in England 1700–1850

The government pulled out all the stops. It forbade the export of grain and its use in distilleries, eliminated all import duties, and purchased Baltic wheat through official channels. The navy seized grain from neutral ships bound for France. These actions not only fell short of stopping widespread starvation, but also enraged wealthy landowners no longer able to gouge an impoverished and hungry populace.

The government then offered bounties for *imports* and encouraged consumers to eat bread made from wheat flour mixed with barley or rye. But by the late eighteenth century, even the poor had long been accustomed to white wheaten loaves, and bakers refused to make mixed breads that were doomed to go stale and unsold.[60]

After 1800, favorable harvests temporarily reduced prices, and in November 1804 landowners took advantage of the overall wartime scarcity and forced through Parliament a corn law using a traditional "sliding scale" of duties on foreign wheat.

Placing such an onerous import duty on foreign wheat, for which transport costs were already higher than for domestic wheat, assured English farmers of a minimum price of sixty-three shillings per quarter, more than 50 percent higher than its historical level. The Corn Law of 1804 served to reveal the mind-set and political power of England's growers, and also clearly illustrated the double-edged sword of protectionism, which seeks to shelter domestic producers (in this case, Britain's landed aristocracy) at the expense of consumers. Essentially, England's landowners sought to make permanent the high wartime grain prices.

The law had nearly no effect, because poor harvests and the intensifying French wars soon drove market prices once again well above a hundred shillings. In 1809, scarcity in England combined with a French bumper crop to give Napoleon the irresistible opportunity of reaping huge profits by selling grain to the enemy.[61]

Table 11-1. Import Levies on Wheat: Corn Law of 1804

Grain Price (shillings per quarter ton)	Import Tax (shillings per quarter ton)
Below 63	24.25
Between 63 and 66	2.5
Above 66	0.5

In October 1813, Britain and its allies invaded France, and by April 1814 Napoleon had been sent to Elba. Between those two dates the price of wheat fell from approximately 120 shillings to seventy shillings, and English landholders, now accustomed to triple-digit market prices, again pleaded for legislation to extend their windfall profits into peacetime. Once again, the poor marched in the streets and besieged Parliament.

At this point, the centuries-old history of the corn laws converged with a family saga of similar vintage—that of the Ricardos. Not long after the expulsion and slaughter of Portugal's Jews in the early sixteenth century, many members of this remarkable clan found refuge in the free port of Livorno, or Leghorn, north of Rome. Uniquely among the Italian city-states, Livorno did not force Jews to wear badges, live in ghettos, or tolerate harangues from priests.

The chief business of Livorno's Jews was the ancient Mediterranean red coral trade, but as supplies dried up, tolerant and up-and-coming Amsterdam beckoned to one clan member, Samuel Israel, who moved to the Dutch republic sometime around 1680. There, the family prospered; Samuel's grandson, Joseph Israel Ricardo, became a successful stockbroker, helped set up the Amsterdam stock exchange, and was intimately involved in financing Holland's military effort during the Seven Years' War.

Joseph Ricardo's missions to fund Holland's armed forces often took him to London. His son, Abraham Israel Ricardo, could not help noticing that the English capital had replaced Amsterdam as the world's financial center. Sometime around 1760, Abraham Israel Ricardo established the family in the city on the Thames. His son David would become the great advocate and theoretician of free trade, and also the most influential and vocal early opponent of the corn laws.[62]

David had been born in 1772, four years before the publication of Adam Smith's *Wealth of Nations,* which vigorously espoused free trade. He apparently came across the book for the first time at age twenty-seven in a library in Bath, where his wife had been taking the cure. In subsequent years, he surpassed his father's success in the London stock exchange, and in 1815 the young broker profited hugely by his ownership in government bonds that increased in value after the victory at Waterloo (along with Nathan Mayer Rothschild, who had gotten early

word of the victory). David used his newfound wealth to obtain a seat in the House of Commons and to pursue intellectual interests. At some point he acquired his own copy of Smith's book, in which 150 notations were later found. These scribbles formed the basis of his famous *Principles of Political Economy and Taxation*, published in 1817.

Principles proved a worthy successor to *Wealth of Nations;* in the words of the historian David Weatherall, "Adam Smith explained what the capitalist system was. David Ricardo explained how the capitalist system works."[63] Ricardo's famous chapter on foreign trade begins with this forthright statement, which turns mercantilism on its head: "We should have no greater value if, by the discovery of new markets, we obtained double the quantity of foreign goods in exchange for a given quantity of ours." Ricardo proceeded to describe the law of comparative advantage, in which he poses the following hypothetical situation. Imagine that it takes 120 Englishmen to produce a given quantity of wine and 100 to produce a given quantity of cloth, whereas it takes only eighty and ninety Portuguese, respectively, to produce the same quantities of wine and cloth. Even though Portugal was more efficient than England in producing both wine and wool, Ricardo argued that it was better for Portugal to concentrate on what it did best—wine, which it needed only eighty workers to produce—and exchange the wine it did not consume for cloth made in England, rather than make its own cloth.[64] But Ricardo's conclusions proved too opaque for his contemporary audience, and even today, the law of comparative advantage is often misunderstood.[65]

A more cogent example will suffice. Imagine for a moment a famous attorney whose services are so highly desired that his hourly fee is $1,000. Further imagine that he is also very skilled at woodworking—so proficient that he is twice as productive as the average carpenter. Remodeling a kitchen, for example, which might take a carpenter two hundred hours would take our talented attorney only one hundred. Since the average carpenter earns $25 per hour, our attorney's woodworking skills are worth $50 per hour in the marketplace.

If the attorney's family needs a new kitchen, shouldn't he do the job himself, since he is twice as productive as the average carpenter? Not when his legal skills are worth $1,000 per hour. In the hundred hours he spent on the kitchen, he could have earned $100,000 in his office. He is far better off hiring the less efficient carpenter for two hundred hours, which would cost him only $5,000. Put a different way, the attorney is better off working five hours in his own profession to pay for the carpenter to do the kitchen job than working one hundred doing it himself. In economic terms, the attorney has a *comparative advantage* in legal work and a *comparative disadvantage* in woodworking. (Note that pleasure and preference do not enter into Ricardo's analysis. Our attorney may *enjoy* carpentry and decide to do the job himself—a valid emotional choice, but not an economically rational one.)

Alas, *Principles,* and Ricardo himself, arrived too late to save England from the draconian Corn Law of 1815. In response to a pro-Corn Law tract by Thomas Malthus, Ricardo wrote an anti-Corn Law pamphlet, "An Essay on the Influence of a low Price of Corn on the Profits of Stock." In it, he pointed out that the major advantage of the "real" England (as opposed to the hypothetical England of *Principles*) lay in its factory machinery. The corn laws, he wrote, impeded the purchase of foreign grain and forced England to waste its precious labor in less productive farmwork. This benefited no one except the landowning aristocracy. Ricardo's pamphlet convinced few. His more influential *Principles* did not appear in print until 1817, and he himself did not enter Parliament until 1819.

The thought of German, Polish, and Danish warehouses bulging with cheap grain incited England's working poor. In the end the mob proved more influential than the forces of rational discourse, but not in the direction intended. In March 1815, anti–Corn Law rioters raged through London's streets and broke into the houses of the bill's supporters, including those of Lord Castlereagh, the notoriously repressive foreign minister, and Frederick Robinson, who had introduced the bill. In the aftermath of the French wars, starving workers rioted *for* free trade, just as today more comfortable workers riot against it. Their lawlessness proved similarly counterproductive, forcing pro-repeal politicians and newspapers to disown their raucous allies.

In 1815 the landed interests ruled the day. That year's infamous legislation, whose passage required not only majority votes in both houses but also fixed bayonets outside them, absolutely forbade grain imports when wheat fell below eighty shillings per quarter.[66] Not long after, grain prices briefly fell well below eighty shillings, and Ricardo participated in a successful rearguard action through further pamphleteering and

speeches in the Commons against the demands of landowners for even more protection.[67] He died in 1823 at age fifty-one, his dream of global free trade unfulfilled.

Protectionist legislation usually strikes hardest at the weak and powerless, and the Corn Law of 1815 was no exception. Since the price of wheat rarely rose above eighty shillings in peacetime, and since England's agricultural self-sufficiency was rapidly disappearing, the act effectively kept foreign grain out and forced England's poor to pay an artificially inflated price for their daily bread. The subsequent enforcement of the act did not cause the kind of violence attending its passage, but expensive grain was still high on the list of grievances behind the political reform efforts in postwar England. These efforts often turned nasty, as in the "Peterloo Massacre" of 1819, a senseless attack by panicked constables at a peaceful demonstration in Manchester.[68, 69]

Later in the nineteenth century, the increasingly prosperous manufacturers, who would benefit from cheap grain with which to feed their hungry labor force, began to challenge the landed aristocracy. In 1828, the Lancashiremen rammed through a bill that replaced the rigid eighty-shilling barrier with a more gradual sliding scale, similar to that of 1804.[70] By 1840, the intellectual tide had clearly turned in favor of free trade, yet the new act, albeit somewhat less brutal than that of 1815, still plagued England's hungry poor. An unlikely visionary, Richard Cobden, administered the coup de grâce to the statutes, and his ultimate success still speaks volumes about today's controversy over globalization, as well as the democratic process in general.

Cobden was born to a poor family of yeoman farmers in 1804, and would enter public life at the right time—in the wake of the Reform Act of 1832. At age ten, Richard experienced his father's loss of the family farm. His uncle, a cloth merchant, packed him off to the sort of boy's institution made notorious by Charles Dickens. (On later reading *Nicholas Nickelby,* Cobden felt a shock of recognition at the novel's boarding school, Dotheboys Hall.[71]) At fifteen, he was apprenticed as a clerk to his uncle, a calico merchant, and by age twenty he was traveling the countryside selling printed cottons. By age thirty he and his older brother Frederick had established their own printing factory in Manchester and became men of independent means.

Although he undoubtedly had the talent to do so, Cobden never acquired great wealth, enjoying intellectual pursuits, travel, and politics far more than the cotton trade. By thirty-three he had been to the Continent, the Middle East, and the United States, recording of the last, "If knowledge be power, and if education give knowledge, then must the Americans inevitably become the most powerful people in the world."[72] His travels taught him that England could prosper if only it was able to sell its manufactures cheaper than other nations. Military intervention consumed taxes, which drove up the price of England's exports, and spending too much for expensive protected domestic grain to feed English workers did the same. Both damaged the nation.[73] From this reasoning naturally flowed his belief in pacifism, international cooperation, and, most importantly, free trade. By 1840, Britain sent one-third of its exports —mainly cotton fabric and clothing—to the United States, in return for the South's raw cotton. It did not escape the young factory owner that this trade demanded no expensive naval protection.

Cobden was hardly alone in these sentiments. By the 1830s, two very strange bedfellows had also arrived at the conclusion that the Corn Law had to go: the Manchester cotton interests and the Chartists, a group of often lawless radicals dedicated to broadening the voting franchise beyond the landholding aristocracy. In September 1838, representatives of these two groups met in Manchester and founded the Anti-Corn Law League. The best-known free-trader in England, Cobden, assumed its leadership later that year.[74]

In 1838 the League found itself in the right place at the right time. Before the 1830s, communication and transportation were prohibitively expensive. A world in which only the wealthy can write letters or travel long distances utterly disenfranchises those unable to do so. In England, this meant that the entrenched, established landholders easily held the upper hand in their struggle with poor consumers for protection of grain.

The era's rapidly evolving technologies, particularly steam power, greatly reduced this imbalance. The Anti-Corn Law League was now able to send its charismatic speakers—the charming, persuasive Cobden and the fiery, emotional John Bright—speeding around the country to organize and marshal support.

The League developed many of the sophisticated tools used by today's major political parties and special-interest groups: mass mailings, carefully choreographed traveling campaigns, exploitation of religious subtexts, meticulous polling, and targeted legal challenges.

Soon after assuming the League's leadership, Cobden found himself in the company of another visionary of humble background, Rowland Hill, a passionate advocate of the "penny post." By 1838 England was well on its way to being served with high-speed rail transport, which radically reduced carrying costs. The government, however, did not pass the savings along to letter writers. In those days, postage was paid by the *recipient* and came dear: a letter sent from Edinburgh to London, for instance, cost a shilling—almost a day's wages for a farmer or factory worker.

Payment by the recipient and high costs led to all sorts of expediencies and abuses. Travelers routinely carried letters for friends, relatives, and strangers, and several letters would be written on a single sheet that was sent to a distant city, where it was then cut up and sent onward to different recipients there. Books sent from printer to shop carried much of the mail, sandwiched among their pages. Employees had their mail addressed to their workplace, and legislative franking—the privilege of sending letters free of postage—was one of the important perks of public office.[75]

Hill reckoned that it cost the Post Office only one thirty-sixth of a penny to carry a letter from London to Edinburgh, and Cobden soon found himself persuaded by Hill to apply his legendary charm and persuasive skill for the benefit of a select committee of the Commons. Cheaper postage, Cobden told the committee, would allow the fifty thousand Irish working in Manchester to regularly write to their loved ones back home; when members questioned whether the Post Office could manage such a volume of letters, he coolly informed them that an elephant had recently been sent by rail from London to Manchester at twenty miles per hour.

Parliament passed the penny post measure, and it was put into operation on January 10, 1840. At first, confusion reigned over exactly how to implement the scheme; Cobden suggested "something similar to the stamp on patent medicines, something to be affixed by the party with gum on the envelope, then stamped at the post office," the result being modern adhesive postage.[76]

Cobden knew exactly what he was doing; when the penny post finally cleared the House of Lords, he is said to have shouted for joy, "There go the Corn Laws!"[77] Inexpensive mail became the most powerful weapon in the arsenal of the repeal forces, a veritable propaganda howitzer. Further, the Anti-Corn Law League could tap into the wealth of the mill owners, the very wellspring of the Industrial Revolution's riches.

The combination of generous funding and cheap postage enabled the League to blanket England's pitifully small number of voters—just 7 percent of adult males after the Reform Act of 1832.[78] The barrage was systematic and monotonously regular. It featured a daily newspaper, *The Anti-Corn Law Circular;* a well-written weekly, *The League;* and an incessant flow of pamphlets. At the height of the effort in the early 1840s, Cobden estimated that more than one-third of the nation's eight hundred thousand voters regularly received *The League.*[79]

The forces of repeal enlisted not only the new power of the rails and the penny post, but also a very old one: God's messengers on earth. The free-traders drew on the religious fervor of their Chartist and abolitionist allies. At one League meeting, seven hundred ministers in Manchester declared the corn laws "opposed to the law of God," perhaps the first and last time that the Almighty was so dramatically invoked on the side of tariff reduction.[80]

The League also deployed platoons of lawyers into the counties and boroughs to poll voters and ascertain their political leanings. Any landowner whose registration or qualification was questionable saw his franchise challenged, and in order to prevent the opposition from doing the same, the papers of likely free-traders were set right. This strategy quite often resulted in the disqualification of up to one in six Tory electors in a given district. Finally, the League was able to harness its mighty financial resources to purchase property blocks in the names of poor tenants so that each received forty shillings a year in rent—just enough to qualify for the franchise.[81]

When they were not busy in Westminster, Cobden and his colleague John Bright canvassed the country, the former leading off with his charm and quiet mastery of the facts, the latter sweeping away the audience with roaring moral indignation at the perfidy of the landowners. The new railroads whisked them from city to city on an almost hourly basis, and they arrived at each new venue fresh and rested, a feat unimaginable in the days of horse and coach.

In 1841 the Whig government of Lord Melbourne fell and precipitated a general election. Coden had been narrowly defeated in a run for the Commons four years previously, but he was now such a well-known personality that he easily won election, along with a number of other League candidates, including John Bright.

The election also saw the Tories regain power and returned Robert Peel to 10 Downing Street, the residence he had lost in 1835. Peel's political vision and dogged empiricism put him far out in front of, and out of touch with, the reactionary and aristocratic landowning Tory rank and file. Over the next several years, Cobden sparred with him over the Corn Law, and while their exchanges occasionally became acrimonious, Cobden's command of the facts and his pleasing and logical demeanor slowly wore down the prime minister's opposition to repeal.

The essence of Cobden's argument was as follows. Allowing in cheap foreign corn helped the workingman in two ways: first, it provided him with easy bread; and second, this bread would be paid for by English manufactures, whose production gave the laborer work. In short, trade inward of necessity produced trade outward.[82] During one of Cobden's speeches in the Commons, Peel turned to his deputy Sidney Herbert and said, "You must answer this, for I cannot."[83]

Both sides sought to exploit the dismal labor conditions of the time. In particular, the Tories could thunder with righteous indignation (and not a little hypocrisy) at the dark satanic mills, owned, more often than not, by League members. No sooner had Cobden taken his seat in 1841 than he was attacked as a heartless mill owner and investigated for bookkeeping irregularities. Cobden's factories were, for the era, generally well run and humane, and he easily avoided indictment. In 1844, Lord Ashley Cooper, a Tory MP whose family owned huge agricultural estates, introduced a measure that would have radically restricted factory working hours and child labor. The bill was subsequently watered down and passed with Peel's intervention, and in 1845 Cooper took off after calico printers, a move obviously aimed squarely at Cobden. When Cooper pointed out that child factory workers labored long hours for a pittance of three shillings per week, Cobden retorted that at least they were working indoors, and that child farm laborers put in longer hours in all weather for half the salary.[84]

Victory in the battle for repeal came in fits and starts. In 1842, poor harvests drove Peel to persuade his cabinet to halve the 1828 sliding scale of import duties on grain, and in 1843 Parliament reduced the tariff on Canadian wheat to just one shilling per quarter.[85] In doing so, the prime minister pleased no one—certainly not Cobden, Bright, and their colleagues in the League, who scorned the halfhearted measure, and certainly not many of his fellow Tories, disgusted with Peel's perceived betrayal of his class. Two years later, however, bountiful harvests took the pressure off the landowners, and the League made little progress in Parliament.

Then, in 1845, the gods of agriculture let loose their fury on the British Isles, and precipitated one of the most dramatic episodes in English political history. July and August of that year saw a wet, cold "green winter" that savaged the wheat harvest. Almost simultaneously, a potato blight appeared in southern England and spread like wildfire to Ireland, throwing the populace well beyond the brink of starvation. As the nightmarish year wore on, Peel's government watched in horror. A relief commission was empowered to purchase American corn (maize), and a special scientific commission reported that the blight was even more disastrous than had been feared. On November 22, the other shoe dropped when the leader of the Whig opposition, Lord John Russell, declared for repeal.

By that point, even the staunchest Tories understood that in order to avoid mass starvation, English and Irish ports would have to be opened to foreign grain. Peel further realized that once open, they could not be shut without risking revolution; two weeks later, he assembled his cabinet and informed them that he intended to move for repeal.[86] When two of his ministers refused their support, he tendered his resignation to the queen. Russell proved unable to put together a Whig government, because the party had only a minority in the Commons, and Peel resumed office on December 20.

By January 1846 Peel had no choice but to admit publicly that Cobden and the League had long since proved their case, and that he himself had changed his mind about the Corn Law. Those of his fellow Tories who remained unconverted would have to be outmaneuvered.[87] This remarkable act of self-sacrifice sealed both his political fate as well as his reputation as arguably Britain's ablest nineteenth-century leader. On June 25, repeal passed the House of Lords, and within days the Tory party's landowning elite, spearheaded by Benjamin Disraeli, forced Peel's final resignation.[88, 89] Peel had saved his own class, the landowning aristocracy, from itself, and in the process became anathema to it.

Although the repeal in 1846 marks a historical watershed in world trade policy, by that date most of the heavy lifting had already been done. The act of 1842 had lowered tariffs even more than the final repeal, and modern scholarship suggests that by 1846 effective grain duties had been

falling for decades; by the time of their final repeal, they had long since become economically unimportant.[90]

Cobden continued on in Parliament. In order to spread the free-trade gospel, he increasingly lived abroad. Late in life, he found a willing student in Emperor Napoleon III of France, the first Napoleon's nephew.

By 1859, Anglo-French relations had deteriorated nearly to the point of war, mainly because of hysteria stemming from Britain's distrust of its historic enemy, and Cobden found himself on an unofficial mission to Paris advocating for an English-French tariff-reduction treaty. He met with Napoleon III and the emperor's ministers on several occasions. The emperor remarked that while he would very much like to repeal his nation's import tariffs, "The difficulties are very great. We do not make reforms in France; we only make revolutions."[91] Napoleon III was more than receptive to Cobden's idealistic advice, but the captains of French industry and their allies in the government wanted no part of free trade. By now Cobden was a maestro in the art of dispatching protectionist assertions. A passage in his diary speaks as well to the modern world as it did to Napoleon III:

> [The Emperor] repeated to me the arguments which had been used by some of his ministers to dissuade him from a free-trade policy, particularly M. Mange, his Finance Minister, who had urged that if he merely changed his system from prohibition to . . . moderate duties which admitted a large importation of foreign merchandise, then, for every piece of manufactured goods so admitted to consumption in France, a piece of domestic manufacture must be displaced. I pointed out the fallacy of M. Mange's argument in the assumption that everybody in France was sufficiently clothed, and that no increased consumption could take place. I observed that many millions in France never wore stockings, and yet stockings were prohibited. He remarked that he was sorry to say that tens of millions of the population hardly ever tasted bread, but subsisted on potatoes, chestnuts, etc.[92]

That Napoleon III was so receptive to free trade is no surprise: he had been exiled to England in 1846, just as repeal was enacted, and remained there for two years, a time when the nation was under the intellectual sway of Smith, Ricardo, and Cobden himself. French cotton manufacturers, devastated by cheaper and better English cloth, bombarded the emperor with protectionist special pleading, but he also heard from those who supported free trade: producers of wine, silk, and fine furniture, all eager to export their wares. Many French manufacturers who depended on foreign materials, such as machinery makers who consumed large amounts of imported iron, also pushed for lower tariffs.[93]

By the 1850s, the catechism of free trade had spread across the Channel; anti-tariff organizations sprang up in Belgium and France and inspired a generation of liberal economists. The most prominent of these was a professor of political economy who was also a deputy in the National Assembly, Michel Chevalier. He wrote:

> Britain's adoption of the freedom of trade is one of the greatest events of the century. When such a powerful and enlightened nation not only puts such a great principle into practice but is also well known to have profited by it, how can its emulators fail to follow the same way?"[94]

In 1860 Cobden and Chevalier guided the Anglo-French treaty through a hailstorm of opposition on both sides of the Channel, evoking this tribute to Cobden from the Liberal Party MP William Gladstone:

> Rare is the privilege of any man who, having fourteen years ago rendered to his country one signal service, now again, within the same brief span of life, decorated neither by land nor title, bearing no mark to distinguish him from the people he loves, has been permitted to perform another great and memorable service to his sovereign and his country.[95]

The Cobden-Chevalier Treaty slashed import tariffs on both sides. Over the next several years, Italy, Switzerland, Norway, Spain, Austria, and the Hanseatic cities also entered into the spirit of the times. This period saw, for the first time, the widespread use of the most-favored-nation (MFN) clause. MFN status, which goes back to twelfth-century treaties, is similar to the "I will beat any price" offer from your local car dealership. The nation granting it promises tariff rates as low as that offered to any other country, and if, in the future, it further lowers tariffs for goods from another country, it must then do the same for all of its MFN partners. Once the MFN ball began to roll in the 1860s, tariff "disarmament" spread throughout the Continent. Duties that had been as high as 50 percent disappeared entirely on some manufactured goods.[96]

Between the publication of *Wealth of Nations* in 1776 and the repeal of the Corn Laws in 1846, Smith, Ricardo, and Cobden had laid the theoretical and political foundations of the new global economy, which had its heyday in the decades after the signing of the Cobden-Chevalier accord. Protectionists predicted a catastrophe for farmers because of cheap grain imported from abroad. At first, this did not happen, as Europe's increasing population ensured high food prices. But a generation after repeal, an avalanche of inexpensive grain from the Americas, Australia, New Zealand, and Russia buried English and continental farmers. By 1913, England imported 80 percent of its wheat from abroad, but as the twentieth century dawned, no sane Englishman would have traded his nation's industrial present for its agricultural past.[97]

The invasion of New World grain played out differently on the Continent, where the 1880s saw the beginnings of a devastating backlash against free trade that would last until the middle of the twentieth century. This nineteenth-century reaction against the new global economy speaks forcefully to the twenty-first: although free trade benefits mankind in the aggregate, it also produces losers who cannot be expected to passively accept the new order.