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ARTICLE

Dealing in Debt: The Role of Credit in Early Sino–U.S. Trade

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This essay explores the development of Sino–U.S. commercial and arbitration practices that grew out of credit transactions and operated in relation to, but distinct from, the greater Canton system that primarily served Beijing and London. Without dismissing the importance of silver and Pacific trade goods to early Sino–U.S. trade, this essay traces the financializing trade practices and emerging regulatory strategies that rose alongside the traffic in specie and commodities. Chinese merchants who traded with foreigners at Canton became increasingly eager for U.S. specie payments as China's imperial policies as well as Britain- and India-based traders siphoned silver away from Canton. The eagerness for American specie remittances coupled with the relationships cultivated by resident American agents like John Perkins Cushing led Chinese merchants to increasingly trade with Americans on credit. Credit transactions facilitated the expansion of Sino–U.S. trade, the movement of opium, and the entry of Chinese merchants into Atlantic commodity and capital markets. Credit transactions also presented the problem of how to enforce payment and collect bad debts. Whenever the informal personal networks they had forged to secure credit relationships proved insufficient, merchants on both sides of the globe looked to U.S. legal institutions to mediate commercial disputes. Thus, even as the silver U.S. traders supplied in Canton worked to integrate Americans more firmly into Britain's commercial empire in Asia, credit transactions and formal and informal dispute resolutions arising therefrom carved out separate avenues of direct Sino–U.S. exchange that were of mutual interest.

Keywords: credit, international trade, China, US 19th

A most peculiar advertisement ran in the August 13, 1808, edition of the *New-York Gazette & General Advertiser.* The "Notice to Mandarins" promised between twenty and fifty thousand dollars to "a *Mandarin*, who, during the present Embargo, will obtain permission from the President of the United States, for a ship … to proceed from New-York to Canton and back to New-York." Although it was "immaterial" whether the "*genuine Mandarin*" was "a native of Asia, or America," preference would be given to the applicant with the most superannuated father. The exact remuneration was negotiable, depending largely on whether the Mandarin hopeful could produce a permit authorizing the "*exportation of Specie*; such a privilege being

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denied by the *Statutes* of Congress and *authorized* only by the *receipts* of the President, in respect to the Embargo Laws."[1]

In case readers might miss the derision of the anonymous solicitor, the editor of the *Gazette* posted a story cribbed from a Washington, DC, paper immediately above the "Notice" that told of the ideal candidate. The preceding month, Punqua Winchong, a "Mandarin and merchant," had visited the Federal City in order to "obtain an exemption from the restriction of the embargo." Winchong reported that his ninety-year-old father was near death and that he was seeking passage home for the nonagenarian's imminent interment. He asked President Jefferson's permission to charter a vessel that would take him and "his property, collected in this country to the amount of forty or fifty thousand dollars," back to China.[2]

Winchong and his petition, however, were old news. The latest circulating in the northeastern port cities in the summer of 1808 was that the petition had been successful, that Jefferson had authorized a Canton voyage, and that Winchong had selected John Jacob Astor's ship *Beaver* to carry him (and his considerable property) home. Word of the *Beaver*'s exemption did nothing to cool the tempers of merchants who saw their commerce curtailed and their cities depressed by the enforcement of Jefferson's most odious embargo. From Philadelphia, Providence, Boston, and Salem, frustrated traders echoed the cries of foul play advanced by the New York papers. They asserted, like the author of the facetious "Notice," that Winchong and his petition were a ruse at best and a conspiracy at worst. They abused Jefferson for preferentially allowing Astor to subvert the embargo, attacked Astor for using Winchong's return as cover for loading a cargo intended for trade, and wondered in print whether Winchong was a "*genuine Mandarin*," merely an obscure shopkeeper, or even a Frenchman in disguise.[3]

As escalating speculations about the true identity of its most notorious passenger circulated in print, the *Beaver* readied to sail. The *Beaver*'s many other cargoes received far less attention than its celebrity passenger and cunning owner. Among these were letters drafted by Oliver Wolcott, onetime secretary of the Treasury and New York merchant. Though far more subtly than Astor, Wolcott likewise took advantage of Jefferson's diplomatically minded exception in order to continue his business in the East Indies. He sent letters by the *Beaver* to Houqua and Cheonqua, two prominent members of the *cohong*, the guild of mercantile houses at Canton that were licensed to trade with foreigners by the Qing imperial state. In these letters, Wolcott updated the two *hong* merchants on the progress he had made in effecting a favorable sale of the exports they had entrusted to him. "You may expect a handsome profit on your consignment," Wolcott advised the distant traders, although he counseled them to be patient

1. "Notice to Mandarins," *New-York Gazette & General Advertiser*, August 13, 1808 (emphasis in original).

2. Ibid. Winchong is not named in the article. For that information, see William Thornton to Thomas Jefferson, July 22, 1808, Tucker-Coleman Papers, Swem Library.

3. See, e.g., "A Chinese Mandarin," *Political Censor*, August 10, 1808; "Notice to Mandarins," *New-York Gazette & General Advertiser*, August 13, 1808; "The Ship Beaver and the Mandarin," *New-York Commercial Advertiser*, August 13, 1808. "Mandarin" designated an official in the Chinese imperial bureaucracy, hence the importance of distinguishing a mandarin from a low-ranking shopkeeper. Jefferson likely believed Winchong's claim to imperial status and, as Dael Norwood has argued, granted the exemption in a diplomatic effort to foster relations with the Qing state. Norwood, *Trading Freedom*, 47.

in their expectation of remittances. For Houqua, however, the *Beaver*'s voyage did facilitate a specie payment. As Wolcott's letter was kept safe in the aftercastle, twenty thousand Spanish silver dollars intended for Houqua were loaded in the hull. The specie was freighted on behalf of the Providence mercantile partnership Brown & Ives, which owed double that sum to Houqua for the cargo of tea, silk, and "nankeen" cloth that he had prepared for its agent on credit the previous year. The firm added its silver to Wolcott's paper promise.[4]

When the *Beaver* sailed, it carried the instruments that effected the trade of the early United States with China—silver and paper. In accounts of the late Canton trade system, the role of U.S. traders is most closely associated with the former—the silver mined from Spain's American colonies that bought them entry to the Chinese market. Compared with the British East India Company (EIC), which dominated trade in Canton from the late eighteenth century, Americans were marginal players, albeit ones who carried out a critical role in supplying Canton with much-needed specie. Recent work on Britain's growing late eighteenth- and early nineteenth-century commercial empire in Asia has especially stressed the power of India-based traders and to a much lesser extent hong merchants—private actors working within structures set up by the more powerful EIC and Qing imperial state—to facilitate and, through financial dealings and well-applied political pressure, shape British imperial policy. U.S. traders figure into these accounts chiefly as suppliers of the hard money that indebted hongs desperately needed to rebalance their British accounts. Spanish American silver carried to Canton in U.S. bottoms quickly passed through hong hands before it went to paying down debts accrued to the EIC or to purchasing Indian cargoes of Bombay cottons, spices, medicines, and, principally, opium. British private traders could deposit American silver with the EIC's Canton Treasury in exchange for bills payable in London in the final act that transformed Indian opium into British wealth. Historians of the early United States in the Pacific have likewise highlighted the importance of silver in Sino–U.S trade, although their work tends to focus on the hunt for commodities to replace specie at Canton and the enormous impact this had on Pacific peoples and environments.[5]

While various U.S. merchants found short-term successes trading in furs, sandalwood, and bêche-de-mer, by far the most successful replacement U.S. merchants found for silver at Canton was debt. As the *Beaver*'s cargo revealed, U.S. traders negotiated with hong merchants to finance the tea and silk trade in exchange for future repayment in specie or services. Agreements forged at Canton allowed firms like Brown & Ives to purchase Chinese goods on credit. As holders of American debt, Chinese merchants were increasingly integrated into American commerce and found themselves occupying as creditors a new position within the

4. Oliver Wolcott to Cheonqua, August 16, 1808, and to Houqua, August 16, 1808, Oliver Wolcott letterbook, NYPL. Brown & Ives to Perkins & Co., July 15, 1807, July 22, 1807, and July 30, 1807, Brown family business records, JCB. The term "hong" had several contemporary meanings ranging from the principal agent in a Canton mercantile house to the collective firm or even to the physical building the firm occupied.

5. For works that stress the role of private country traders, see Hanser, "From Cross-Cultural Credit to Colonial Debt"; Hanser, *Mr. Smith Goes to China*; Bowen, *The Business of Empire*, 222–234; Hamashita, "Foreign Trade Finance in China." On the pursuit of Pacific trade commodities, see Gibson, *Otter Skins, Boston Ships, and China Goods*; Malloy, *"Boston Men" on the Northwest Coast*; Zilberstein, "Objects of Distant Exchange"; Igler, *The Great Ocean*; Matsuda, *Pacific Worlds*; Shoemaker, *Pursuing Respect in the Cannibal Isles.*

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broader circuits of Anglo-American finance than that usually offered them by British traders, that of debtor. As John D. Wong has demonstrated, Chinese creditors like Houqua were able to parlay their financial interest in American mercantile houses into investment opportunities, but they also found themselves more vulnerable to commercial shocks emanating far from Canton, like the embargo recession. When Wolcott penned letters to be taken up by the *Beaver*, he acted in the capacity of a foreign agent who managed the American property and interests of Chinese hongs. This property and interest would continue to grow in proportion to American commercial activity in Canton until the First Opium War (1839–1842) and subsequent treaties dismantled the Canton system and significantly altered the mechanics of Sino–U.S. trade.[6]

The debtor–creditor relationship, of course, was not always harmonious, as Winchong could attest. It was his obligations as a creditor, after all, that propelled him to violate imperial edicts against foreign travel, undertake a lengthy maritime journey, and risk being trapped behind Jefferson's embargo in the first place. His was a pilgrimage all too familiar in the world of commerce—the pursuit of deadbeat debtors. In traveling to America with the hope of personally tracking down and forcing payment from Americans indebted to his family's Canton firm, Winchong was an anomaly. However, his exceptional expedition speaks to the larger problems of regulating credit relationships that transcended legal and cultural boundaries. As credit transactions became key components of Sino–U.S. trade, U.S. and Chinese merchants attempted various schemes to secure bad debts and enforce promises to pay. Whenever the informal personal networks they had forged to secure credit relationships proved insufficient, merchants on both sides of the globe looked to U.S. legal institutions to mediate commercial disputes. Although Winchong's physical presence in the United States was odd, disputes over debt saw several hong merchants represented as plaintiffs in federal courts.

Winchong's American journey and the silver and paper cargo loaded aboard his return vessel suggest the larger role that credit played in the mechanics of early U.S. trade with China. Americans' ability to purchase on credit at Canton drove the expansion of Sino–U.S. trade; the credit extended by Chinese merchants to American traders enabled the growth of American interests in the Canton market at the same time that they opened new opportunities for hong merchants to earn generous interest, to trade abroad on their own accounts and thus realize Atlantic prices for Chinese goods, to directly invest in U.S. domestic enterprises, and in so doing to keep more of their profits from being seized by Qing officials for Chinese domestic enterprises. Although often romanticized in post–Opium War accounts, the "old China trade" was very much in step with what was "new" about the early U.S. economy: It was enmeshed in international networks of credit, fortunes were won and lost through risky financial maneuverings, foreign capital was crucial to large-scale enterprises, and the courts emerged as the final arbiter of property disputes.[7]

6. Wong, *Global Trade in the Nineteenth* Century. On Chinese commercial development in the nineteenth century, see Hao, *The Commercial Revolution in Nineteenth-Century China.*

7. The customary interest rate at Canton over the roughly fifty year period between when the United States entered the trade and the First Opium War hovered near 12 percent per annum, although undercapitalized hongs often found themselves paying 18 percent and upward to British creditors. For comparison, the going rate in London was closer to 3–6 percent. See Lam, "The 1819 Canton Bank Note and Parsee Bankers in China," 215–216; Grant, "Hong Merchant Litigation in the American Courts," 57; Hanser, *Mr. Smith Goes to China*, 21–23,

Focusing on the financial dealings between U.S. and hong merchants also offers a new vantage on how U.S. and Chinese traders jointly carved out bilateral trade and dispute resolution channels within a trading system that was heavily structured to favor Qing and British interests. Credit transactions allowed U.S. traders to increase their volume of trade with China while they opened business and financial opportunities to Chinese merchants beyond Canton. Even when deals went bad, Chinese creditors and U.S. debtors preferred to manage affairs without recourse to Qing officials or the EIC Select Committee that in practice jointly governed, albeit with challenge, the Canton system before 1833. For British traders, the EIC's powerful Select Committee worked to manage the twin threats to the late Canton system it perceived as being posed by Qing officials eager to collect rents, on the one hand, and private country traders whose dealings threatened to attract the attention of Beijing, on the other hand. Britain's country or "free" traders, for their part, perceived the EIC to be the principal threat, and worked to eclipse its position as intermediary through disastrous attempts at direct appeals to Qing officials and through more successful lobbying in Parliament that resulted in an 1833 act that ended the EIC's monopoly on trade between Britain and China.[8]

U.S. trade interests had no state-sanctioned monopoly and thus no singular powerful entity like the EIC to serve as intermediary with the cohong or to discipline and expel bad actors. Unlike India-based country traders, U.S. and Chinese merchants shared a heavy skepticism of not only the utility of seeking intervention from either of the two trading monopolies—the cohong and the EIC—but also the prudence of appealing to Qing legal regimes. Rather, a variety of U.S. and Chinese merchants in the late Canton system tried—some quite successfully, others less so—to manage risky financial transactions and protect private property in the absence of formal diplomatic institutions or strong international governance. Americans and their Chinese trading partners relied instead on more ad hoc and informal institutions—interpersonal mechanisms of trust based in kinship and friendship. In cases when these mechanisms proved insufficient, hongs and U.S. merchants alike invited U.S. courts to be the final arbiter. U.S. and hong merchants worked simultaneously to build up more powerful intermediaries, like resident agents, and to legitimize the power of the U.S. state through its courts to set and enforce the rules of the trade. Thus, even as the silver U.S. traders supplied in Canton worked to integrate Americans more firmly into Britain's commercial empire in Asia, credit transactions and formal and informal dispute resolutions arising therefrom carved out separate avenues of direct Sino–U.S. exchange that were of mutual interest.[9]

70–71. On the desire for hong merchants to shield assets from Qing enterprises and limited investment opportunities in China, see Wong, *Global Trade in the Nineteenth Century.*

8. For the rift between the EIC and country traders over appeals to the Qing court, see Hanser, *Mr. Smith Goes to China*, 83–84, 91–95, 100–102. Frederic D. Grant Jr. details the lengths the EIC Select Committee and the cohong went to in order to avoid the attention of Qing authorities, particularly as it related to hong indebtedness. See Grant, *The Chinese Cornerstone of Modern Banking*, 157–164.

9. The problem of trust in long-distance and cross-cultural trade has generated a rich literature in both history and economics. Good points of entry include Greif, *Institutions and the Path to the Modern Economy*; Trivellato, *The Familiarity of Strangers.* John D. Wong is especially concerned with how trust was sustained across the significant distances and time horizons of nineteenth-century Sino–U.S. trade, and he argues that personal rather than collective networks were critical for Houqua's particular success. Wong, *Global Trade in the Nineteenth Century*, 105–107. For a Chinese merchant who less successfully pursued similar strategies, see Grant, *The Chinese Cornerstone of Modern Banking*, 174–180.

This essay explores the development of Sino–U.S. commercial and arbitration practices that grew out of credit transactions and operated in relation to, but distinct from, the greater Canton system that primarily served Beijing and London. It opens by tracing the emergence of the two critical structures that facilitated the growth of American credit transactions at Canton: U.S. trade in Spanish American silver and the development of the human networks that engendered the trust necessary to debtor–creditor relationships. It then considers the work that this debt did to expand U.S. trade with China, to facilitate the illegal traffic in opium, and to enable Chinese foreign investment. Final sections consider the haphazard development of informal and formal regulatory institutions that transcended national boundaries and that responded—however imperfectly—to credit relationships gone awry. Without dismissing the importance of silver and Pacific trade goods to early Sino–U.S. trade, this essay traces the financializing trade practices and emerging regulatory strategies that rose alongside the trade in specie and commodities and carved out a distinctive relationship between U.S. and Chinese merchants. Doing so reveals not only American trade practices, but Chinese practices as well. In the intertwined commercial and social credit economy that drove long-distance trade, hong merchants were important players as both debtors and creditors and as financial actors capable of taking both good and bad risks. They extended credit, dealt in book debt, sought returns for their capital in emerging markets like the United States, cultivated and managed reputations, vouched for friends and associates, exerted social pressure, and—when things broke down—litigated commercial disputes in U.S. courts.

The Silver Ticket

Although Chinese goods had been filling colonial storehouses and cupboards since the seventeenth century, Anglo North America's direct involvement in the China trade did not begin until after the American Revolution. Shorn of political ties to king and Parliament, the United States was no longer bound to respect the monopoly granted the British EIC. The success of the Revolution promised American merchants direct access to both the luxuries of the Chinese market and the immense profits of the East Indies commerce, and citizens who had dumped Company tea into Boston Harbor a decade earlier celebrated the 1784 sailing of the *Empress of China*, the first U.S. voyage to Asia.[10]

When the *Empress* returned in the spring of 1785, it carried the exotic goods at the center of a new American culture of refinement. Chief among the imports were chests filled with the cured leaves of the *Camellia sinensis*, the tea plant. Despite the anti-British "tea parties" and boycotts of the 1770s that saw a temporary decline in consumption, tea returned as a favorite stimulant and tea drinking as a hallowed form of social intercourse in the early republic. Tea's resurgent popularity in the United States alongside the strong market for it in Europe made it a valuable trade commodity. Between 1789 and 1815, U.S. vessels shipped some 84 million pounds of what one importer called the "pleasant and necessary beverage," and 96 chests out of 100 were loaded at Canton, the sole Chinese port open to American traders. In addition to

10. Goldstein, *Philadelphia and the China Trade*, 27–30.

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tea, the *Empress* delivered Chinese textiles, including cotton nankeens and a variety of silk manufactures that were wildly popular in the early republic.[11]

While Chinese goods found a booming consumer market in the United States, U.S. merchants initially struggled to compile outward cargoes that would similarly entice Chinese buyers. At Canton, silver reigned supreme, but few Americans were capable of amassing a trade cargo of $100,000 or more in silver that warranted the expense of an East Indies venture. Fewer still opted to absorb the opportunity costs sunk in Pacific voyages that were lengthier, riskier, and required greater initial outlay than did the more familiar routes of the Atlantic and Caribbean. The few U.S. firms that did undertake East Indies ventures in the first two decades of independent trade with China employed more creativity than silver in the commerce. Unable to consistently meet Chinese demand for silver, they instead looked to niche trade goods like domestically grown ginseng that might shift their export burden away from specie. In pursuit of the riches of China, American merchants aggressively pursued the resources of the Pacific. They unleashed an exploitative trade and harvest campaign targeted at the animal and plant life—the furs, the bêche-de-mer, the sandalwood—of the Pacific islands and littoral.[12]

For all the transformations wrought by this emerging intra-Pacific commerce, neither Hawaiian sandalwood nor North Pacific furs approached the demand for silver at Canton. Silver served a dual purpose in China's foreign trade; it was at once currency (the medium of exchange) and commodity (the good being exchanged). Whether via Company India, the galleon trade–supplied Spanish Philippines, or direct from Europe, silver found its way to Qing dynasty Canton en masse. So great was the influx that China's bullion stock nearly quadrupled between 1680 and 1830. During the 1780s, as the state-chartered companies of Europe floated silver toward the South China Sea, specie-poor American merchants simply were not selling what the Chinese were buying.[13]

This all changed in 1793 when Spain joined Britain and other European monarchies in war against France. For roughly the next two decades, the Atlantic maritime powers would war in Europe and at their various colonial outposts, and a careful policy of neutrality gained U.S. vessels entry into belligerent ports and opened new re-export markets in continental Europe for U.S.-carried East Indies goods. With Spain caught up in continental warfare, neutral U.S. vessels took up much of the carrying trade with Spanish American colonies and took in much colonial silver in return. When combined with the other benefits of neutrality, access to Spanish American silver meant that those few U.S. merchants involved in trade to the East Indies were able to send more vessels with heavier specie loads. At the same time, large European players in the Canton market like the EIC were officially restricting bullion shipments to Canton in response to a mix of wartime financial exigencies, better specie markets elsewhere, and domestic political concerns. While the EIC experimented with

11. William Sturgis to Edward Carrington, April 13, 1813, Bryant & Sturgis records, Baker Library (emphasis in original). For figures on tea, see Fichter, *So Great a Proffit*, 88. On Chinese commodities, American consumers, and refinement, see Frank, *Objectifying China, Imagining America*; Bushman, *The Refinement of America.*

12. Gibson, *Otter Skins, Boston Ships, and China Goods*; Malloy, *"Boston Men" on the Northwest Coast*; Zilberstein, "Objects of Distant Exchange"; Fichter, *So Great a Proffit*; Igler, *The Great Ocean.*

13. Fichter, *So Great a Proffit*, 31–35.

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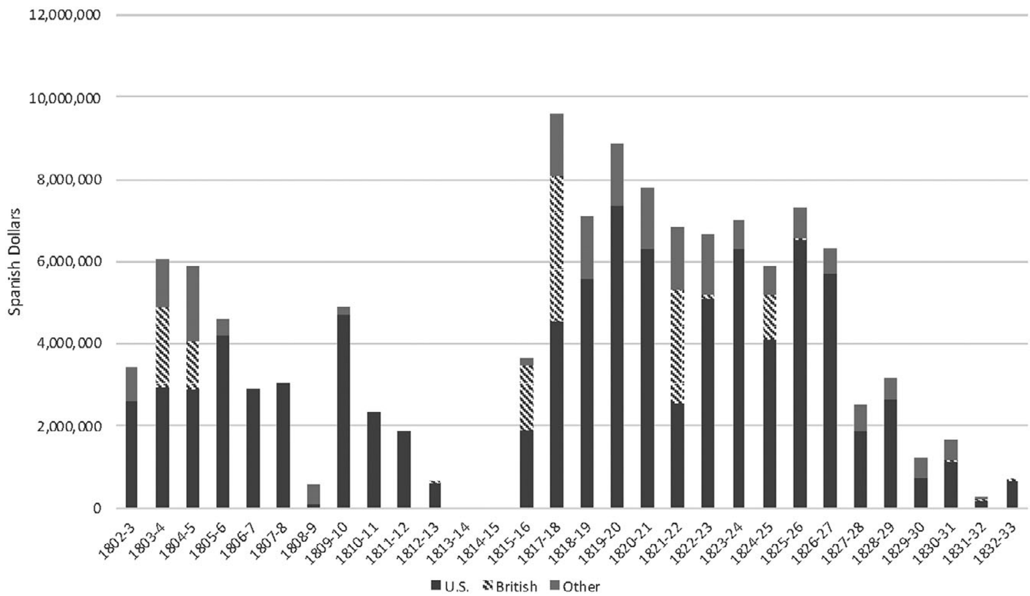

Figure 1. Specie imports to Canton by flag carrier.

Compiled from figures and estimates from Downs, *The Golden Ghetto*, 359–360.

bullion shipments drawn from India revenues, encouraged silver imports from India-based country traders, and made occasional limited direct shipments from London (see Figure 1), their market size in Canton from the mid-1780s enabled them to force a "truck" system wherein hong tea sales were directly tied to their purchases of English woolen imports. The EIC significantly curtailed silver imports to Canton during the decades when war—first between European powers and later between Spain and its American colonies in rebellion—disrupted global supply and distribution, leaving India-based traders and U.S. shippers as the key importers. By the 1804–1805 trading season, the 2.9 million Spanish dollars carried in U.S. bottoms accounted for nearly half the specie imported at Canton. The following trade year, Americans were virtually the only players in the specie game, importing an estimated $4,176,000 of the $4,596,000 that foreign traders carried to Canton. Amid a world at war, Americans had found the silver ticket.[14]

14. On shifting EIC export strategies, see Bowen, *The Business of Empire*, 229–234. Dael Norwood notes that the U.S. specie exporters aroused political concern about constricting the availability of hard money at home, and Congress even briefly considered banning specie exports during the Panic of 1819. Indeed, concerns about the China trade's role in draining specie and undermining state authority over the money supply were raised in Washington, London, and Beijing during this period. Norwood, *Trading Freedom*, 56–57, 71. The figures on silver imports are drawn from Downs, *The Golden Ghetto*, 358–363 (appendix 3). I follow Downs in his division between one trading season to the next but note that there is no agreed-on standard for precisely when to split, e.g., the 1820–1821 from the 1821–1822 trading season. Downs's division more neatly conforms to the U.S. rhythm of the China trade than that of European traders, and thus Downs logs some British and other specie imports in later seasons than they appear in other accounts that are otherwise largely in agreement with Downs on trade statistics. On the whole, exact statistics and precise quantifications for the China trade are

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As the volume and value of American commerce with China took off at the opening of the nineteenth century, U.S. traders created a more permanent, year-round presence at Canton. Originally, the anemic American community at Canton's extramural foreign district consisted of a few supercargoes who had been instructed to remain through the off-season with the hopes that they might more easily navigate the Canton market and take advantage of depressed late- and early-season prices. Rhode Islanders like Samuel Snow, William Megee, Sullivan Dorr, and Edward Carrington alongside Philadelphians James Oliver and George Blight were among the first semipermanent American residents at Canton, and each catered to mercantile houses from his home port to which he had extensive commercial, social, and, in the case of Dorr and Blight, familial ties. However, as U.S. firms increasingly specialized in the East Indies trade, they sought to replicate the effective West Indies system by installing loyal agency houses at prominent ports of call that could see to their business and operate as commission merchants.[15]

Of these early American houses at Canton, by far the most important was Perkins & Co. In 1803, Thomas Handasyd Perkins, partner in the prominent Boston mercantile firm James & Thomas H. Perkins & Co., sent his sixteen-year-old nephew John Perkins Cushing to clerk in the firm's Canton agency. When the chief agent died two years later, young Cushing found himself the sole partner in Perkins & Co., Canton. The inauspicious beginning did little to hinder the immediate and sustained success of the operation. In preparation for its 1831 merger with Russell & Co., Perkins & Co.'s worth was calculated at more than a million dollars, and its London agent estimated that it was lately responsible for brokering half of all American trade and (excepting the Netherlands Trading Society) all of the European tea trade at Canton.[16]

In an era when familial networks often underpinned commercial networks, Cushing owed much of his success to the sustained patronage of the "Boston concern"—the group of powerful firms headed by adept members of the interrelated Perkins, Sturgis, and Forbes families. William Sturgis, brother-in-law to Thomas H. Perkins and partner in Boston's Bryant & Sturgis, knew Cushing from his early days captaining J & T.H. Perkins vessels between the fur-rich northwest coast and Canton. In later years, Sturgis maintained a friendly and animated correspondence with Cushing that ranged from prices current at Canton to gossip about the romantic lives of their mutual friends. Sturgis entrusted Cushing with all of his business in Canton, a fact not altogether surprising, considering that Bryant & Sturgis often shared the risk and expense of costly Canton voyages with close affiliates J & T.H. Perkins. So important were social and kinship ties to the Boston concern that when Cushing considered withdrawing from the commission business and returning stateside, T. H. Perkins sent another nephew—this

difficult to come by, as no single entity kept records that were exhaustive in scope or complete in coverage, traders (especially but not exclusively those dealing in opium) might intentionally evade public counts, various recorded statistics from the trade do not always perfectly align with each other, and key chroniclers sometimes erred in their transcriptions. Nonetheless, the relative growth of the U.S. as a specie importer is well documented in both the qualitative and quantitative accounts from the era.

15. Downs, *The Golden Ghetto*, 143–150.

16. Downs, *The Golden Ghetto*,150–162; Haddad, *America's First Adventure in China*, 37–43. "Estimate of property of Perkins & Co., 2nd est., 3rd est." in the miscellaneous papers of William Sturgis, Bryant & Sturgis records.

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time James Perkins Sturgis—to form his own commission agency at Canton. William Sturgis, another of James P. Sturgis's uncles, reminded him that "we would not have you think a moment of doing any thing … with any one South of new England. We would not trust an individual in the Southern section of the Country with our name on any account."[17]

While Cushing's success at Canton was built upon the maintenance of strong familial, social, and regional ties to leading U.S. firms, it was likewise dependent upon his abilities to make new connections at Canton and to graft these local relationships onto networks that stretched to the other side of the globe. Spatially and conceptually, the foreign community Cushing stepped into was strictly segregated from the city of Canton, the greater Guangdong Province, and the whole of Qing China centered at the distant imperial court in Beijing. Relegating foreign trade to a strictly policed peripheral zone fulfilled both ideological and practical needs for the Qing regime. Commercial orientation and foreign traders would not pollute Chinese society, and local bureaucrats could more effectively extract revenue from a contained and closely policed foreign trade zone.[18]

At Canton, Cushing interacted with greater China almost exclusively through a strict hierarchical system that linked "coolie" porters at the bottom to Chinese mercantile houses (the cohong), *hoppo* customs officials, and the governor and governor-general of Guangdong and neighboring Guangxi Provinces. With each incoming ship being assigned one of the hongs as a "security" merchant responsible for conducting trade and exacting customs fees, the Canton system deployed hong merchants as buffers who would mediate between the foreign traders, on the one hand, and the internal governance and material resources of China, on the other. Interactions between Chinese and outsiders were further restricted by regulations that kept foreign ships and crews anchored at the outer delta site of Whampoa and permitted only representatives such as the supercargo and captain to visit Canton and directly engage in trade. Under this system, the experience of Captain Samuel Hill of the ship *Ophelia* was fairly typical. When the *Ophelia* arrived at nearby Macao, Hill "went on Shore immediately and dispatched a letter to Mr. Cushing in Canton informing of our arrival." Only once Cushing had arrived and "Communicated his Ideas respecting the employmt. of the Ship etc." did Hill and the *Ophelia* proceed to Whampoa. Cushing returned to Canton, dispatched of the *Ophelia*'s cargo, and negotiated with and received a return cargo from Houqua while Hill remained with the ship at Whampoa.[19]

The success of voyages like the *Ophelia*'s, then, were heavily dependent on Cushing's knowledge of the Canton market and his ability to effectively negotiate with the hong security merchants. Within the liminal space of Canton's foreign district, commission merchants like Cushing and hong merchants like Houqua acted as "go-betweens," the individual actors who mediated between global systems and local objectives. At Canton, merchants traded not just in silver and tea, but in information as well. What were the prospects for next season's tea crops?

17. Bryant & Sturgis to James P. Sturgis, March 31, 1818, Bryant & Sturgis records. On the relationship between Sturgis and Cushing, see especially Sturgis to John Perkins Cushing, March 23, 1812, Bryant & Sturgis records. Downs, *The Golden Ghetto*, 155, 367–369 (appendix 5).

18. Downs, *The Golden Ghetto*,73. On imperial attitudes toward the foreign community at Canton, see Van Dyke, *The Canton Trade*, 97; Edwards, "Ch'ing Legal Jurisdiction over Foreigners," 255–256.

19. August 1816 entries in Journal and Logbook, 1815–1822, Samuel Hill papers, NYPL. Downs, *The Golden Ghetto*,75–78.

Where could vessels safely discharge a contraband cargo of opium? Were otter skins still in fashion at court? Which flags were at war with one another? Which houses were reliably solvent? As the Canton trading community trafficked in information, personal connections between individuals such as Cushing and Houqua became productive nodes that not only linked together extra-local networks of commerce but also translated and fashioned new kinds of material, commercial, and cultural knowledge.[20]

Although commerce was at the center of Sino–U.S. relations at Canton, these ties were often solidified through rites of friendship and sociability. The familiarity occasioned by the small populations of licensed hongs and resident foreigners formed the basis for informal social encounters and shared recreation. Americans just returned from Canton took particular delight in peddling accounts of pleasant evenings spent at the homes of hong merchants. They sketched the gardens they had walked in and counted the sumptuous courses through which they had cheerfully persevered. The day-to-day social life of Canton was almost exclusively homosocial, as foreign women were barred from even the extramural district, but interactions spilled over to Macao, where some foreign traders maintained families. So lively was the Macao social calendar that even the flirtatious teenage niece to a partner in Russell & Co., the commission house that absorbed Perkins & Co., found the constant visits overwhelming. "Fond as I am of society and company," Harriet Low recounted in her diary, "it was too much for me."[21]

The rehearsal of socio-commercial ties punctuated Canton life, and Cushing, Houqua, and a handful of other agents relied on them to foster a global currency and commodity traffic. Spanish silver, a hull of New England timber, and well-placed uncles brought Cushing to China, but his ascent was as much dependent on his dealings within the twelve-acre confines that housed the hongs and foreign factories at Canton as on the global networks that connected him to U.S. merchants, Mexican miners, Aleut hunters, and London bankers. The personal rapport that resident commission agents and hong security merchants established furnished the trust that underwrote the expansion of Sino–U.S. trade, sustained it through times of crisis, and enabled greater recourse to credit transactions.

Canton's Liquidity Crisis

Despite two centuries' worth of foreign silver imports, Canton was experiencing a severe liquidity crisis when U.S. traders began arriving in the late eighteenth century. The specie

20. Houqua's special adeptness at navigating the shifting political and economic currents that converged at Canton and forging commercial networks that expanded far beyond it is well detailed in Wong, *Global Trade in the Nineteenth Century.* The particular strength of Houqua and Cushing's commercial friendship has been much remarked on, not least by Haddad, who argues a "Perkins-Cushing-Houqua axis" was "so potent as to alter the economic landscape of the China trade." Haddad, *America's First Adventure in China*, 47. On "go-betweens," see Metcalf, *Go-Betweens and the Colonization of Brazil*; Schaffer et al., *The Brokered World*; Ogborn, "'It's not what you know…'"

21. Hillard, *My Mother's Journal*, 85. For examples of other accounts of dinner parties, see "Extract of a Letter from an Officer on Board the U.S. Frigate Congress, to His Friend in This City," *National Intelligencer*, May 17, 1820; H[unter], *The "Fan Kwae" at Canton*, 40–41.

that hongs collected from foreign vessels was never long for the Canton market. Once silver passed into the hands of cohong members, it was quickly funneled in three directions: toward the interior tea-growing regions, onward to the imperial court via hoppo intermediaries, and, increasingly, to satisfying foreign creditors. The tea that was so desirable to American and European consumers was brought to Canton under a contract system that required hongs to send advance specie payments to planters in the interior. Planters expected payments to be made in full, an expectation that was reinforced by the custom of fulfilling all outstanding financial obligations before the Chinese New Year. By the time foreign ships were docking at Whampoa in the spring, Canton was starved for silver. This annual cycle was exacerbated by the demands placed upon the cohong by the imperial government. As part of their exclusive right to the foreign trade at Canton, cohong members were required to contribute 3 percent of their revenue to maintain a collective fund that could be tapped for imperial emergencies and that guaranteed the debts of individual hongs. Above and beyond the customs revenue and hefty licensing fees that individual hongs were responsible for paying the hoppo, this Consoo Fund was a favored target of infamous "squeezes." In the event of emergencies, the emperor would call on the thirteen hongs to contribute large donations of silver to the imperial treasury. Between 1773 and 1835, a total of 5,085,000 taels (ca. 3,661,200 Spanish dollars) was collected from hong merchants for emergencies ranging from western military campaigns and the flooding of the Yellow River to the emperor's decennial birthdays. Another 1,621,000 taels, or about $2,251,388, was paid out from the collective fund between 1780 and 1799 to satisfy creditors of indebted or failed hongs. Insolvency was endemic among chronically undercapitalized hongs, who struggled to repay individual and collective debts.[22]

In the early years of the nineteenth century, the Canton liquidity crisis came to a head due to two developments within Sino–British trade. First, as mentioned earlier, the EIC sharply curtailed shipments of specie from London. In place of specie, the EIC pushed Indian-made cotton that found an expanding market in early nineteenth-century China alongside British-made woolens that did not. By 1822, textiles comprised the plurality of EIC cargoes to China. When a fire ravaged the foreign district in that year, American newspapers reported that the EIC sustained the greatest losses, in part because its "buildings continued burning for two days after, in consequence of the immense quantity of woollen [*sic*] goods deposited in them."[23] Losses in the Great Fire of 1822 aside, the policy proved advantageous for the British. The export substitution resulted in a significant increase in the relative number of textiles shipped to Canton by the EIC and a decrease in Britain's trade deficit with China. While the EIC was responsible for halting its flow of specie to Canton, Britain's independent or country traders brought about the second development that would see that flow reversed to favor Britain. Beginning in the late eighteenth century, the India-based country traders hit on the commodity that could undermine silver's dominance in China—opium. As opium came in, silver flowed out. Cushing observed the early sign of the crisis in the fall of 1811,

22. Ch'en, *The Insolvency of the Chinese Hong Merchants*, 93, 149. Grant, *The Chinese Cornerstone of Modern Banking*, 129–132, 146.

23. "The Great Fire in Canton," *National Intelligencer*, March 20, 1823.

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when he wrote to Edward Carrington, a recently departed member of the American cohort at Canton, with bad news:

> Youqua I am sorry to say is found very deficient in the balance. He is said to owe an immense sum of money to the merchants of his own country as well as to [foreigners] and I do not think it possible that he can survive the next new year or rather the next sixty days. I fancy from what I am able to learn that there must be a great crash the next summer …, in fact I think it unavoidable.[24]

As early as 1814, what had once seemed the great silver sink of the world was shipping out more silver than it was taking in. Between 1814 and 1823, China averaged $3,014,081 in silver outflow annually that went in roughly equal measures to India and to England. In these years, England was only once and India never again a net importer of silver to China. Silver was already dear at Canton, but the shifting composition of British trade made it even dearer and left an opening for the Americans.[25]

Into this context, the arrival of U.S. traders laden with Spanish American silver offered one of the few outlets for specie-starved hong merchants. As the largest and most consistent among a dwindling silver supplier base, U.S. traders assumed a unique position of privilege within the late Canton system. Under pressure from interior tea merchants, the imperial government, and especially British traders, hongs were eager to secure access to U.S. silver imports, so much so that they increasingly agreed to sell to Americans on credit. With British traders bringing in textiles and opium and taking out silver, hongs and unlicensed or "outside" Chinese merchants competed to trade with U.S. shippers bearing specie. Hard money bought teas and silks, but it also bought the privilege for Americans who were relatively minor players within the Canton system (at least compared with the EIC) to purchase on credit. For some Chinese merchants with pressing obligations and facing considerable personal risk if their foreign debts attracted the attention of Beijing, taking some hard money now, extending credit to known hard money buyers, and lining up further specie payments in the future was a strategy born of crisis. For other, better capitalized Chinese merchants, financing a portion of Sino–U.S. trade opened extramural profit-making opportunities that may have particularly appealed at the time that the liquidity crisis revealed the powers of the Qing regime and EIC to structure trade at Canton. Thus, Chinese merchants of divergent fortune and business acumen largely converged on the strategy of extending credit to U.S. specie-proffering and future specie–promising buyers.

Enthused by the promise of collecting interest and securing future specie payments and able to leverage the relationships they had forged with resident American commission merchants as security, hongs increasingly accepted American paper debt in exchange for chests of tea. How did Chinese traders go about assessing creditworthiness and deciding whether to risk selling on credit? While great variation existed among individuals with varying risk

24. Cushing to Carrington, November 15, 1811, Carrington Papers, Rhode Island Historical Society.

25. Lin, *China Upside Down*, 84 (table 2.5); Hanser, *Mr. Smith Goes to China*; Bowen, *The Business of Empire*; Hamashita, "Foreign Trade Finance in China"; Downs, 105–143, 358; Ch'en, *The Insolvency of the Chinese Hong Merchants*, 162–167.

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tolerances, it is clear that Chinese traders generally took into account both the state of the market and the reputation of the borrower when deciding to sell goods on credit. For example, hongs who found themselves with a surfeit of teas at the end of the trading season were especially eager to move their merchandise, particularly those teas of low quality that American consumers had the dubious honor of preferring. Sellers like Consequa, who found himself in this position at the end of the 1803–1804 trading season, faced a decision: slash prices for hard money buyers and take in reduced but immediate and certain payment or entice buyers by offering to sell on credit and wager that the higher price and income to be earned in the future outweighed the risk to their balance sheets. U.S. buyers, becoming accustomed to the rhythms of the Canton trading season and struggling to compete on volume with the EIC for the best teas, looked for these late-season opportunities to purchase on credit. Brown & Ives hoped to capitalize on what by 1803 was already an emerging practice when it sent supercargo Thomas Thompson to Canton in October of that year. "We count very much on your buying to great advantage," the Providence partners wrote Thompson, "as much has been said to us … of the pressing calls of the Chinese Merchants for Money after the regular ships leave Canton." Although Brown & Ives sent Thompson with "Ninety Thousand hard Dollars," it anticipated that its silver dollars would go first toward silks and nankeens, and then the remainder only toward teas "of good flavour and quality." Acting as a sort of down payment, this initial outlay would, it hoped, entice hong merchants like Consequa "to give extensive Credit" for lower-quality teas purchased in the off-season. It worked. When Thompson wrote to his employers from Canton in May of the following year, he had successfully financed a cargo of tea.[26]

The desire to secure access to current and future specie shipped by Brown & Ives in addition to his assessment of the late-season tea market likely shaped Consequa's decision to sell to Thompson on credit, but so too did his assessment of the creditworthiness of the U.S. traders. Thompson reckoned that his success in purchasing on credit owed as much to the firm's standing as to Consequa's oversupply of teas. Within the intimate world of Sino–U.S. commerce, the reputations of Thompson and his employers alongside the $90,000 in hard money they had on hand inspired confidence in their Chinese counterparts that the debt would be fulfilled promptly and in specie. In the words of Thompson: "The punctuality with which my former obligations were discharged has given the Merchants here a high idea of your respectability."[27] Consequa, to his eventual detriment, was one of the most risk-tolerant members of the cohong, but even he based his decision to extend credit on past performance and evidence of present means. Assuming that U.S. traders like Brown & Ives met their obligations, it was an arrangement to the benefit of both parties. Brown & Ives could return a full cargo of profitable Chinese goods, potentially use the proceeds to pay its debt, and overall enjoy a relatively lengthy timeline of two to three years to fulfill its obligation at Canton. Consequa could dispose of teas at a slightly inflated price, gain immediate access to some

26. Brown & Ives to Thomas Thompson, October 25, 1803, Brown family business records. For the role that credit played in the tea trade, generally, see Grant, "Hong Merchant Litigation in the American Courts," 44–62; Grant, *The Chinese Cornerstone of Modern Banking*, 135–137. On American tastes in tea, see Fichter, *So Great a Proffit*, 93.

27. Thomas Thompson to Brown & Ives, May 25, 1804, Brown family business records.

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specie to satisfy his own British creditors, and line up future payments at or near the going Canton interest rate of 12 percent.

As America's trade with China expanded in the nineteenth century and firms sent vessels to Canton on a more regular schedule, carrying a balance in favor of hong merchants became a regular trade practice. Often, these debtor–creditor relationships were negotiated through the commission agents present in Canton whose ties with local merchants allowed them to secure easier terms for credit transactions. Cushing was a favorite choice, particularly within the Boston concern. So, too, was Carrington. In the early years, Carrington bought so frequently on credit in Canton that his stateside agents had to assure him that the proceeds from the cargoes he sent back to the U.S. might "afford you such assistance as to enable you … to leave that Country without feeling under obligations to China Merchants."[28] Perhaps the best-known story of resident American indebtedness concerns the Philadelphian Benjamin Chew Wilcocks—known locally as the "high devil" on account of his stature—and Houqua. The stuff of legend in accounts of the old China trade, Houqua supposedly tore up Wilcocks's promissory note for $72,000 when he learned that the obligation was preventing his friend from returning home.[29]

Dealing in Debt

At the close of the War of 1812 and the reopening of America's Pacific commerce, the New York firm Minturn & Champlin eagerly outfitted its ship *Lion* for Canton. By the partners' calculations, they owed $6,189.66 direct to Houqua and another $17,500 to their Canton agent who had purchased for them on credit before the outbreak of hostilities. The firm hoped to pay down and perchance even liquidate the debt, and the illegal importation of opium was integral to its settlement strategy. They loaded sixty cases of the contraband, worth around $30,000 in Canton, and reminded their captain and supercargo "not to avow having any on board and be careful to return Certificate to cancel our Bond for Debenture." For Minturn & Champlin, as for other U.S. dealers in opium, illegal traffic in opium and purchasing on credit were symbiotic commercial processes. Instead of exchanging smuggled opium for tea or silks (commodities carefully tracked by imperial revenue officers) or silver (exported illegally), Chinese merchants could simply erase a paper debt. Canceling Minturn & Champlin's bond for debenture—the paper slip that acknowledged its prior debt—constituted a transaction that proved much less legible to the Qing imperial state. In this way, the commercial credit advanced to U.S. traders facilitated the expansion of the trade in opium in particular and of Sino–American commerce in general while subverting Qing authority to tax and regulate foreign trade.[30]

28. B & T.C. Hoppin to Carrington, February 13, 1810, Carrington Papers.

29. H[unter], *The "Fan Kwae" at Canton*, 43. For Wilcocks's nickname at Canton, see Downs, *The Golden Ghetto*, 41. Grant convincingly retells the oft-told story of Houqua canceling Wilcocks's debt as not only a mark of their friendship and Houqua's generosity, but also as a reflection of the services Wilcocks provided Houqua in collecting his various other U.S. debts over the years. Grant, "Hong Merchant Litigation in American Courts," 60–61.

30. Minturn & Champlin to William Law, December 20, 1815, William Law papers, NYPL.

While U.S. traders sought to repay debts via payment in goods (chiefly specie and opium), they also proffered services. Specifically, U.S. firms bartered fees for shipping, warehousing, and marketing goods and encouraged hongs to ship cargoes on their own accounts to be carried by American vessels to ports in the Americas and Europe. This consignment arrangement, often referred to as "freighting" or carrying goods "on freight," increased in popularity as American firms were able to send multiple vessels to Asia in a single trading season and as the value of goods that could be carried home exceeded the annual investment that a single firm was willing or able to undertake. The normal practice was for the shipowners to charge a flat fee per ton of freighted cargo, but here, too, credit allowed for innovation. For example, during the 1815–1816 trading season, specie was tight for the U.S. firms that had successfully weathered the prolonged wartime downturn. In communications with Cushing, Bryant & Sturgis stressed that it did not have the means or the optimism to take on the full value and full risk of its ship *Tartar*'s return cargo. Instead, anticipating a severe shortcoming in the *Tartar*'s funds at Canton, it wished for Cushing to employ the available specie to purchase half of a return tea cargo from Houqua. In the likely event that the *Tartar*'s outward cargo could not even cover the full value of a half-load, the Bostonians hoped to extinguish their debt by encouraging Houqua to himself fill the remaining half of the ship's hold and by waiving the usual fees for freight and commission sales. Again, silver was key to Sino–U.S. trade, but it bought less than half of the *Tartar*'s return cargo. The personal connections established between Bryant & Sturgis, Cushing, and Houqua; the openings for investments provided hong merchants by Americans indebtedness; and the fluidity of financial relationships that allowed for promises of future commerce to satisfy immediate obligations accounted for the majority of the *Tartar*'s return cargo.[31]

Freighting became a popular practice within Sino–U.S. trade and one that was considered to be mutually beneficial. American merchants could guarantee that costly China voyages would return with full cargoes and could further spread the risks of turbulent waters and fickle markets, while hong merchants could realize the full foreign exchange value of Chinese commodities and potentially shield their profits from imperial officials. Cushing arranged many such ventures for firms up and down the Northeast and even invested a portion of the commission profits of Perkins & Co., Canton, in freighted consignments. B & T.C. Hoppin, Providence-based traders, found "many persons here amongst the Chinese who are desirous of shipping" and relied on Carrington to arrange the transaction via Cushing. When New Yorker Oliver Wolcott sent apologies to his Chinese consignors via Astor's embargo-exempt *Beaver*, he did so via the Canton commission house Milnor & Bull, which had brokered the freight. Particularly when the hongs found themselves with a surplus of teas on hand, they were eager to dispose of it beyond the glutted Canton market and relied on their relationships with foreign agents to do so.[32]

31. Bryant & Sturgis to Carrington, December 15, 1815, to David M. Bryant, [January 1816], and to Cushing, January 23, 1816, Bryant & Sturgis records.

32. J. P. Cushing to Edward Carrington, March 1, 1811, and Peter Snow to Edward Carrington, August 11, 1811, Carrington Papers. Oliver Wolcott to Cheonqua, August 16, 1811, and to Houqua, August 16, 1811, Oliver Wolcott letterbook.

The practice of carrying goods on consignment for hong merchants further differentiated U.S. and EIC trade practices. The EIC fought to ensure that the Company alone had the privilege of importing Chinese goods direct to Britain—hence the Indian bases for Britain's private country traders—and was required by Parliament to pass its East Indies imports through British auctions before they could be reexported elsewhere. By contrast, American vessels at Canton were free to fill their hulls with cargoes owned by a variety of private and semipublic agencies (like state-chartered monopolies) and to discharge their merchandise at myriad ports from the Baltic to the Indian and from the Pacific to the Atlantic. For their part, American shippers had no qualms about managing cargoes owned by Chinese merchants. Indeed, credit for the freightage fees, the commission percentages, and the work that the Sino–U.S. consignment trade did to further secure relationships between distant mercantile houses was welcomed by U.S. firms. The correspondence of a disgruntled William Sturgis suggests as much. Writing to his nephew James P. Sturgis while the latter was training as Cushing's successor, the elder Sturgis chastised his green nephew for selecting a poor cargo. In contrast, he held up the revenue the firm had realized by handling a superior cargo freighted on behalf of hong merchant Washing. "It gives us pleasure to forward so favorable sales of Washing[']s consignment," Sturgis began. "The shipment proved a better one than yours and we hope may induce him to be sending larger lotts this way."[33]

Once they had sold the freighted cargoes, American mercantile houses reinvested the proceeds due their Chinese consignors. Although remittances in specie were most common, some hongs used their American connections to gain direct access to foreign commodities. Opium, of course, was frequently requested, and receiving cargoes of opium already paid for in foreign markets offered similar advantages with regard to eluding imperial oversight to those cargoes purchased in Canton by means of paper debt. Other foreign-produced consumer goods, however, found their way to Canton in the form of remittances due Chinese investors. Cushing helped Chutong Ahoo, a Canton merchant operating outside of the licensed cohong, to send six and a half chests of tea to the United States on a Brown & Ives ship. Having learned from Cushing that his teas had been sold, Ahoo requested "2 Barrel of Blacking [polish]" and "6 boxs of good Brown Bar soap." Although the volume of Ahoo's trade was small in comparison to that undertaken by the hongs, it suggests the richness of information that was circulating in Canton. Even an outside merchant like Ahoo was familiar with the relationship between the Browns and the Providence soap works.[34]

In addition to the commodity remittances facilitated by the American freight trade, hong merchants also used their American debtors to secure greater access to European markets and the larger world of Anglo-American finance. Far and above the most successful Chinese investor in foreign markets during this period was Cushing's friend Houqua. As *primus inter pares*, Houqua was the wealthiest and nominal head of the cohong in large part thanks to having secured "almost all the American business."[35] While a U.S. naval officer estimated

33. Bryant & Sturgis to James P. Sturgis, February 25, 1818, Bryant & Sturgis records.

34. For an example of a hong request for remittance in opium, see Bryant & Sturgis to Pacqua, July 3, 1817, Bryant & Sturgis records. Chutong Ahoo to J. P. Cushing, December 18, 1835, and February [n.d.], 1836, Bryant & Sturgis records.

35. Cushing to Carrington, November 15, 1811, Carrington Papers.

Houqua's fortune to be "eight or ten millions" in 1820, it had increased to a rumored $26 million by the time of his death in 1843. (For reference, when Astor, America's first multi-millionaire, died five years later, his estate was valued at no more than $20 million.)[36] When Robert Bennett Forbes wrote his memoir on the old China trade, he spoke fondly of his family's chief hong ally. "This remarkable man," Forbes said of Houqua, "was always a warm friend to the Americans, and through them was supposed to have carried on a considerable trade, on his own account, both to Europe and to the United States."[37] When Americans could not fulfill their full obligations in specie at Canton, Houqua was either able to employ that debt to cover the transport and sales of his cargoes abroad or to request remuneration in the United States via his American agents. Relying on Cushing and Sturgis to serve as his brokers, Houqua reinvested many of his profits alongside the paper debt that had accrued to him in Western commercial and industrial ventures, preferring, like so many other wealthy men of his time, stock in the new railroad ventures in particular.[38]

For hongs like that managed by Houqua, the debt that accrued to them from American merchants provided a unique outlet for their commercial energies. While the structural imperatives of European monopolies and Qing commercial regulation limited hong activity to mercantile exchanges—licit and otherwise—within Canton's extramural district, their American debtors drew them as creditors into global commercial exchanges and financial markets. Either in the form of cargoes shipped out of Canton on hong merchants' own accounts or of payments rendered to them in the United States (via financial instruments like bills of exchange and railroad shares or tangible cargoes like soap, opium, and silver), American debt was a critical entry point for a select few Asian traders into industrial and financial developments taking place around the Atlantic. In enacting these transactions, U.S. China traders were able to diversify their own commercial profiles. Not only could freighting cargo balance the risk of lengthy oceanic voyages, but the fees associated with carrying goods on freight in addition to commissions on sales and other related brokerage and asset management fees provided U.S. mercantile houses with a steady income to offset the uncertainties of fluctuating markets and seas. The profit U.S. firms realized from carrying out the foreign trade of the wealthiest hongs coupled with the easy credit offered to them at Canton further encouraged the expansion of Sino–U.S. trade.

Regulating Credit

While debt played a productive role in expanding the commercial operations and the individual fortunes of Chinese hongs and American firms alike, it could, of course, be equally destructive. Merchants who purchased and sold goods on credit at Canton were faced with a quandary that was hardly unique to the China trade: how to protect themselves against bad

36. "Extract of a Letter from an Office on Board the U.S. Frigate Congress," *National Intelligencer*, May 17, 1820. The estimate of Houqua's later fortune comes from H[unter], *The "Fan Kwae" at Canton*, 48. Will of John Jacob Astor, John Jacob Astor business records, Baker Library Historical Collections.

37. Forbes, *Remarks on China and the China Trade*, 14.

38. Wong, *Global Trade in the Nineteenth Century*, 80–83. Downs, *The Golden Ghetto*, 80–82, 154.

debts. Although credit quickly assumed an important role in Sino–U.S. commerce, effective regulation was slow to follow.

Initially, Chinese and American merchants relied on the social connections they had forged and the mechanisms of reputation they had jointly crafted to ensure debts were repaid. Grateful for the assistance in securing freight for that season's underfunded *Tartar* voyage, William Sturgis prepared a special cargo for Cushing. Two boxes of Spanish cigars, two tins of cheese, a box of the best ham "done up in bags with care," ten gallons of the "best and richest Cherry Brandy," and half a barrel of "excellent mess Beef" were readied for the next American vessel to venture beyond the Cape. "Any supercargo who knows they are for Cushing will take them," Sturgis reminded his clerk. Sturgis was a loyal friend to Cushing, and filling his distant companion's belly with the tastes of home was a gesture of gratitude and friendship from one seasoned Pacific trader to another. Sturgis, however, was also possessor of a savvy commercial mind, and at the time he was maneuvering his firm to specialize in the China trade, he well understood the integral value of Cushing's services to his own success. Following a practice long ensconced within mercantile trade, Sturgis's gift to Cushing served social and commercial ends. The tins of cheese and barrels of beef were the material complement to the networks of kin, correspondence, and interest that bound together the Boston concern as well as so many other private, long-distance traders of the period.[39]

As intermediaries like Cushing worked to extend these networks to include hong merchants, they relied on the familiar etiquette of gift-giving. Once returned to the United States, Cushing maintained his relationships with Canton traders through the regular exchange of gifts and letters. When Chutong Ahoo's father took ill, Cushing sent sweet wine, sugar candy, fruit trees, and shoes, among other American delights. Ahoo, much gratified by the gift, sent a few kind lines along with toys for Cushing's youngest son, a "small package" for his wife, and dried lychees for the family. When the *Beaver* broke the embargo, Wolcott ensured that it sailed with "two Boxes of Cordials." In his generosity, Wolcott did not discriminate between his American and his Chinese trading partners at Canton. He wrote William Bull, his Canton agent, that one was intended "for the [American] factory and the other I will thank you to present to Cheonqua in my name and with thanks for his present." As these exchanges suggest, the etiquette of gifting was a language shared between Chinese and U.S. traders, and one that was employed to forge connections across vast distances.[40]

Exchanging gifts did more than simply establish and rehearse commercial connections. Rather, engaging in the practice communicated shared ideals of respectable commercial behavior, served as a tangible representation of mutual interest, and assisted in translating markers of reputation and trustworthiness across oceans and cultures. The work that gift-giving did was particularly important as an informal means of assessing creditworthiness and securing debts. When Ahoo sent toys to Cushing's son, he marked himself as adhering to a particular code of respectable behavior. It was no mistake that the letter that accompanied the gift took note of the dispatch of a new American consul to Canton and communicated Ahoo's hope that Cushing might "write to [the new consul] to take me for his *compradores*

39. Bryant & Sturgis to [Samuel] Grant, May 9, 1815, Bryant & Sturgis records (emphasis in original).

40. Chutong Ahoo to Cushing, February [n.d.], 1836, March 12, 1838, and August 10, 1838, Bryant & Sturgis records. Wolcott to William G. Bull, May 12, 1807, Oliver Wolcott letterbook.

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[provisioner] or write to the amarecan gentlemen of my character." Ahoo proved himself well versed in the currency of reputation and skilled in the kinds of labor, such as correspondence and gifting, that were rewarded in the wages of character. Crafting the image of a respectable businessman was particularly important for Ahoo as he awaited remuneration for a cargo he had sent Brown & Ives, Cushing's neighbors to the south. Maintaining affectionate ties with Cushing and keeping him posted on the actions of the Providence firm can be read as a kind of regulatory strategy. In other words, Ahoo was careful to cultivate Cushing as a potential advocate, one who could vouch for Ahoo's conduct and apply pressure to his U.S. debtors should they default.[41]

The gifting between Wolcott and Cheonqua similarly aimed to manage their commercial relationship. Cheonqua had freighted teas with Wolcott, and his subsequent inquiry into their sale was accompanied by an "acceptable present." When Wolcott responded that the teas were as of yet "chiefly unsold," he likewise included a gift (the box of cordials). At a time when Wolcott had access to the property of Cheonqua and Cheonqua access to the reputation of Wolcott, the gifting exchange between the two parties communicated and reinforced the trust that each maintained in the other. Their scripted behavior suggests that, in the Sino–U.S. tea trade, hong creditor and American debtor jointly constructed and had recourse to the informal structures that evaluated reputations, engendered trust, and enforced respectable business dealings.[42]

That hong merchants were active participants in an American culture of credit and reputation is borne out by their engagement in both charitable giving and extralegal commercial mediations. The first memoirs of the old China trade waxed nostalgically about the "social good feeling and unbounded hospitality always mutually existing" between the American residents and the hong merchants. Feasting on the lore of Wilcocks's forgiven promissory note, they related the "munificence and generosity" of the hong merchants.[43] In the context of late eighteenth- and early nineteenth-century American discourse on respectability, this was high praise for the hongs. Their beneficence approximated genteel values, and their abilities to forgive debts suggested that they had achieved respectable competencies. Although the wealth and generosity of hong merchants were likely much exaggerated by nostalgic memoirists, it is clear that individual traders were able to advance their reputations through charitable acts. In rare form, Sturgis effected a somber tone when he wrote to Cushing on "the melancholy fate of Capt. Daniel Olney." Olney, killed during a stopover in Brazil, was deeply indebted to Houqua and left a "very respectable" daughter who was nonetheless incapable of meeting the demands on her father's estate. Sturgis noted that "whatever Houqua may consent to relinquish in her favor would be very acceptable," and was no doubt pleased to hear that the merchant had agreed to discount the debt by 20 or 30 percent.[44] Although far less dramatic than tearing up a valuable note, such an incident speaks to Houqua's acumen in cultivating his reputation and also perhaps to his recognition of the utility of personal credit in

41. Ahoo to Cushing, December 18, 1835, Bryant & Sturgis records.

42. Wolcott to Chonqua, May 12, 1807, Oliver Wolcott letterbook.

43. H[unter], *The "Fan Kwae" at Canton*, 26, 42–44.

44. Sturgis to Cushing, September 11, 1811, Bryant & Sturgis records. Cushing's decision to discount the debt is communicated in Cushing to Sturgis, April 15, 1812, Bryant & Sturgis records.

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the world of commerce. Houqua, it would seem, was not alone in this realization. When Benjamin White, second mate on board the Canton-bound *Wabash*, died, no less than six Chinese merchants were credited with subscribing to a relief fund for his family. Their names were printed alongside those of the resident American contributors in a Vermont paper, suggesting adherence to a shared code of respectable behavior.[45]

Although the product of myriad intangibles, reputation had real power in commercial and legal settings. In performing acts of benevolence and proper gifting etiquette, Chinese traders gained access to informal and formal systems of adjudication that heavily relied on character assessments. As Carrington attempted to close up shop in Canton and return to the United States in 1810, he was frustrated by the New York firm of Ingraham, Phoenix, & Nexsen (IP&N). By Carrington's reckoning, they maintained a balance due him for a cargo of teas he had freighted with one of their vessels. As was typical, both Carrington and IP&N deployed their carefully maintained networks of respectable advocates to provide character testimony and to mediate their dispute. As the managers of Carrington's stateside interests during his Canton consulship, the firm of B & T.C. Hoppin was naturally engaged to "manage [his] interests" and to see to it that the unfortunate "business [was] carefully examined and considered." So, too, were the Canton extensions of Carrington and IP&N's commercial networks engaged as character witnesses. When IP&N made inquiries into Carrington's character, their attacks were based on "the information … from Kinqua and others In Canton." Not to be outdone, Carrington also solicited the testimony of Chinese merchants favorable to his cause, and soon after he returned to the United States, Cushing forwarded to him "Evidence of Tukee, Chouqua, Eshing, and Nanshing." In the extrajudicial mediations between Carrington and IP&N, the depositions of Chinese merchants were essential in constructing the characters of the disputants and testing the veracity of their claims. As established men of character, Chinese merchants gained access to the informal systems that regulated commercial interactions in the early United States. An American debtor might think twice about ducking a hong creditor whose testimony could impugn his reputation and thus curtail his access to future sources of credit, foreign and domestic.[46]

A Chinese Merchant in Uncle Sam's Court

Relying on extrajudicial negotiations and the coercive power of a shared code of respectability, however, sometimes proved insufficient. Under pressure to make good on their debts to the imperial bureaucracy, the interior merchants, and especially the British, hongs needed to secure payments from their American debtors who were not infrequently delinquent. It was, however, exceedingly difficult for creditors to enforce the obligations of their debtors at Canton. First, there was little American property to attack at Canton. Tea and silks made for compact cargoes, and supercargoes easily spent all of their silver to procure these dense luxuries with which they quickly departed. Even when a silver-laden ship arrived in port, it

45. "Mr. Wilcock's Letter," *The Reporter*, March 24, 1818.

46. B & T.C. Hoppin to Carrington, February 13, 1810, Caleb Britnull to Carrington, April [n.d.], 1811 (emphasis in original), and Cushing to Carrington, April 4, 1811, Carrington Papers.

could be difficult for the new cargo to be seized as penalty against outstanding obligations. Minturn & Champlin, for example, instructed its supercargo to intentionally obfuscate the identity of his backers. It expected a large debt due at Canton from an earlier voyage, and so instructed the agent not to reveal that the same firm was concerned in the latter venture. Philadelphians, it seemed, were the most slippery. While Boston- and New York–based firms increasingly specialized in the China trade, sent regular vessels to Canton, and installed agents abroad, Philadelphians organized China ventures more haphazardly and less frequently. With weaker ties to the hongs and the commission houses and with less concern for the next season's prospects, Philadelphians were more likely to default on their Canton debts. When the Quaker City's Redwood Fisher declared himself bankrupt under the short-lived federal statute of 1842, his liabilities included promissory notes held by eight different Chinese merchants with a total outstanding value of more than $30,000, accounting for more than a third of his total obligations.[47]

When faced with delinquent debtors, hongs found little assistance from the Qing legal regime. The empire had essentially subcontracted its regulatory powers over foreign trade to the cohong. As "security merchants," hongs were to manage the customs revenue as well as the behavior of the foreign traders. Although the emperor maintained juridical authority over all dealings at Canton and elsewhere in his vast territories, in practice Qing officials reserved their assertion of criminal jurisdiction over foreigners almost exclusively for cases involving homicide and usually avoided intervening directly in trade disputes. When they did intervene, they rarely satisfied either party and often left each more vulnerable than before. This, at least, was the lesson imparted to a pair of Parsi country traders and the EIC in 1809 when the Parsis sought recourse to the collective Consoo Fund for money owed them by the bankrupted hong Fonqua. The EIC had long tried to mediate between country traders and hong merchants, often drawing the ire of the former. The negotiations between Hormajee Dorabjee, Dosabhae Monackjee, and the cohong were proceeding toward resolution when the EIC learned that the cohong was considering implementing a new tax on Bombay cottons as part of their repayment agreement and immediately stepped in and appealed to local officials to force repayment without this condition. The EIC avoided the cotton tax, but it found Qing officials to be tough negotiators. They agreed to force the cohong to repay Fonqua's debts to Dorabjee, Monackjee, and other foreign creditors, including the EIC, but only over a period of years and with no interest. It was not a particular win for the cohong, either, and particularly for Fonqua, who was stripped of his membership and remaining property and banished.[48]

This and other similar experiences changed how Sino–British commercial disputes were handled from 1809, when the EIC used its market power in Canton and political power in London to push for disputes between itself, hongs, and private traders to be handled as much as possible without the intervention of Qing officials. Instead, the EIC came up with creative if imperfect solutions to the ongoing hong indebtedness crisis. For example, the EIC attempted

47. Minturn & Champlin to William Law, December 20, 1815, William Law papers, NYPL. "Bankrupt Disclosures," *New York Herald*, December 14, 1842. On Philadelphian defaulters, see Grant, "The Failure of the Li-ch'uan Hong," 247.

48. Grant, *The Chinese Cornerstone of Modern Banking*, 157–158. Edwards, "Ch'ing Legal Jurisdiction over Foreigners." For accounts of rifts between country traders and the EIC over its mediating role, see accounts of George Smith of Canton and Abraham Leslie in Hanser, *Mr. Smith Goes to China*, 70–78, 91–101.

several different receiverships throughout the 1810s when it effectively controlled the trade of seriously indebted hongs in an attempt to bring them toward solvency and to begin repayment to the Company and other foreign private creditors (primarily India-based country traders) without calling the attention of Qing officials or disrupting too much the functioning of the Canton market. As collective bodies, the cohong and EIC often worked to secure repayment, to punish bad actors, and to protect the Canton system itself.[49]

Americans differed in several ways from British merchants in terms of the regulatory strategies that they pursued. First, and most obviously, they did not have a singular powerful entity at Canton like the EIC that could mediate disputes and discipline bad actors. Agencies like Cushing's had grown in power and importance, but they were poor approximations for the dominance and political connection wielded by the EIC Select Committee in Canton and by its directors in London. But if Americans did not resemble Britain's monopoly traders, neither did they perfectly match its private "free" traders in their willingness to appeal to Qing authority. Country traders usually sought recourse as creditors, which offered them two advantages in potential dealings with Qing officials. First, indebtedness to foreigners was illegal under Qing law, so proof of indebtedness was enough to identify the Chinese trader as the guilty party and to trigger strict consequences. Second, even as debt to foreigners was technically illegal, Qing officials seemed to have recognized an interest in the continuation of foreign trade at Canton and the wealth it generated. As Paul Arthur Van Dyke has argued, this encouraged them to treat foreign creditors fairly.[50] Americans were rarely creditors at Canton, and as debtors they had less to gain from attracting the interest of Qing officials. This may have morphed into a general (and not entirely correct) sense among Americans that Qing law offered little recourse to foreigners in all commercial encounters. Cushing made a characteristic statement when he regarded a commercial dispute between resident Americans and two hongs and observed that "as there is nothing but Ching Law in this Country for foreigners we see but little prospect of a successful termination of the business." The reticence U.S. traders manifested toward Qing authority may also have been imparted to them by their Chinese associates. Given the harsh physical, financial, and social punishments they risked, Chinese merchants rarely sought the intervention of imperial officials. The growing business in opium made too much Qing scrutiny especially unwelcome, but Chinese traders may have additionally sought to avoid Qing intervention for more pedestrian reasons. Chinese investors like Houqua might have wanted to shield a full accounting of their overseas activities and assets from imperial revenue officers, while hongs with more desperate accounts might have hoped that settling matters with American debtors outside Qing and British authority would shield the precarity of their finances from their own licensers and creditors. In either situation, when Chinese merchants found themselves to be creditors to nonresident foreigners who did not trade through regular, established companies, it is difficult to imagine what assistance they thought they would win from Qing officials, anyway.[51]

With little recourse to satisfaction under Qing law and with much of the collateral stored in warehouses in the United States, hongs and their American trading partners looked elsewhere

49. Grant, *The Chinese Cornerstone of Modern Banking*, 159–165.
50. Van Dyke, *Merchants of Canton and Macao*, 31–34.
51. Cushing to Bryant & Sturgis, November 26, 1810, Bryant & Sturgis records.

for formal litigation. As Frederic Grant Jr. has demonstrated, American and Chinese merchants alike settled their sights on U.S. state and federal courts. Relying on a crafty bit of "jurisdictional fiction" that located Canton variously within Pennsylvania, New York, Rhode Island, and Massachusetts, U.S. civil law was invoked to rule over dealings at the Chinese port. As early as 1804, Chinese merchants sued their American debtors in U.S. courts, but the practice seems to have accelerated following the embargo, when many U.S. concerns were long delinquent or failed altogether. If access to greater investment opportunities was an advantage American indebtedness offered to hong creditors, then this was surely the flip side. Chinese creditors found themselves more vulnerable to regional and global financial shocks.[52]

Consequa, for example, who overextended himself in the opening years of the nineteenth century by making risky loans, was subject to bad judgment, bad actors, and bad timing, as several of his debtors tied him up in U.S. courts long enough for the embargo to render most of them fully unable to pay. His actions in U.S. courts show litigation to be an extension of strategies of interpersonal trust and network-building. In his collection efforts and legal proceedings, Consequa drew on his personal network. He employed Wilcocks as his legal agent in Philadelphia and Astor in New York, two men with whom he had frequently previously traded. Synchong was another Chinese creditor whose woes were likely exaggerated by the embargo and whose legal maneuverings built on his American network. When Synchong attempted to recover $900 due him from IP&N in 1810, he named former Canton resident Carrington his "true and lawfull attorney" and was careful to have Cushing and James P. Sturgis witness the authorization.[53]

Represented by American friends and agents, Chinese plaintiffs had mixed success in federal and state courts. Houqua, for example, was made to pay when Philadelphian Edward Thompson argued the silks delivered to him were below stated quality but alternatively collected when a jury awarded him more than $14,000 still due him on a promissory note signed jointly by Rhode Island and Massachusetts firms. Chunqua's American lawyers won a series of cases against his Providence debtors who claimed that the Rhode Island state statute of limitations had run out on their $3,764 obligation. The debtors claimed that the exemption granted in the statute of limitations to persons "beyond [the] sea" did not apply to foreigners but only to Americans abroad, but the U.S. circuit court judge disagreed. As a resident of China, Chunqua "has always been 'beyond [the] sea,'" and even so the matter of a federal court enforcing a state statute of limitations over a foreign contract was legally suspect. Consequa had the worst of it when his Philadelphia debtors, dubiously alleging that he had sold them bad teas, countersued and tied up his considerable property in the city (mostly in the form of promissory notes due to him) in years of litigation. If, as Grant has argued, hong litigants like Consequa in American courts "fell victim to formalistic and tactical errors, and to a legal system ill-adapted to effective resolution of disputes arising in international trade," then it is fair to say that Chinese traders fared about as well as American ones in early

52. Grant, "The Failure of the Li-ch'uan Hong"; Grant, "Hong Merchant Litigation in the American Courts"; Grant, *The Chinese Cornerstone of Modern Banking*, 179–182.

53. Grant, "The Failure of the Li-ch'uan Hong," 247. Synchong to Carrington, February 10, 1810, Carrington Papers. See also Grant, "Hong Merchant Litigation in the American Courts." On the increasing willingness of merchants, generally, to submit to formal legal processes during the early nineteenth century, see Horwitz, *The Transformation of American Law*, 145–155.

nineteenth-century courts, or perhaps about as well as international traders fared, generally, as a variety of nineteenth-century legal regimes sought to supplant the private law of merchant communities with public authority to adjudicate individual rights to property.[54]

Although of dubious efficacy as a venue for arbitration, the willingness of U.S. courts to assert jurisdiction over foreign trade established an important precedent: Commercial disputes in China could ultimately be settled in the United States according to American legal practice. Even complaints that were tightly confined within Canton itself found settlement in the United States whenever Americans were involved. For example, when resident commission merchants quarreled with Consequa and Mouqua over the rent due on the American factory at Canton in 1810, Cushing assumed the matter would be settled in federal court. "We see no method of adjusting the business in this Country," he wrote to Brown & Ives, "as the question will probably be decided in America." At the invitation of U.S. and Chinese traders alike, American courts were given considerable power, even if it was not fully realized, to govern commercial practices involving Americans at Canton, a trading zone otherwise managed by Qing and EIC officials.[55]

Conclusion

Credit transactions were not merely incidental in Canton, but rather essential to the structure and character of Sino–U.S. trade. Hong merchants found that extending credit allowed them to dispose of excess merchandise, secure future silver imports, better disguise illegal opium imports, and gain access to new extramural profit-making opportunities. Although originally lured by the promises of luxuries, adventure, and considerable profits, Americans no doubt returned to Canton, at least in part, because it proved a good credit market. Their experience in mediating commercial debt accrued in the Pearl River delta helped to spawn an increasingly litigious commercial culture along the northeastern seaboard, and the very merchants who so harangued Jefferson's 1808 embargo simultaneously looked to the federal judiciary to protect their interests abroad. The regulatory mechanisms Americans sought are all the more notable for the distinctions they reveal between the mechanisms of American versus British trade in early nineteenth-century China. Whereas the EIC functioned until 1833 as a powerful mediating institution, U.S. traders with no similar intermediary relied at once on deeply personal ties and on direct appeals to U.S. legal arbiters, both outgrowths of the new trade in debt. In their role as specie importers, U.S. traders integrated into the broader British-controlled trading system that pushed the products of the empire—textiles and opium—into China in exchange for teas, silks, and U.S.-imported silver. But in their role as purchasers on credit, U.S. debtors and their Chinese creditors forged meaningful if sometimes fragile commercial

54. Thomson v. Houqua, cited in Grant, "Hong Merchant Litigation in the American Courts," 47n16. Chunqua's case is recorded as Chomqua v. Mason, 1 Gall. 342 (1812). On Consequa's experience in American courts, see Grant, "Hong Merchant Litigation in the American Courts"; Grant, "The Failure of the Li-ch'uan Hong." Grant, "The Failure of the Li-ch'uan Hong," 258. For a contemporary example of the difficulties of adjudicating mercantile disputes in state courts, see Adelman, *Republic of Capital*, 141–164.

55. Cushing to Brown & Ives, February 4, 1810, Brown family business records.

connections with opportunities and arbitration mechanisms distinct from both Qing and British oversight or control.

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