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# The American Opium Trade

Working Paper No. 37

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Prepared for Professor John Hall

**Abstract:** This inquiry seeks to establish that American merchants exacerbated China’s 19th century opium epidemic. Circumventing Britain’s monopoly of Indian opium, three men, Thomas Perkins, John Cushing, and Robert Forbes, played a key role in American consolidation of Turkish opium production. With malice and blatant disregard, numerous Americans pumped tens of thousands of chests of opium into China, creating fabulous riches and incredibly influential familial dynasties while simultaneously destroying the minds and bodies of an untold number of Chinese.

***Journal of Economic Literature* Classification Codes:** F14, F51, F54, N82

**Key Words:** American Colonialism, Chinese History, Opium Trade

Ning Lao T'ai T'ai lived with her husband and two daughters in the town of P'englai in the Shandong province of Northern China. For years they starved. Throughout 1937 and 1938, shortly before the commencement of the Second Sino-Japanese War, Ida Pruitt captured the tragic life story of Lao T'ai T'ai in her biography *A Daughter of Han: The Autobiography of a Chinese Working Woman* [1945]. For most of their lives, Ning Lao and her family lacked access to basic sustenance. One day, Ning Lao was so desperate that she pounded a brick into dust, and consumed it. One would be forgiven for assuming that P'englai was a city under siege, or that perhaps it had been struck by a natural catastrophe—this was not the case. The primary reason Ning and her family were starving was because their father, a fisherman, used his daily wages to purchase opium. He was addicted to this substance. From time to time, his daily wages were insufficient for his addiction, and he would sell furniture, shirts, and his own children in order to suffice. The first time, he sold his four year old daughter to human traffickers. Ning Lao herself was made aware of his transaction only after he has stumbled through the front door, still intoxicated from his opium, with a sack of sweet potatoes. Ning Lao was able to recover her daughter, only to have her sold once more by her husband to a local elite family. It would be insufficient to state that the opium trade crippled the family of Ning Lao T'ai T'ai. Hundreds of thousands of Chinese were regular consumers of opium by the end of the 19th Century.

This inquiry seeks to establish that American merchants exacerbated China's 19th century opium epidemic. The British Empire, the largest global exporter of opium, fought two bloody wars against Qing China to ensure its right to sell opium to Chinese dealers. Consequently, the British are often attributed as being the primary benefactors, and the primary cause, of the Opium Wars. Further investigation reveals, however, that the United States played a larger, more sinister role in the opium trade than perhaps enough people recognize.

### **The British Monopoly**

For the better part of the 18th century, opium was present in China—although with subtlety. Batches of opium, generally few and far between, had been considered by the Chinese as a fine luxury that also possessed an occasional medicinal purpose. In his history *Imperial Twilight: The Opium War and the End of China's Last Golden Age*, historian Stephen R. Platt (2018, 195) recognizes opium as having limited social stigma—despite its official denunciation by the Emperor in this period. Some of the earliest records of British importation of opium into China occurs in the early 18th century. In 1733, Chinese imperial edicts outlawing the importation and consumption of opium led captains of the East India Company—Britain's crown-sanctioned trading monopoly of the East—to grow wary of employing their ships to carry opium to Chinese ports. British authorities believed

that the minimal profits associated with the opium trade were outweighed by the risk of losing out on the very profitable trade that had been made in silks, teas, and porcelain. In response to these imperial edicts, and seeing a profitable future for their trade, opium producers of the East India Company began a new approach. Their plan entailed the growing and manufacturing of smokable opium and the subsequent selling of their product to private merchants at the port of Calcutta, on the eastern coast of the Indian subcontinent. These private merchants would assume the risk themselves by making the trip to Canton to sell their toxic merchandise for large profits. In this way, the East India Company was able to both deny its involvement in the illegal importation of opium into China, while simultaneously reaping the profits of doing so. Indeed, this method was so covert that representatives of the company in Cantonese warehouses were left unaware of its employer's engagement in the illicit trade.

Initially, the East India Company maintained an essential monopoly on global opium production. Platt (2018, 195) argues that this initial situation was not only profitable for the East India Company, but relatively beneficial to China as a whole once compared to the situation that would later develop in subsequent decades. Although the monopolistically high price of opium had perhaps been unpopular among opium smokers, its limited quantity kept the product a luxury beyond the grasp of the average Chinese. However, as the name suggests, the East

India Company maintained a monopoly in only one geographic region of India. Starting in the 1820's, Malwa opium, as it would be called, was grown by independent farmers in the central and western portions of India. Mirroring the East India Company, farmers and traders would sell their comparatively cheap Malwa opium at Bombay on the Western coast of India—beyond the control of the Company—to private Parsi and British merchants. In an effort to price-out private opium producers in Western India, the East India Company ramped up its production in the hopes of driving the price of opium so low that private manufacturers could simply not compete.

British ships had attempted to blockade Malwa opium to little success. Instead, the East India Company decided to merely buy the entire supply of Malwa opium in order to maintain its monopoly. However, the Company's practices merely increased the demand for Malwa opium, and as a result the growers of Malwa ramped up production. As opium became more cheap and more abundant, Chinese demand rose. As well, Malwa opium was not the only competition the East India Company needed to be wary of. Fierce competition in Cantonese ports would be offered by the Americans

The Americans had a different perception of what constituted proper international trade. Whereas the British preferred a centrally focused and well-ordered monopoly to maximize profits, Americans favored a more competitive,

cut-throat, laissez-faire system. In his history *America's First Adventure in China: Trade, Treaties, Opium, and Salvation*, John R. Haddad (2013, 32) argues that the American approach to the China trade incentivized opportunistic and entrepreneurial individuals to Chinese ports. These Americans, however, had no intention of preserving the free, laissez faire model that their nation officially represented. The firms that would emerge in this period would be unregulated and untethered by moral quandary. These Americans sought to dominate the trade.

### **Thomas Perkins, John Cushing, and Robert Forbes**

One 19th century American firm would rise above the rest: Perkins & Company. Its founder, Thomas Handasyd Perkins, made but one trip to China during his entire lifetime. The 1788 Canton voyage, planned by New England trader Elias Hasket Derby, was nearly a complete commercial blunder. All four ships carried similar cargo and sought to bring back home the same iconic Chinese goods. Of course, upon their arrival, the merchants realized the sudden manner in which they had brought the same goods to the same market had tanked their value. As well, their sudden demand had greatly increased value of the commodities for which they were searching. Although it was just one trip, Haddad (2013, 34-36) claims that Perkins would learn extensively about the do's and dont's of the China trade. Perkins' leadership in rerouting all four ships to arrive at different ports at more

opportunistic times allowed the merchant fleet to sell its cargo profitably without flooding the market with their own goods. Specifically, Perkins had learned to disseminate risk with joint-stock ventures, to plan logistical aspects of the trade in a rational sense, to use large merchant ships and warehouses to dull out cargo only when market prices were deemed sufficient, and to monopolize the supply of a resource whenever possible. Finally, Perkins devised the use of *meritocratic nepotism*; the potential utility of carefully selected young relatives who would serve him loyally.

In one such instance of meritocratic nepotism, Thomas Perkins would hire his then 16 year old nephew John Perkins Cushing to help make an opium dynasty of Perkins & Co. In 1803, at the age of 26, Cushing became the assistant *taipan*, or assistant company head, of the American office in Canton. However, Perkins & Co. would suffer many setbacks in the first decade of the 19th century that would jettison Cushing into the primary leadership role. The supply of Perkins & Co's primary trading commodity—furs trapped in the Pacific Northwest—had come to dwindle. Native American populations grew hostile as a result of the exploitation of one of their few natural commodities; during one negotiation between the company and a native tribe, four native men would put an axe into the head of one of Perkins' captains. Simultaneously, Britain's cease of its slave trade complicated the success of Perkins & Co., which itself dabbled in the commodification of slave



labor. Finally, Ephriam Bumstead, the man Perkins' had tasked as taipan, grew ill and evacuated Canton. The abilities of the young Cushing would be put to the test.

Cushing excelled in his role. Haddad (2013, 48-52) observes Cushing's conception and facilitation of a ruthless importation of vast quantities of Turkish opium into Southern China. Perkins first crossed paths with the opium trade during the war of 1812, when his ship—the *Jacob Jones*—raided and captured an opium-carrying British ship. Upon his request, the cargo was shipped off to Canton, where Perkins & Co. made a fantastic profit upon its sale. In 1815, Perkins sent another ship, the *Monkey*, to the Mediterranean. Upon its delivery of sugar, it filled its hold with Turkish opium. After yet another profitable sale of opium at Canton, Perkins recruited a new young family member to reside in Ottoman city of Izmir to observe the region's opium production. Upon the arrival of yet more opium back in Canton, Cushing developed a sinister method that would come to be known as the *Lintin System*. Whereas previous Western merchants smuggled opium through the only open Chinese port at Canton, Cushing sought to develop a more subtle plan. Firstly, ships carrying opium would send a message via a fast boat to Cushing of their impending arrival. Next, ships of the Perkins & Co. fleet would no longer enter Canton nor would they take pilot; Cushing's ships would not follow Chinese junks which attempted to escort them. Instead, these ships would anchor themselves off the small island of Lintin at the estuary of the Pearl River. There,

Chinese smugglers would meet them, purchase their opium, and sail back to Chinese shores. Compared to foreign merchants, Chinese merchants faced few regulations. Not that this mattered much to Cushing, as Perkins & Co. was now reaping the profit of opium smuggling without any of the associated risk. Shortly after its implementation, this system proved so successful that ships were planted at Lintin indefinitely to serve as floating warehouses. With such success, Perkins decided to double down on the opium trade.

In a gamble, Perkins moved to monopolize the Turkish opium supply. He sent word to his office in Izmir to purchase all available opium. Haddad (2013, 51) writes that such a great quantity of opium flowed as a result of Perkins' takeover that Cushing, back in Canton, had a difficult time processing it through Lintin. Cushing, however, now had such a quantity of opium that he, like the East India Company before him, was able to—in effect—completely regulate the price of Turkish opium. In fact, Cushing held so much power in Canton that he would be a concern to the British Parliament. Capitalizing upon the success of his smuggling system, Cushing now devised a plan whereby he could expand or contract the available supply of Turkish opium in Canton by deciding when—and how much—opium to sell from his floating warehouses. Using this system, Cushing crushed opium speculators. Upon hearing word of would-be competitors, Cushing would flood the market with his opium, tanking its value. Any who arrived in Canton

wishing to compete with him would have to sell at his price. In most instances this price would bankrupt small opium merchants.

To the belief of Haddad (2013, 111-113), while initiating his company's opium trade in Canton, Perkins was seeking to expand the human capital of Perkins & Co. by grooming more young relatives. In 1817, Robert Bennet Forbes—then thirteen—was inspired by his uncle Perkins to become a cabin boy aboard one of his ships, the *Canton Packet*. Upon reaching Canton, Cushing was impressed by the spirit of his young cousin, and came to view him as an eventual successor. Due in large part to his family ties, Robert Forbes became captain of his uncle's favorite ship, the *Levant*, by age twenty. Slowly, Cushing and Perkins would increasingly involve Forbes in their opium trade, much to his delight. Forbes began by bringing ships to Lintin island and escorting Chinese smugglers along the Chinese coast. Later, in 1828, Forbes led missions between Izmir and Canton for the purpose of moving large amounts of opium. The trade itself eventually became Forbes' identity. In 1830, he expressed his desire to “accomplish the destiny to which God and my uncles had con-signed me.” With the approval of his uncle, Forbes oversaw the construction of his own new ship, the *Lintin*. With this ship, Haddad (2013, 112-115) argues, Forbes oversaw the sale of more opium than any other American in history. He became fabulously rich. Platt (2018, 193-194) explains the simplicity and profitability of—perhaps as Forbes

would have seen it—the work of God. Using the system that had been devised by Cushing, the *Lintin* remained motionless as a floating warehouse for smugglers. He bore neither the risk of moving the opium to the South China sea, nor the risk of smuggling the opium into the Chinese interior. For his efforts, Forbes made \$800,000 per year, in modern dollars.

Although of critical importance to the story, Perkins, Cushing, and Forbes were by no means the only Americans responsible for the exacerbation of China's opium crisis. In their 1937 work, *Gold of Ophir: The China Trade in the Making of America*, Sydney Greenbie & Marjorie Barstow Greenbie (1972, 174) reveal that besides one or two American firms, all foreign firms present in Canton were engaged in the smuggling of opium in some fashion. Additionally, Greenbie & Greenbie (1972, 238-239) consider many American merchants to have carried reckless disregard, and even open-aided malice, for the wishes of Chinese authorities. One such American firm, N. & G. Griswald, wrote that Americans “have always been more or less engaged in the [opium] trade, and probably always will be. We believe that ultimately the Emperor [of China] will find it necessary to legalize the traffic [of opium] under the imposition of heavy duties.” Upon the commencement of the First Opium War, former American President John Quincy Adams was furious with the Chinese. In an 1841 article, he claimed the Qing Dynasty's seizure of British opium was “an outrage” that challenged “the rights of

nations” to sell opium to the Chinese. The cause of the war, to Adams, was not the opium but the *Kowtow*—the request of the Chinese Emperor for foreign delegations to bow nine times before the commencement of official business. Adams wrote in anger that “[China] will hold commercial intercourse with the rest of mankind, not upon terms of equal reciprocity, but upon the insulting and degrading forms of relations between lord and vassal.” Although most Americans publicly disagreed with Adams, the British hostility towards the Chinese, and the opium trade in general, American merchants helped provoke and profited heavily from the two Opium Wars.

Although the United States had not participated in either the First nor Second Opium War, it was partially responsible for the spawn of conflict. Platt (2018, 440) concludes that America’s engagement in the opium trade at Canton precipitously reduced the market share of the East India Company. Evidently, this fall in market share then encouraged the East India Company to increase its opium exports to China, thus setting the stage for the First Opium War. During the war itself, American merchants observed increased profitability while simultaneously gaining favor with the Chinese authorities. During the conflict British trade had been effectively halted, giving American opium smugglers complete control of the market. Furthermore, by refusing to participate in the war, the United States had kept its ships and sailors out of harm’s way and appeared less hostile to the

Chinese than their British counterparts. And when the war was won by the British, Americans gained access to the same new Chinese ports that many British sailors had died to open.

### **Legacy, Justification, and Revisionism**

Primarily, westerners had traveled to East Asian shores in search of unique goods that consumers back home had desperately demanded. Porcelain, silk, and tea could be sold for a high price. Generally speaking, the Chinese economy was self-sufficient. Trade goods that Americans or Europeans had to offer were either already possessed by the Chinese, or were otherwise frivolous. Furthermore, the Chinese were skeptical of foreign influence, particularly as it related to religion. For these reasons, the Qing dynasty had kept trade and travel with the west strictly limited to Canton. Emperor Qianlong had allowed trade with the West as a favor. Additionally, merchants could only live in designated zones on the periphery of the city. No women or family were allowed. This system of strict and limited trade came to be known as the *Canton System*. Haddad (2013, 116) propounds that the Canton System made trading displeasurable for western merchants. The long distance from their loved ones, in addition to the strict regulation of their living and trading conditions, lead merchants to seek a fast profit that would allow them to quickly return home. Opium would prove to be the means for just such a profit.

Opium would be so profitable that it is little wonder why so many engaged in the trade. According to Platt (2018, 197-199), between 1820 and 1830, total opium imports almost quadrupled. Between 1830 and 1831, nearly 19,000 chests of opium would find their way to China. Roughly 8% of this trade was Turkish opium, trafficked almost exclusively by Americans. All of this is to say that Americans, during the 1830-31 season, imported nearly 1,500 chests of opium into China, roughly valued at 28 billion dollars in today's money. Greenbie & Greenbie (1972, 238) acknowledge that 1827, America had made up its trade balance with China: more silver was leaving China than was being brought in. The United States was importing silver, silk, tea, and porcelain, while China was importing opium. A decidedly unequal trade. By 1834, the facade had dissolved, and opium became the primary method of exchange for Chinese commodities. This trade not only weakened the Chinese economy, but the Chinese populace as well.

Haddad (2013, 114-115), in combing through the personal correspondence of American opium traders, determines that American merchants engaged in the trade were aware and indifferent of its consequences for the Chinese people. In an 1839 letter to his wife, Robert Forbes—the foremost runner of American opium—admitted that his trade had been “demoralizing the minds, destroying the bodies, & draining [China] of money.” Warren Delano, another merchant of opium, claimed that opium smuggling was a “fair, honorable, and legitimate trade,” similar in its

limited consequence to “the importation of wines, brandies & spirits.” John Perkins Cushing had a rather cold outlook on his trade. Haddad (2013, 52) argues that Cushing emphasized the importance of developing the opium trade in a systematic manner, in order to overshadow its moral implications.

Later in life however, Haddad (2013, 114-115) concludes, American opium merchants were hesitant to discuss their participation in the matter. In the 1870’s Robert Forbes attempted to document the history and evolution of his company, Russell & Co. When attempting to correspond with old associates in order to compile just such a history, he received few and largely unenthusiastic responses. Warren Delano offered a vague outline of events, and completely avoided the mention of opium altogether. One reason for such a lackluster response can be traced to the desire of American merchants to forget their dishonorable trade. Many of these merchants simply desired to make their fortunes and return to the United States. As The patriarch of the esteemed Delano family, Warren’s lineage would eventually produce such influential figures as American President Franklin Delano Roosevelt. John Forbes, younger brother of Robert, would go on from the trade to create a successful family dynasty himself, perhaps best exemplified by his descendant State John Forbes Kerry—former Secretary of State and presidential hopeful. To the belief of Hadad (2013, 115), figures such as Delano and Forbes



had no desire to associate the success and wealth of their families with the distasteful opium trade.

According to Haddad (2013, 168), the United States government did little to discourage the opium trade. The American public, in general, viewed the opium trade negatively and official U.S. policy considered the smuggling of opium as illegal. However, nearly no resources were dedicated to the U.S. Commissioner in Canton, William Reed, to prevent the trade. Reed himself detested opium. To make matters worse, during the Second Opium War, American trade was expanding: In Shanghai, where a total of 32,000 chests of opium had been smuggled in the year 1857, one fifth of the trade had been brought by Americans. In 1858, Reed had decided to work with the Chinese and British to update the Chinese tariff system to include a tax on opium, in effect legalizing the importation of the drug. Although opposed to opium, Reed believed its legalization to be preferable to the facade then in place. He wrote with sorrow, “so the opium war of 1840 has at length ended in an opium triumph... the honorable English merchants and government can now exonerate themselves.” Despite his own wishes, Reed was powerless to stop the trade. Although he chalked up his failure to abide by his morality to the British, his role—and indeed that of numerous American traders—in the proliferation and legalization of opium in China is self-evident.

British poet Thomas De Quincey suffered from an unshakable allure to opium. In his 1821 work, *Confessions of an English Opium-Eater*, De Quincey detailed his addiction. Much like Ning Lao T'ai T'ai, he starved and lived in inhumane conditions for a considerable portion of his life. In concluding his work, De Quincey (2003, 86) wrote "Not the opium-eater, but the opium, is the true hero of the tale...the object[ive] was to display the marvellous agency of opium, whether for pleasure or for pain... opium had long ceased to found its empire on spells of pleasure; it was solely by the tortures connected with the attempt to abjure it, that it kept its hold." Indeed, in China, opium had taken a firm grasp.

## **Conclusion**

This inquiry has sought to establish that American merchants exacerbated China's 19th century opium epidemic. Numerous American merchants participated in the smuggling and selling of opium to Chinese merchants with reckless disregard. Although great profits were made, the imported opium had severe consequences for the Chinese people for generations. The opium trade, the Opium Wars, and the subsequent "unequal treaties" served as merely the first steps in a series of tragic historical events, including the collapse of the Qing Dynasty and two civil wars which concluded with a climactic end by means of the pronouncement of the People's Republic of China by Mao Zedong in 1949. This historical arch is

foundational knowledge to modern Chinese history and is learned—in a compulsory sense—by every Chinese as the “Century of Humiliation,” and as such has considerable implications upon the psyche of modern China.

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