

A Tale of Two Companies:

East India Companies and Revolution in 18th Century Britain and France

The intersection of economic and political history is clear in the relationships of the British and French East Indies Companies to the revolutions of the 18th century Atlantic. In the 17th century, the British and French Companies had been granted charters by their respective governments that gave them monopolies over their nations' trade with the Indies.¹ While these companies were initially economic assets to their shareholders and respective governments,² they became political liabilities in the late 18th century and were tied to factors that ultimately lead to American and French Revolutions. Both similarities and differences can be seen when comparing the relationship of the British Company to the American Revolution and the relationship of the French Company to the French Revolution. The similarities between the two situations highlight trends of the revolutionary era that apply across borders, while the differences offer insight into distinctions between the roles of the two Companies. We will begin by examining the similarities and what they indicate about the era as a whole. Then, we will consider the differences and what they indicate about the unique role of each company.

One important similarity between the British and French situations is that a financial crisis involving each country's Company helped fuel Revolution. Financial problems in the British Company lead to the Boston Tea Party, and the bankruptcy of French Company contributed to the state's decision to call the Estates General. Both of these events can be

¹ Philip J. Stern, "Company, State, and Empire: Governance and Regulatory Frameworks in Asia," in *Britain's Oceanic Empire: Atlantic and Indian Ocean Worlds, C. 1550-1850*, ed. H. V. Bowen, Elizabeth Mancke, and John G. Reid (Cambridge: Cambridge University Press, 2012), 132; Emily Erikson, *Between Monopoly and Free Trade: The English East India Company, 1600-1757*, Princeton Analytical Sociology Series (Princeton: Princeton University Press, 2014), 73.

² Erikson, *Between Monopoly and Free Trade*, 52, 73.

classified as immediate precursors to revolution. Intuitively, it makes sense that a financial crisis would leave a country in a fragile state, ripe for revolution. That in both countries the Company was involved in such a financial crisis may either be the result of the special link between East India Companies and governments or a simple result of the fact that East India Companies were large and were financially vulnerable during this period.

An attempt by the British government to remedy a financial crisis in the British East India Company in 1773 led to the Boston Tea Party, a key event in the preamble to the American Revolution. At the time, the British Company had a surplus of seventeen million pounds of tea in its warehouses, largely as a result of colonists in America buying cheaper smuggled tea. The British Company's inability to sell this tea compounded other financial problems it faced at the time.³ Only 237,062 pounds of Company tea was sold in the American colonies in 1772,⁴ but the British government estimated that up to two million pounds of Company tea could be sold per year if the price to consumers was low enough to undercut that of the smuggled tea.⁵ The Tea Act of 1773 aimed to exploit this potential market in order to aid both the British Company and the British government. With the tax on tea lowered and an allowance for the Company to sell directly to colonial merchants,⁶ the British Company would be able to sell its surplus tea and the administration would profit from the tax paid on the large amount of tea being purchased.⁷ This effort backfired when colonial resentment of the tea tax, as well as other aspects of the Company's operations, was put on display in the Boston Tea Party. Thus, the

³ Benjamin W. Labaree, *Catalyst for Revolution: The Boston Tea Party, 1773* (Massachusetts Bicentennial Commission Publication, 1973), 19.

⁴ James R. Fichter, *So Great a Proffit: How the East Indies Trade Transformed Anglo-American Capitalism* (Cambridge, Mass: Harvard University Press, 2010), 12.

⁵ Labaree, *Catalyst for Revolution: The Boston Tea Party, 1773*, 19.

⁶ Fichter, *So Great a Proffit*, 12.

⁷ Labaree, *Catalyst for Revolution: The Boston Tea Party, 1773*, 9.

Boston Tea Party provides a link between the financial crisis in the British Company and the American Revolution.

An analogous sequence of events occurred prior to the French Revolution. At the French Company's peak in the early 1750s,⁸ sales of goods imported from the Indies exceeded one hundred million livres, and the Company was operating with a 15% margin.⁹ The disruption of trade due to the Seven Years' War led to the collapse of this trading empire.¹⁰ Shareholders rallied, hoping that if they could avoid having the Company's monopoly revoked in the short term, the Company could recover in the long term.¹¹ It seemed as though this argument, presented by Jacques Necker with emphasis on the fact that "the company had proven very useful to the monarch and the *state*,"¹² was winning for a time. However, in 1770 the French Company's monopoly was revoked, and the Company was set to be liquidated.¹³ With this liquidation, the Company's shares became government obligations.¹⁴ This debt, among others, forced France to borrow itself to the verge of bankruptcy in the 1780s. Rather than declare bankruptcy, however, the Estates General was called,¹⁵ allowing for the rise of the Third Estate

⁸ K. Margerison, "The Shareholders' Revolt at the Compagnie Des Indes: Commerce and Political Culture in Old Regime France," *French History* 20, no. 1 (January 26, 2006): 27, doi:10.1093/fh/crj054.

⁹ Philippe Haudrére, "The French India Company and Its Trade in the Eighteenth Century," in *Merchants, Companies, and Trade: Europe and Asia in the Early Modern Era*, ed. Sushil Chaudhury and Michel Morineau, Studies in Modern Capitalism = Etudes Sur Le Capitalisme Moderne (London ; New York: Cambridge University Press, 1999), 203.

¹⁰ Margerison, "The Shareholders' Revolt at the Compagnie Des Indes," 27.

¹¹ *Ibid.*, 28.

¹² *Ibid.*, 45.

¹³ *Ibid.*, 48–49.

¹⁴ Lynn Hunt, "The Global Financial Origins of 1789," in *The French Revolution in Global Perspective*, ed. Suzanne Desan, Lynn Hunt, and William Max Nelson (Ithaca: Cornell University Press, 2013), 34.

¹⁵ Gail Bossenga, "Financial Origins of the French Revolution," in *From Deficit to Deluge: The Origins of the French Revolution*, ed. Thomas E. Kaiser and Dale K. Van Kley (Stanford, Calif: Stanford University Press, 2011), 38.

and the beginning of the French Revolution.

Another similarity between the American and French Revolutions is that in both cases the Company was associated with the power being rebelled against. In the American Revolution, the destruction of Company tea as an act of rebellion against the British government is evidence of this belief. Similar evidence can be found with regards to the French Revolution in the liquidation scandal preceding the Reign of Terror. As royal charters granting monopolies were key to the function of both the British¹⁶ and French East India Companies,¹⁷ this is not surprising. Additionally, the British and French governments had built links to their respective Companies prior to the revolutionary era beyond these charters. For example, in Britain, the Company acted as an instrument of empire, functioning as a government in parts of India.¹⁸ In France, the Company was incorporated into John Law's infamous "System" which for a time was the official financial system in France.¹⁹ The importance of these relationships became clear as resentment towards both the government and the Company built toward revolution in each country. While joint stock companies with government-granted monopolies were once a revolutionary idea, evidence suggests that by the end of the 18th century, they were instead something to rebel against.

The willingness of American revolutionaries to destroy British Company property in the Boston Tea Party as an act of rebellion against the British government is evidence for the perceived equivalence of the British Company and the British government. In the meetings of the

¹⁶ Stern, "Company, State, and Empire: Governance and Regulatory Frameworks in Asia," 132.

¹⁷ Erikson, *Between Monopoly and Free Trade*, 73.

¹⁸ Stern, "Company, State, and Empire: Governance and Regulatory Frameworks in Asia," 140–141.

¹⁹ Antoin E. Murphy, "John Law: Innovating Theorist and Policymaker," in *The Origins of Value: The Financial Innovations That Created Modern Capital Markets*, ed. William N. Goetzmann and K. Geert Rouwenhorst (Oxford ; New York: Oxford University Press, 2005), 234–235.

“Body Publick” prior to the Boston Tea Party, the figures most derided were Massachusetts governor Thomas Hutchinson and the consignees who were set to receive the tea.²⁰ These figures were not seen as representatives of the Company. Hutchinson was seen as a representative of the British government. While a characterization of him as a “*Representation of Majesty*” was mocked by the Body, that he was characterized as such indicates that his primary role was to represent British power in Massachusetts.²¹ The consignees depended on orders from the British Company,²² but it was their actions as individuals “basely preferring their own private Interest to the general Good” that provoked the Body to resolve that anyone importing dutied tea was “an Enemy to his Country.”²³ Also discussed extensively was how “*accursed and unrighteous*”²⁴ the Act was, a description that implies that British lawmakers had erred in the view of the Body. While the recorded discussion of the Body does not lay blame on the Company itself, the people eventually came to the conclusion that destroying Company property was a logical way to their demonstrate objections to the actions of the British government and those affiliated with it.²⁵ Thus, we must conclude that the Company and the British government were two tightly linked concepts in the minds of American revolutionaries.

A similar link can be seen between the French Old Regime and the French Company in the scandal in the French Company preceding the Reign of Terror. In one of many conspiracies that came to a climax in November 1793,²⁶ Montagnard politician François Chabot accused

²⁰ L. F. S. Upton, “Proceedings of Ye Body Respecting the Tea,” *William and Mary Quarterly*, Third, 22, no. 2 (April 1965): 292.

²¹ Labaree, *Catalyst for Revolution: The Boston Tea Party, 1773*, 11.

²² Upton, “Proceedings of Ye Body Respecting the Tea,” 292.

²³ *Ibid.*, 295.

²⁴ *Ibid.*

²⁵ *Ibid.*, 298–299.

²⁶ Norman Hampson, *The Life and Opinions of Maximilien Robespierre* (London: Duckworth, 1974), 202–212.

several notable Girondins of blackmailing first bankers and then officials of the French Company in an effort to secure easy terms for the liquidation of the Company.²⁷ An easy liquidation of the Company would have allowed insiders to profit in the last moments of the Company's life. Jean Pierre de Batz, a royalist known for his attempts to save Louis XVI and Marie Antoinette from the guillotine, was thought to be behind the plot.²⁸ While the veracity of Chabot's story is questionable, it is clear that "a good deal of corrupt speculation" was occurring.²⁹ In contrast to the role of the British Company in the Boston Tea Party, the French Company acted more as a pawn than as a player in this scheme. Still, the willingness of the Montagnards to accuse their political opponents of aiding the Company in its dying moments, even if it was a self-serving act, is evidence of a perceived alliance of interests between the Company and the less radical party.

Looking at the distinctions between the situations in Britain and France, one particularly prominent difference is the nature of the objections raised related to the Company. The primary issues that American revolutionaries expressed associated with the British Company were its involvement in taxation and its monopoly. In France, however, it was not the actual operations of the Company that were problematic. Instead, it was the fraud that surrounded trade of the Company's stock. American and French revolutionaries obviously had different relationships with their associated Companies. Americans had experienced a colonial relationship with the Company, while the French were more familiar with the Company's operations in its metropolitan base. This difference in experience is clear in the different complaints the two groups of revolutionaries had about their Companies.

One aspect of the British Company that American revolutionaries took issue with was the

²⁷ Ibid., 209.

²⁸ N. Hampson, "Francois Chabot and His Plot," *Transactions of the Royal Historical Society* 26 (1976): 7, doi:10.2307/3679069.

²⁹ Ibid., 13.

tax levied on the tea it sold. The American patriots' objection to taxation by the British government was not limited to tea, but the tax on tea drew particular ire as it remained after other taxes had been withdrawn.³⁰ As by law all tea was imported by the Company,³¹ the implementation of this tax was unavoidably linked to the Company. Taxation was a political as well as economic issue, though: even when duties were reduced such that taxed Company tea was priced comparably to smuggled tea, patriots refused to buy the legal tea, crying “no taxation without representation” as they threw the tea overboard in the Boston Tea Party.³² The Company did not choose to implement the tea tax, but was pulled into the political struggle between Britain and its American colonies because of its unavoidable involvement in the administration of the tax.

The issue of monopoly brought the British Company into another aspect of the dispute that would become the American Revolution. Monopoly was, to the American revolutionaries, “a tool of a dangerous state.”³³ They feared that the oppressive system of governance that had been set up by the British Company in India³⁴ could emerge in America. The tendency of monopoly governments to be “military and despotical” was recognized by Adam Smith,³⁵ indicating that this was not a fear unique to the American situation. However, this idea was compatible with the uniting revolutionary idea of liberty and thus was easily adopted by

³⁰ Labaree, *Catalyst for Revolution: The Boston Tea Party, 1773*, 8–9.

³¹ *Ibid.*, 6.

³² *Ibid.*, 7.

³³ Fichter, *So Great a Proffit*, 17.

³⁴ Stern, “Company, State, and Empire: Governance and Regulatory Frameworks in Asia,” 140–141.

³⁵ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan, 5th ed. (London: Methuen & Co., 1776), bk. 7, chap. 190, <http://www.econlib.org/library/Smith/smWNCover.html>.

American revolutionaries.³⁶ Others who opposed the monopoly did so on the grounds that the monopoly violated a right to property. As this argument went, there were British merchants other than the Company who would have liked to participate in the Atlantic tea trade, and by giving the Company a monopoly these merchants lost potential profits, and thus property.³⁷ The arguments against monopoly were more philosophically motivated than those against taxation, but both issues were clearly present in the minds of American revolutionaries.

In contrast, the primary issue that French revolutionaries had with the French Company was the fraud that had plagued the operation of the Company throughout its history. This corruption began with John Law's incorporation of the French Company into his new French financial system as part of the Mississippi Company.³⁸ During the dramatic boom and bust of the Mississippi Company stock prices, Law manipulated the market to drive stock prices up and then further manipulated prices, fueling the plummet.³⁹ A later example of the French Company's involvement in fraud can be seen in the Paris Bourse of the 1780s. Trading in the Paris Bourse was a more complex matter than stock trading had been in the day of John Law: there were Bulls and Bears, and techniques like buying stocks for future delivery and hedging investments were employed.⁴⁰ In 1786, when a crash seemed imminent, the government allocated 115,000 livres to prop up prices. A syndicate was appointed to invest this money. However, rather than investing the money as intended, the syndicate attempted to corner the market on Company stock.

³⁶ Fichter, *So Great a Proffit*, 18.

³⁷ *Ibid.*, 18–19.

³⁸ Margerison, "The Shareholders' Revolt at the Compagnie Des Indes," 26–27.

³⁹ James MacDonald, *A Free Nation Deep in Debt: The Financial Roots of Democracy* (Princeton, NJ: Princeton University Press, 2006), 197–201.

⁴⁰ George V. Taylor, "The Paris Bourse on the Eve of the Revolution, 1781-1789," *The American Historical Review* 67, no. 4 (July 1962): 967–968.

Exposure of this fraud resulted in outrage.⁴¹ With this history, the scandal in the Company's liquidation in 1793⁴² should have come as no surprise. While the British company was known, and hated, for aspects of its business, it was fraud that defined the French Company.

Finally, the fate of corporations in general differed greatly between the American and French Revolutions. After the American Revolution, a culture of free trade arose in America and proved very profitable. Eventually, this culture spread to Britain and allowed for growth in other areas of American commerce. In contrast, joint stock companies and the stock market were banned during the French Revolution. Even after the end of the ban, this had the notable consequence of retarding the growth of corporations in France. While these trends do not apply to the East India Companies specifically, they can be seen as the ultimate display of differing relationships of the two revolutions to the two Companies. Americans saw the Company as something to improve upon, while the French saw the Company as an idea that had already done too much damage.

The product of the relationship between the British Company and the American Revolution can be seen in America's implementation successful free trade regime, and ultimately Britain's decision to revoke the Company's monopoly. A culture of free trade arose in American immediately after the Revolution.⁴³ The government's support for this trade is clear in the terms of the 1795 Jay Treaty with Britain. The treaty affirmed American neutrality in the wars between Britain and France, which had already given American traders a distinct advantage over the involved European powers. Further, the treaty granted "reciprocity in navigation" which ensured

⁴¹ Ibid., 970–971.

⁴² Hampson, *The Life and Opinions of Maximilien Robespierre*, 208.

⁴³ Fichter, *So Great a Proffit*, 39.

that American vessels could continue to trade at British Company ports in India.⁴⁴ The new system of American trade was as unlike the old British system as it could be: American ships sailed on no set schedule, their merchants traded on the open market in India, and voyages were made between many Atlantic ports to a variety of ports in India.⁴⁵ These differences can be partially credited to the American spirit of freedom, but it seems though there was also a concerted effort made to develop a system unlike the one that the patriots had rebelled against. Unable to compete, Britain dropped the Company's monopoly of trade with India in 1813.⁴⁶ A new era of free trade began with the end of the Company's monopoly, with both imports from and exports to India growing significantly in the years after the monopoly was lifted. The success of this reform led to further liberalization of British trade, including the removal of the Company's monopoly in China in 1833.⁴⁷ In short order, American and British trade in the Indies had been transformed from the old monopoly model to a new model of free trade.

The trend of the American Revolution having positive effects on the growth of free trade corporations and negative effects on monopoly corporations continued into the nineteenth century. After interrupting Britain's dream of being a "trade emporium" at the end of the 18th century, war with Britain intruded on America's prolific trade with the Indies.⁴⁸ The capital that American merchants had accumulated in the Indies trade did not disappear, though. It was transferred to "domestic banking, manufacturing, and real estate."⁴⁹ The businesses that merchants invested are historically significant: Stephen Girard's unincorporated bank helped

⁴⁴ Ibid., 176–177.

⁴⁵ Ibid., 195.

⁴⁶ Ibid., 232–233.

⁴⁷ Ibid., 250–251.

⁴⁸ Ibid., 83, 197.

⁴⁹ Ibid., 252–254.

fund the War of 1812,⁵⁰ Israel Thorndike's Boston Manufacturing Company ran the groundbreaking Lowell Mills,⁵¹ and John Jacob Astor made astounding investments in land in New York and the Pacific Northwest.⁵² All of these businesses were able to exist as a result of America's previous lucrative Indies trade. Indirectly, Americans' experience with the British Company contributed to building the American capitalist system in areas far removed from the Indies trade itself.

In stark contrast, during the French Revolution joint stock companies were banned. The ban came after a speculation-fueled economic crisis in 1793 that resulted in a dramatic rise in commodity prices. Combined with the egalitarian zeal of the revolution, an end to the stock market and joint stock corporation seemed an ideal solution to some of the more radical revolutionaries.⁵³ These reforms became a reality in August 1793 during the Montagnards' rise to power.⁵⁴ After the Revolution, corporations eventually reemerged in France. The first insurance company was incorporated in 1819, and by 1830 shares of seven insurance companies were being traded on the reopened Bourse.⁵⁵ The railroad industry also grew in nineteenth century France,⁵⁶ and the *Crédit Foncier* and *Crédit Mobilier* corporations were founded in 1852 to provide credit for land development.⁵⁷ While capitalist institutions did eventually begin to grow in France, their growth was clearly hindered. The ban on corporations during the French Revolution likely contributed to this delay.

⁵⁰ Ibid., 260.

⁵¹ Ibid., 269.

⁵² Ibid., 272–273.

⁵³ Georges Lefebvre, *The French Revolution* (Columbia University Press, 1962), 60–61.

⁵⁴ Ibid., 67.

⁵⁵ E. Vidal, *The History and Methods of the Paris Bourse* (Washington: Government Printing Office, 1910), 176, https://fraser.stlouisfed.org/docs/historical/nmc/nmc_573_1910.pdf.

⁵⁶ Ibid., 177–181.

⁵⁷ Ibid., 186.

Comparing the relationship of the British East India Company and the American Revolution to that of the French East India Company and the French Revolution, we find that both the similarities and differences provide insight into the Atlantic world of the 18th century. The motif in which a crisis in the Company preceded and can be tied to the beginning of a Revolution can be seen in both situations. This is not unexpected, as the volatile environment left in the wake of a major financial crisis is an ideal environment for the development of a revolution. The link between the Company and the party being rebelled against in each Revolution is also unsurprising. Company operations in both England and France depended on a government granted monopoly, and governments had built links to the Companies prior to the Revolutions. The differences between the British and French situations lead to more interesting conclusions. In the British case, American patriots objected to the taxes the British Company collected and the monopoly it operated under. In the French case, there were more practical objections to the fraud that had plagued the Company throughout its history. This difference points to a perception of the British Company as focused on actual operations and the French Company as more of a tool for speculation. Additionally, it sheds light on the different experiences revolutionaries in the two countries had with the two Companies. The diverging paths of free trade after the American and French Revolutions allow us to further differentiate between the views of the American and French revolutionaries. As Americans saw the situation, corporations as a whole did not need to be banned, just restructured so that they were consistent with revolutionary ideals. Seeing America's success, Britain followed. On the other hand, in France there was seemingly no way to separate the company from the fraud that came with speculation other than to ban joint stock companies and the stock market all together, and to later start again from scratch. Careful comparison of the situations of the British and French East India

Companies aids our understanding of an important era and two major players in it.

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