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Indian Textiles and American Industrialization, 1790-1820

The connections between the U.S.-India trade and U.S. industrialization run deep. The Boston Manufacturing Company (BMC) is an instructive example. The BMC was first U.S. business to consolidate the textile manufacturing process—from raw cotton to woven cloth—under one roof. It was one of the most significant and costly U.S. industrial undertakings of its day. Its founders and early managers derived much of their wealth and experience from trading in Indian cotton piece goods.

On October 18th, 1813, the principle shareholders of the BMC met for the first time in the counting room of a fellow shareholder's store on Broad Street. Then and in the weeks that followed they began to sketch out the Company's business: cotton. It was an expensive proposition: plant, wages, and supplies were not cheap; the shareholders had already subscribed $100,000 toward the start-up cost, no small sum at the time. Among the principle shareholders, several had previously invested in Indian cottons: Patrick Tracy Jackson (who bought twenty $1,000-shares of the BMC), James Jackson (five shares), James Lloyd (five shares), and Israel Thorndike Sr. (ten shares). Their names, save for Patrick Tracy Jackson's, all appear in the Salem, MA customs records as importers of Indian cloth. There may well have been other India-goods investors among the initial shareholders. Many of them were from Boston, and Boston customs records, where one would find such data, do not survive. Still, even via Salem, Nathan Appleton (5 shares) and Francis C. Lowell (15 shares) had invested in the China trade, which required much the same managerial experience and capital reserves as an Indian investment.[1]

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[1] The original shareholders were: Francis C. Lowell (15 shares); Benjamin Gorham (3 shares); Uriah Cotting (5 shares); Patrick Tracy Jackson (20 shares); Warren Dutton (2 shares); John Gore (10 shares); Charles Jackson (10 shares); James Lloyd (5 shares); Israel Thorndike Jr. (10 shares); Israel Thorndike Sr. (10 shares); James Jackson (5 shares); Nathan Appleton (5 shares). "Articles of Agreement between the Associates of the 'Boston Manufacturing Company' previous to the Organization of the Corporation." 4 September 1813. Boston Manufacturing Company. I. 7-9. Baker Library, Harvard Business School. "Impost Book of the Collector" I-V (1789-1815-). Salem, MA. National Archives and Records

These investments were not cheap. James Lloyd invested $15,000 in Indian piece goods aboard the *Argo*, which returned in 1805. Shipments to India were typically made in silver, rather than merchandise or credit. Indeed, between 1802 and 1811, 89% of U.S. shipments to India were in specie. Thus it was considerably more difficult for Lloyd to ship $15,000 to India than, say, Cuba, where the welcome given to American credit and American exports meant his cargo would not have to be denominated in silver. The China trade likewise demanded specie; the two trades together left only the most well-connected and wealthy merchants able to invest in a shipment to Asia.[2]

Patrick Tracy Jackson was one such man. Jackson was born in Newburyport, Massachusetts, son to a local merchant, and apprenticed to another merchant in town at age fifteen. By 1802, then in his early twenties, he had risen to become supercargo, in charge of buying and selling cargo, for the ship *Hannah* on its voyage to India. He served as an India supercargo for the next four years, managing shipments between India, Cape Town, Penang and the United States, making much of his money in the form of sales commissions. Specie was of course all-important, and after inquiring into fitting out an Indian venture of his own in 1803, Jackson estimated that he would need to borrow $100,000 in silver to make up a voyage. Apparently, no one was interested in lending that kind of money—no one who would not rather invest in an India voyage himself, anyway. Still, by 1806, Jackson had amassed a large enough capital to become a merchant in his own right. He settled down in Boston, where he continued in the East Indies trade, importing, distributing, and re-exporting Indian cottons.[3]

Israel Thorndike was an even more well-connected and wealthy merchant—though he had not started out that way. Born in 1757, Thorndike was the son of a Beverly farmer-mariner. He captained several privateering vessels during the American Revolution, and soon went into partnership with a few area merchants. By 1800 he was

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Administration (NARA), Waltham, MA. Jackson's imports from India to Boston do not appear in the "Impost Book" but in Kenneth Wiggins Porter, *The Jacksons and the Lees: Two Generations of Massachusetts Merchants, 1765-1844* (Cambridge, MA: Harvard University Press, 1937). Jackson also corresponded with Lowell, his brother-in-law, from India regarding investments there, suggesting the latter was at least interested in trading there.

[2] "Statement of the Commerce of British India with London, America and Foreign Europe; from 1802-3 a. 1810-11, both inclusive." p. 14-15 in "Accounts and Papers relating to the East India Company's Shipping" item no. 136 in *Parliamentary Papers* VIII 1812-1813.

[3] Porter, *Jacksons and Lees* 592-594. Patrick Tracy Jackson, Boston, to John Stille & Co, Philadelphia, 4 August 1803 reprinted in *Ibid*., 599.

trading independently. Thorndike's concerns were "chiefly to the East Indies," as he explained to one Spanish correspondent, though he expanded his business into re-exporting Indian cargoes to Europe as well. His business thrived, and his neighbors joked, perhaps half-bitterly, that "if he put a pebble on a shingle and sent it out to sea, it would come back in the shape of a dollar." Still, his Asian investments required specie, not pebbles; a single voyage required from $60,000 to $200,000 in silver. Thorndike, who did not sail to Asia himself, entrusted his cash to others, family or someone closely allied to his business, someone whom he could trust to carry it to Asia and invested it as best he could. Upon his death in 1832 Thorndike was worth $1.5 million; presumably he was worth something less than that in the early 1800s, which makes it even more remarkable that he would sign away several hundred thousand dollars in silver for years on end. Thorndike also raised large sums of cash from other investors, handing their specie to his supercargoes to invest. Thorndike's role was primarily as a financier.[4]

U.S. customs records reveal just how important that role was. The collector of customs recorded the quantity, value, and owner of every shipment that came ashore. His accounts reveal an India trade that was led, but not dominated, by a few men. The Indian demand for specie limited the field of investors to only the wealthiest of men, but among those, some like Thorndike had more specie and experience than others. Thorndike led. He recruited additional investors and organized investments. Ships trading to Asia, Thorndike's included, had on average four times as many parties concerned in the cargo as ships trading to the Caribbean (and the Caribbean is *the* basis of comparison, since in 1790, more than 70% of all overseas voyages were to the Caribbean). Of course, these investors did not have equal shares; Thorndike often took the largest. But he still reached out to these other, smaller investors, enlarging the capital at his disposal, and making an otherwise prohibitively expensive trade—few had $200,000 in silver to spend—available to men like James Lloyd, who had only $15,000 to invest. Thorndike rallied other investors.[5]

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[4] J. D. Forbes, *Israel Thorndike, Federalist Financier* (New York: Exposition Press, 1953) 48. David Hackett Fischer, "The Myth of the Essex Junto," *William and Mary Quarterly,* 3rd Ser., 21 no. 2 (Apr., 1964) 198.
[5] "Impost Book of the Collector" (Salem, MA) Vol I-V. NARA, Waltham, MA.

Jackson and Thorndike developed their managerial skills in the India trade as well. As business historian Kenneth Wiggins Porter claimed, "the knowledge of textiles acquired, and the capital accumulated," in the trade with India enabled Jackson "to become one of the pioneers in American textile manufacturing." Kishichi Watanabe, in his study of the Boston Manufacturing Company agreed, noting that because Jackson "engaged in the Far East trade ... his career prepared him for the top managerial position" at the BMC. Indeed, between 1802 and 1806 Jackson's voyages to Calcutta put him in contact with one of the most prolific textile manufacturing centers in the world. In port, Jackson oversaw the purchase of Indian weaves: silks, chintz, bandannas, seersuckers, and various muslins, financed by his banian, Ramduloll Day. He managed accounts for numerous other people—his first voyage as supercargo had him superintend the consignments of 33 different investors—daily checking prices, deciding when to buy or sell, borrowing additional money or arranging additional ventures as circumstances dictated. As a supercargo he had broad license; the owners were half a year and half a world away. They had given their money, and in his correspondence with them, it is clear that it was up to Jackson to manage it. His ability to identify and value good fabric developed quickly.[6]

Trading in Indian textiles also put him at the heart of the English East India Company's operation; it was the principle Western buyer for Indian textiles by 1800. Jackson undoubtedly encountered the Company's purchasing system, an arrangement whereby the Company contracted with local Indian merchants in advance to supply cotton goods at fixed dates.[7] The prospect it offered—if not always the reality—was of a much more regular and reliable trade than the one Jackson managed. Jackson's trade was tied to the daily fluctuations of the cotton market. It could be good one week and sour the next, depending on the season and how many competitors he had. Leaving Boston for India, he had no way of knowing when he would arrive or how much cotton goods would cost. Sometimes he could not even know when he would depart; the Calcutta authorities

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[6] Porter, *Jacksons and Lees* 770. Kishichi Watanabe, "The Business Organization of the Boston Manufacturing Company: The Early Development of Modern Management in the United States," *KSU Economic and Business Review* I (1974) 67. Porter, *Jacksons and Lees*, 594. Porter reprints Jackson's correspondence, 595-620.

[7] K. N. Chaudhuri, *The Trading World of Asia and the English East India Company, 1660-1760* (New York: Cambridge University Press, 1978) 305-312.

barred ships from leaving port when they heard French privateers were operating in the area.

When Lowell, Jackson, Thorndike and the other shareholders met at Broad Street that October, one of the most striking things about their business was that they incorporated at all. In 1813, most American businesses were partnerships; businessmen finding that the most congenial form of organization. The Slater Mill, which had pioneered the U.S. manufacture of cotton yarn in 1790, was a partnership. But the BMC was more highly capitalized and more complex—Slater-style mills were initially capitalized at $20,000-$30,000 compared to the BMC's $100,000—and this seems to have encouraged the founders to favor the corporate form. They appointed one of their own, Jackson, as treasurer, but in effect he was the chief executive officer. Jackson was an effective CEO, but he had other responsibilities, too; like the other shareholders, he ran several businesses at once, and he could give only limited attention to the BMC. That soon proved insufficient. In 1815, the shareholders appointed Jackson factory superintendent as well, gave him a house on the factory site, and asked that he oversee the daily goings on of the factory. They required that he give "his whole time & attention to the concerns if the Boston Manufacturing Company" and "to enter into no commercial speculation or other business, that may take from the just & necessary attention to the duties of his office." In exchange, they offered him a $3000 salary; he was granted a raise to $5000 in 1819. Jackson was one of the first factory managers in American history. One wonders whether the East India Company's planned, scheduled trade had any effect on Jackson's management of the BMC.[8]

Thorndike's and Jackson's India businesses certainly overlapped. But Thorndike, unlike Jackson, never went to India. He worked with investors in Massachusetts, raising investing capital for more India voyages. He passed on only the most general instructions to his captains and supercargoes sailing to Asia, and expected them to take advantage of circumstances as they arose. Most importantly, he gave his name and his silver to the enterprise, which encouraged others to invest. While Jackson worked with suppliers and

[8] The Slater Mill and other mills in the Slater mould typically produced yarn, not cloth. Watanabe, "Business Organization" 49. Watanabe discusses the treasurer in American textile corporations, whose office still retains CEO power in some textile firms. Watanabe, "Business Organization" 58-59. "Director's Records." Waltham 6 November 1815. Boston Manufacturing Company. II 18. Baker Library. Watanabe, "Business Organization" 57-58.

the ship's crew, Thorndike worked with investors. He was a pre-corporate upper manager, perfectly suited for his next role: President of the Boston Manufacturing Company.

The presidency was a somewhat honorific position; Jackson, as treasurer, maintained the BMC's accounts and managed day-to-day affairs, but the president still held some clout. He presided over shareholder meetings; he chaired the board of directors. He was as likely to be a moderator, smoothing over disputes, as a leader. Some presidents were more powerful than others. James Lloyd served until 1815 with limited effect upon company policy. Thorndike was more successful; he sometimes used his authority as a director and a major shareholder to take the lead in formulating business strategy. Thorndike assumed the presidency of the BMC in 1817 and held it until 1831, shortly before his death. During this time, he oversaw significant expansion. The company sold additional shares to its first investors and then brought in new investors as further capital was needed. When the BMC had consumed the available waterpower on the Charles River, Thorndike, along with Jackson, served on the shareholder committee that looked into and suggested the purchase of the Merrimack Manufacturing Company. That expansion led to the wholesale damming of the Merrimack River and the founding of the factory town, Lowell. By 1820 Jackson and Thorndike were the BMC's first and second largest shareholders, respectively. Throughout, Thorndike's biggest role was passive; behind the scenes he could work among shareholders or directors; in public he was the face of the company. Just as he had given his name and his capital to his Indian enterprises, now he gave them to the BMC to attract the confidence of the investing public.[9]

Embodied in Jackson, Thorndike, Lloyd, Lowell, and others, the connections between Indian cottons and American manufacture were direct, and they suggest several further avenues of scholarship. First, historiography: the origins of corporations, and in particular, manufacturing corporations, has a lengthy pedigree, but the roots of the BMC

[9] "Boston Mfg Co. Treasurers' Reports, Projects Reports, Estimates, Licenses" Boston April 22, 1823. Boston Manufacturing Company. Box 1A. Baker Library. Forbes, *Israel Thorndike* 139. Only in Forbes's account, a short and rather ignored biography, do Thorndike's activities with the Boston Company appear at all. Robert F. Dalzell, Jr., *Enterprising Elite: The Boston Associate and the World They Made* (Cambridge, MA: Harvard University Press, 1987) mentions Thorndike in passing several times, but never discusses his role in the Boston Company.

and other firms was not in the legal history of the corporate form but the managerial expertise of the men who came to lead them. A history of the earlier careers of early nineteenth-century U.S. corporate managers would reveal much about how later corporate usage developed. Second, methodology: the impost books kept by U.S. customs officials remain ignored. These records reveal the ties between shipowners and captains on the one hand and freight-paying shippers on the others. Because they exist in complete runs, they often provide a more complete picture of a merchant's investment portfolio than his own business papers. Transcribed into a spreadsheet, they provide the intermediate link between micro- and macro-economic history: a day-to-day accounting of individual Americans' investments, aggregated at a moment's notice. An economic or business historian armed with these sources stands to revolutionize our understanding of every aspect of American overseas trade, and not just with India, but with the West Indies, the Wine Islands, and Europe, too.