Underwriters *of the* United States

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How Insurance Shaped the American Founding

HANNAH FARBER

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To my teachers

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Abbreviations

CORPORATIONS

BMIC	Boston Marine Insurance Company Records, MS N-2043, Massachusetts Historical Society, Boston
ICP	Insurance Company of Pennsylvania
INA	Insurance Company of North America

ARCHIVES AND SOURCES

ASPFR	United States Congress, *American State Papers: Documents, Legislative and Executive, of the Congress of the United States . . . ,* 38 vols. (Washington, D.C., 1832), Class 1, *Foreign Relations,* 6 vols., ed. Walter Lowrie et al.
HBS	Harvard Business School, Boston
HSP	Historical Society of Pennsylvania, Philadelphia
LCP	Library Company of Philadelphia
LOC	Library of Congress, Washington, D.C.
McA MSS	John A. McAllister Manuscript Collection, Library Company of Philadelphia
MHS	Massachusetts Historical Society, Boston
NYHS	New-York Historical Society
RIHS	Rhode Island Historical Society, Providence
WMQ	*William and Mary Quarterly*

Underwriters *of the* United States

Prologue

A COMPOSITE NARRATIVE OF A VISIT TO THE MARINE INSURANCE OFFICE, 1800

The President and Directors of the . . . Insurance Company,
Agreeably to the act of their Incorporation, inform the public . . . [that they are]
ready to receive Proposals at their office.
—*Boston Gazette,* Mar. 9, 1801

Applications may be made in the usual form.
—*New-York Evening Post,* Nov. 20, 1801

YOUR PLAN

It is August of 1800. Now is certainly not the safest time for a Boston merchant to be sending a trading vessel down to the Caribbean, but then again, it's been worse. You've been reading the newspapers and corresponding with your business partners overseas, so you know that the French Revolutionary Wars seem to be heading toward a lull in the region. Great Britain, with its armies ravaged by yellow fever and its spirits shaken by French slave emancipations, has given up on conquering Caribbean islands for the moment and is shifting its resources toward the war in Europe. The United States government has put twenty-three naval ships into operation to protect its merchant fleet and is actively negotiating with France to rein in that country's own predations on Americans. Your government has also given you legal permission to put a few guns on your vessel.[1] On the other hand, there are still plenty of naval vessels and privateers of various nationalities out there, and they carry a *lot* of guns. They have the power to detain you, rob you, or force you through lengthy court proceedings to prove that your trade isn't benefiting their enemies or violating international law. Therefore, you have decided, you had better acquire an insurance policy for the *Eagle.*[2]

The *Eagle,* a relatively cheap, two-masted schooner, departed your home port of Boston a few days ago, headed to the British Caribbean island of An-

Figure 1. The Continental Schooner Hannah. *By John F. Leavitt, n.d. Though fitted out for the use of the Continental navy during the American Revolutionary War, this vessel would have resembled many schooners of the era used for commercial purposes. Watercolor on paper, 27.5 × 33 inches. Original in Abbot Hall, Marblehead, Mass. Photograph: Accession no. NH 51097-KN. Courtesy of Naval History and Heritage Command*

tigua with a humdrum cargo of dried fish, barrel staves, and grain. As you and your shipmaster have agreed, the *Eagle* will sell this cargo, pick up a new cargo of sugar, and return home. If the sugar is too expensive or bad, or if there isn't enough of it, the shipmaster will try a couple of other islands. He has promised to write when he reaches Antigua, but it is too soon to expect word, so you are not worried.

Your father-in-law has always advised you to buy insurance in London, where you and he both do a bit of business. Insurance rates are usually lower there. You already have a relationship with a London agent, too, who sells your incoming cargoes, pays your fees, and buys the cargoes your ships take on when they come back home. Why not just get him to buy you insurance policies at the same time? You used to agree that this made the most sense. But this time, you decide to take your chances on one of Boston's new insurance companies, which recently received a corporate charter from the state legislature.[3] This arrangement will probably be more expensive, but there are advantages to doing business closer to home. You saw the names of the company's twelve elected directors announced in one of the local newspapers. You are on good terms with a couple of them. They are not close friends of yours, but they are deliberate, honorable, reasonable men. You feel confident that they understand the proper conduct of the insurance business and will treat you fairly. Several others are prominent members in the state legislature, which makes it unlikely, you figure, that the company will encounter political headwinds.[4]

YOUR POLICY

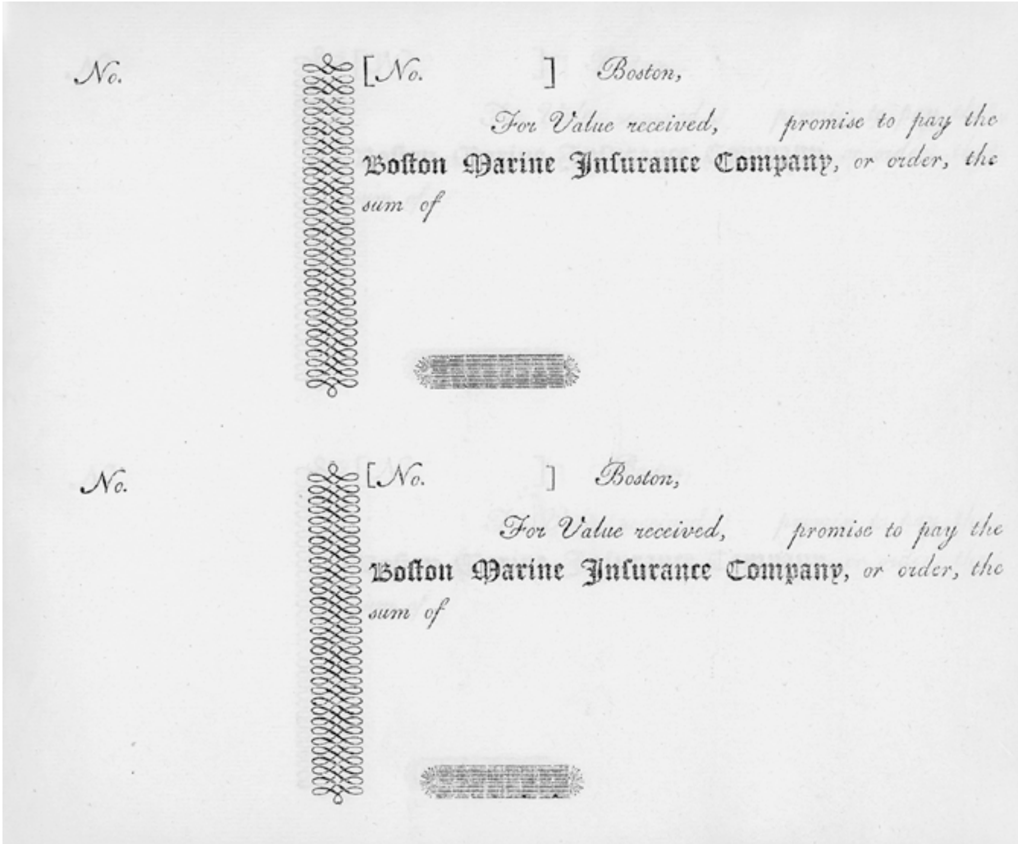
The new insurance company's office is discreet in its appearance and makes little impression on passersby, but as a local, you understand that its location has been chosen to signal its allegiance to the finest traditions of Boston commerce. The office is conveniently located at the center of Boston's compact commercial district, where merchants have congregated for generations. It rents its rooms from the Union Bank, which itself only just purchased the attractive three-story building at the corner of State Street and Exchange Lane from one of its own directors.[5] You go to the office at nine in the morning, right when it opens. The secretary rises gracefully from his chair and greets you with an easy, straightforward gentility, which makes you feel all the better about this new company—though institutionally upstart, its people know the rules of proper behavior.[6] You describe the vessel and the planned route to him. You tell the secretary of the *Eagle*'s departure date and say you have no knowledge that any harm has come to the *Eagle* thus far; under those conditions, he says the insurance company will consider your proposal for a policy.[7] The secretary asks you whether you would like to insure the cargo, the vessel, or the freight (that is, the cost of shipping), or some combination of the three. You say you don't care to insure your outgoing cargo, as it didn't cost you that much, but you would like insurance to cover your return cargo, the sugar, which you expect will be worth around $2,300. The secretary nods when you describe the sugar but doesn't specify it on the policy—its estimated value is all that matters. If the sugar ends up being worth less, you will get some of your premium back.[8] You also ask for $1,000 on the *Eagle* itself, both ways. The *Eagle* is worth about twice that (as you tell the secretary), but it is still a relatively cheap vessel. Your cargo is far more valuable, and perishable, to boot, and you like to save money when you can. One thousand dollars will cover a wide variety of potential damages. You confirm that the property and vessel are both owned by an American (you) and that you want the policy to cover captures, not just weather and routine accidents.

You admit to the clerk that you are not sure what happens next. In the past, you have always bought insurance through a broker. Your broker, in the typical fashion, wrangled together a handful of individually operating underwriters, each of whom took on (underwrote) a portion of your policy's risk—one underwriter would subscribe for $500, another for $200, and so on, until the policy was "filled." The clerk explains with a smile that things are actually much simpler with a company. He has inscribed the material facts of your proposal in a book.[9] Three of the company directors and the president meet every day to consider policies, and if you return after four o'clock in the afternoon, when the office reopens for a few hours, they will let you know whether they will insure the *Eagle* and, if so, at what rate. As for the insurance contract itself, he says, it proceeds in the usual way. He gestures at his desk, where a well-known compilation of merchant customs, procedures, and best practices—Wyndham Beawes's *Lex Mercatoria Rediviva*—lies open. You look down and note, approvingly, that he has a current edition. Marine insurance is a tricky business, and peculiar circumstances crop up all the time. But if this company takes its cues from the well-reputed Beawes, everything is likely to be, so to speak, smooth sailing.

In the afternoon, you return to good news. The company's directors have conferred. They have glanced at the clerk's notes on your vessel, your shipmaster, and the proposed destination and combined this information with their own recent intelligence on the current political condition of the region and their longer-term experience with trips to the Caribbean during hurricane season. (They have also, you suspect, made a brief discussion of you.) They have agreed to grant you an insurance policy for $3,300, as you requested, at an 8 percent premium, summing to $264. This premium assumes that, as you have discussed with them, your vessel may make a few extra stops at different islands if suitable sugar in Antigua is too scarce or expensive. However, they will return 1 percent to you if your ship goes to Antigua only and returns home without loss.[10]

At first, you object that this rate sounds a bit high. (As a Bostonian, you don't mind haggling a bit.) You have in your possession a city guidebook indicating that a new insurance company has just started up in Baltimore, and you mention that you might write to them to see whether they could do better. But the clerk assures you that the new Baltimore company will offer you a similar, if not identical, rate. He has recently exchanged letters with the secretary of that very company, and its opinions on the current dangers of the West Indies are the same as his own. In your journey to Antigua, you will be heading awfully near to the privateers of Guadeloupe, who are thought to number well over one hundred and who seem quite capable of ignoring any directives from France to lay off the Americans. You believe the secretary. His company's reputation is at stake; if you were to discover later that it has charged you an exorbitant rate, you would tell all of your neighbors.[11]

You will have to pay your $264 premium to the company within ten days, but you will not pay with gold or silver or even banknotes. Instead, you will pay with your "note," an official, interest-bearing IOU cosigned by an


No. [No.] Boston,

For Value received, promise to pay the Boston Marine Insurance Company, or order, the sum of

No. [No.] Boston,

For Value received, promise to pay the Boston Marine Insurance Company, or order, the sum of

Figure 2. Promissory notes printed for customers of the Boston Marine Insurance Company. Insurance companies could deposit notes like these in local banks or ask the banks to discount them for cash. Promissory notes, Feb. 11–28, 1801, vol. 3, Boston Marine Insurance Company Records, MS N-2043. Collection of the Massachusetts Historical Society

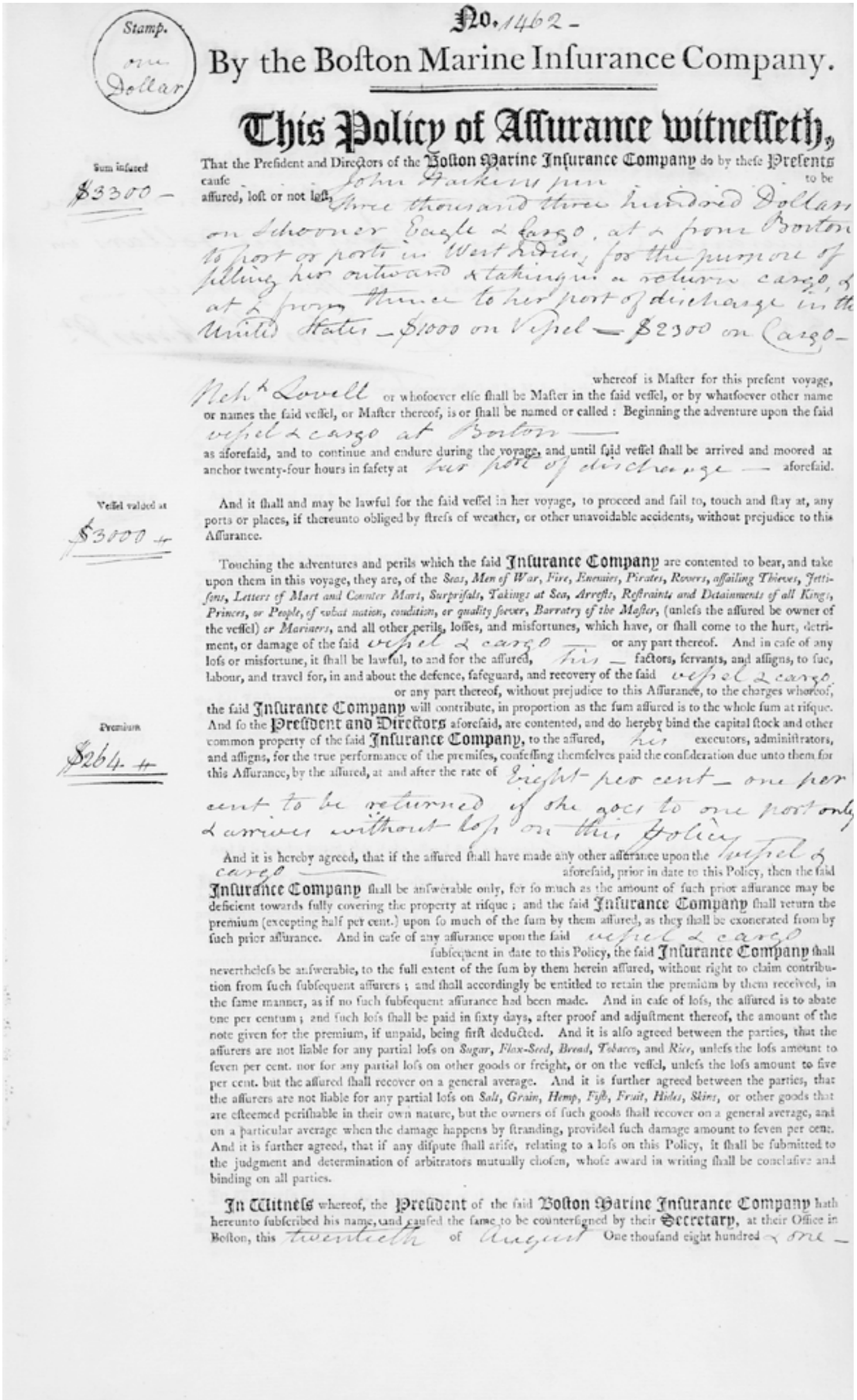
approved endorser—ideally, a Boston merchant possessing wealth as well as the traditionally celebrated characteristics of "probity . . . and honour." You luckily know just such an individual, who happens to be personally known to one of the company directors in the office that day. The note will come due in ninety days, at which point you will have to pay the insurance company with gold, silver, or bills payable at a Boston bank. If you were planning something extravagant, like a China voyage, you would have a full twelve months to pay your premium. The idea is that your voyage will come in before your premium note comes due, which will allow you to pay the premium out of the proceeds of your sale of the arriving goods. Really, the insurance company is making you a loan. You ask whether the bills of other banks are acceptable—you say New York, but the truth is that you have a lot of Rhode Island bank bills you would like to get rid of—alas, the clerk says no, only Boston bills will do. Perhaps, you think, this is owing to the company's desire to deal only with the banks in which it has the greatest confidence; perhaps it is because most of the insurance company directors also have some hand in Boston's banks. It takes only another moment's consideration, however, for you to realize that these two factors are inseparable: the insurance company directors trust the banks in which they hold shares, and they hope to see those banks profit further.[12] You agree that you will pay in Boston bills. The company secretary fills out two copies of the policy—one loose-leaf, for you to take home, and one that will stay bound into the company's current policy book. You notice, reassured, that it looks like every other insurance policy you have ever seen. Your eyes run over the familiar list of mishaps that the policy claims to cover:

> The seas, men of war, fire, enemies, pirates, rovers, assailing thieves, jettisons, letters of mart and counter-mart, surprisals, takings at sea, arrests, restraints, and detainments of all kings, princes, or people, of what nation, condition, or quality soever; barratry of the master (unless the assured be owner of the vessel) or mariners, and all other perils, losses, and misfortunes, which have, or shall come to the hurt, detriment, or damage of the said [vessel and cargo] or any part thereof.

You know that many of these guarantees actually come with complicated qualifications, but you are nonetheless pleased to see that this company uses the ancient language and that the policy is otherwise quite similar to the text on policies you have previously acquired in London; this text, you know, is very old, indeed. And if the company has the latest edition of *Lex Mercatoria Rediviva,* you expect its interpretations will align with yours.[13]

The secretary signs your copy, as does the company president.[14]

As you are leaving the office with your policy, you run into a friend, who is coming to find out whether the company will issue him the policy he'd requested earlier that day. Your friend is more of a risk taker than you are, and he has decided to dabble in a bit of arms trading. He has been in correspondence with a Spanish merchant in Callao, who has invited him to send a shipment of weapons. The British, at war with Spain, will confiscate the weapons if they find them in his vessel. Moreover, the viceroy of Lima might consider the entire transaction to be illegitimate and seize the goods. The Callao merchant promised to provide your friend a special license authorizing the arms shipment, along with a passport for the vessel. But, as your friend tells you later, the Boston insurance company decides this to be too risky and turns him down. Your friend persists—you learn later that he succeeded in obtaining the insurance policy in Philadelphia on the terms he requested, with five separate underwriters offering him half of the coverage he


No. 1462 –

Stamp. one Dollar

By the Boſton Marine Inſurance Company.

This Policy of Aſſurance witneſſeth,

Sum inſured $3300 –

That the Preſident and Directors of the Boſton Marine Inſurance Company do by theſe Preſents cauſe John Hawkins jun to be aſſured, loſt or not loſt, Three thouſand three hundred Dollars on Schooner Eagle & cargo, at & from Boston to port or ports in West Indies, for the purpose of selling her outward & taking in a return cargo, & at & from thence to her port of discharge in the United States — $1000 on Vessel — $2300 on Cargo —

whereof is Maſter for this preſent voyage, Neht Lovell or whoſoever elſe ſhall be Maſter in the ſaid veſſel, or by whatſoever other name or names the ſaid veſſel, or Maſter thereof, is or ſhall be named or called: Beginning the adventure upon the ſaid veſsel & cargo at Boston — as aforeſaid, and to continue and endure during the voyage, and until ſaid veſſel ſhall be arrived and moored at anchor twenty-four hours in ſafety at her port of discharge — aforeſaid.

Veſſel valued at $3000 +

And it ſhall and may be lawful for the ſaid veſſel in her voyage, to proceed and ſail to, touch and ſtay at, any ports or places, if thereunto obliged by ſtreſs of weather, or other unavoidable accidents, without prejudice to this Aſſurance.

Touching the adventures and perils which the ſaid Inſurance Company are contented to bear, and take upon them in this voyage, they are, of the *Seas, Men of War, Fire, Enemies, Pirates, Rovers, aſſailing Thieves, Jettiſons, Letters of Mart and Counter Mart, Surpriſals, Takings at Sea, Arreſts, Reſtraints and Detainments of all Kings, Princes, or People, of what nation, condition, or quality ſoever, Barratry of the Maſter,* (unleſs the aſſured be owner of the veſſel) *or Mariners,* and all other perils, loſſes, and misfortunes, which have, or ſhall come to the hurt, detriment, or damage of the ſaid veſsel & cargo — or any part thereof. And in caſe of any loſs or misfortune, it ſhall be lawful, to and for the aſſured, his — factors, ſervants, and aſſigns, to ſue, labour, and travel for, in and about the defence, ſafeguard, and recovery of the ſaid veſsel & cargo, or any part thereof, without prejudice to this Aſſurance, to the charges whereof, the ſaid Inſurance Company will contribute, in proportion as the ſum aſſured is to the whole ſum at riſque. And ſo the Preſident and Directors aforeſaid, are contented, and do hereby bind the capital ſtock and other common property of the ſaid Inſurance Company, to the aſſured, his executors, adminiſtrators, and aſſigns, for the true performance of the premiſes, confeſſing themſelves paid the conſideration due unto them for this Aſſurance, by the aſſured, at and after the rate of Eight per cent — one per cent to be returned if she goes to one port only & arrives without loss on this Policy

Premium $264 +

And it is hereby agreed, that if the aſſured ſhall have made any other aſſurance upon the veſsel & cargo — aforeſaid, prior in date to this Policy, then the ſaid Inſurance Company ſhall be anſwerable only, for ſo much as the amount of ſuch prior aſſurance may be deficient towards fully covering the property at riſque; and the ſaid Inſurance Company ſhall return the premium (excepting half per cent.) upon ſo much of the ſum by them aſſured, as they ſhall be exonerated from by ſuch prior aſſurance. And in caſe of any aſſurance upon the ſaid veſsel & cargo ſubſequent in date to this Policy, the ſaid Inſurance Company ſhall nevertheleſs be anſwerable, to the full extent of the ſum by them herein aſſured, without right to claim contribution from ſuch ſubſequent aſſurers; and ſhall accordingly be entitled to retain the premium by them received, in the ſame manner, as if no ſuch ſubſequent aſſurance had been made. And in caſe of loſs, the aſſured is to abate one per centum; and ſuch loſs ſhall be paid in ſixty days, after proof and adjuſtment thereof, the amount of the note given for the premium, if unpaid, being firſt deducted. And it is alſo agreed between the parties, that the aſſurers are not liable for any partial loſs on *Sugar, Flax-Seed, Bread, Tobacco,* and *Rice,* unleſs the loſs amount to ſeven per cent. nor for any partial loſs on other goods or freight, or on the veſſel, unleſs the loſs amount to five per cent. but the aſſured ſhall recover on a general average. And it is further agreed between the parties, that the aſſurers are not liable for any partial loſs on *Salt, Grain, Hemp, Fiſh, Fruit, Hides, Skins,* or other goods that are eſteemed periſhable in their own nature, but the owners of ſuch goods ſhall recover on a general average, and on a particular average when the damage happens by ſtranding, provided ſuch damage amount to ſeven per cent. And it is further agreed, that if any diſpute ſhall ariſe, relating to a loſs on this Policy, it ſhall be ſubmitted to the judgment and determination of arbitrators mutually choſen, whoſe award in writing ſhall be concluſive and binding on all parties.

In Witneſs whereof, the Preſident of the ſaid Boſton Marine Inſurance Company hath hereunto ſubſcribed his name, and cauſed the ſame to be counterſigned by their Secretary, at their Office in Boſton, this twentieth of August One thouſand eight hundred & one —

Figure 3. Insurance policy on the Eagle. *The Boston Marine Insurance Company issued policy no. 1462 (the inspiration for this prologue) to John Hawkins, Jr., on August 20, 1801, for $1,000 on the schooner* Eagle *and $2,300 on its cargo. Policy Records nos. 1458–1710, August 1801–January 1802, vol. 30, Boston Marine Insurance Company Records, MS N-2043. Collection of the Massachusetts Historical Society*

wanted, through a broker, and a Philadelphia insurance company providing the rest.[15]

YOUR CLAIM

The first letter you receive from your shipmaster brings decently good news. The *Eagle* successfully acquired its full cargo of sugar in Antigua. When your premium comes due, you will get the 1 percent rebate for having made only one Caribbean stop. Also, the cargo seems as if it will be worth only about $2,000, whereas you'd paid to insure $2,300. You will get a rebate for "short interest" (8 percent of the shortfall of $300, or $24). A few weeks later, however, still before your note comes due at the insurance office, you receive a second letter bearing worse news. On the voyage home, the *Eagle* passed through a significant storm, its hull sprung a leak, and it had to put into port in Nassau, in the Bahamas. The shipmaster there discovered that a significant portion of its cargo of sugar had been spoiled. This sort of storm is not considered to be your shipmaster's fault—he did the best he could, under the circumstances—and you file a claim with the insurance company for the loss of the sugar and for the expenses of repairing the damaged *Eagle*. Luckily, your shipmaster has been conscientious, and all your papers are in order. The repairs don't even take too long. When your ship finally arrives back in Boston, you send the company the shipmaster's notarized "protest," a standard piece of paperwork that attests to the circumstances of the loss. You also send the additional routine paperwork that proves the sugar had indeed been loaded on your ship and the price that you paid for it. The insurance company, after all, will not reimburse you for more than what you lost.[16]

The directors of the company, who are nearly all experienced merchants, make a brief but serious examination of your paperwork and decide that everything looks in order. The sugar pricing seems right, and the shipmaster's testimony is convincing. The Nassau notarial seal on his protest is one that some of the directors recognize from their own vessels' journeys to the region. They notify you by letter that they have agreed to honor your claim, and they will pay you, according to the terms of the policy, within sixty days of the adjustment.

You're fully covered on the sugar. Had your destroyed sugar arrived safely in the U.S. and been sold there, you would have made, after deducting your agent's charges and customhouse costs, $2,100, so this is considered to be what you lost. The loss is covered by your policy. However, the cost of repairing the ship came to $600, and alas, only $300 of this is covered by your insurance policy. To be sure, you insured your schooner for $1,000, but that insurance amounted to only half the vessel's declared value. According to the age-old insurance principle of "average," this means you are responsible for half of its damage or loss yourself. You admit it sounds a bit strange to outsiders, but in the case of shared-ownership vessels and cargoes jettisoned in storms, the principle of average actually makes a lot of sense. Shared losses are a core element of ocean commerce.[17]

You decide not to keep an ongoing account with the insurance company, so they offer you a check for what they owe you (the lost sugar sales, plus half the repair costs, minus your premium note, minus 1 percent as a sort of deductible), all payable at either the Massachusetts Bank or the United States Bank. You choose the Massachusetts Bank, since you already keep an account with them. The insurance company records the transaction in its receipt book.[18]

As you leave the office and head toward the bank, you run into your risk-loving friend who had insured through Philadelphia, and you discover that he has been far unluckier than you. First, a creditor for one of his earlier ventures demanded payment. Caught short, he failed to make the payment on the insurance premium for which he had given his note. He held off the insurers for a while by writing to them immediately, enclosing the letter that informed him about the delays. They agreed to renew the note for another thirty days, contrary to office policy. It cost him a bit more in interest, but everyone knows this is just part of doing business. Then matters got worse. Your friend discovered that the ship full of contraband had been detained by the viceroy in Lima, who was claiming that his documents were invalid and that he had no business shipping arms to this lowlife merchant. Uh-oh. The case seems likely to end up at a lengthy trial in Madrid. Your friend asked his insurers if he could "abandon" the ship to them, collecting his indemnification immediately and rendering the legal proceedings their problem, but they balked, arguing that, if they had known the Spanish paperwork was invalid, they would not have accepted the risk. Your friend is trying to figure out what will happen next. The insurance policy stipulates that disputes be referred to private arbitration by expert merchants. But the insurers might drag their feet, waiting to see the results of the Spanish trial. Your friend does not expect matters to be resolved for years.[19]

YOUR OPINION

You tell your friend that you are sorry to hear about his bad fortune, though you think to yourself that he should never have gotten embroiled in this sort of affair. For your part, you have enjoyed doing business with the insurance company, and you believe that its growing reputation is warranted. You agreed with the directors on all of the calculations and matters of policy

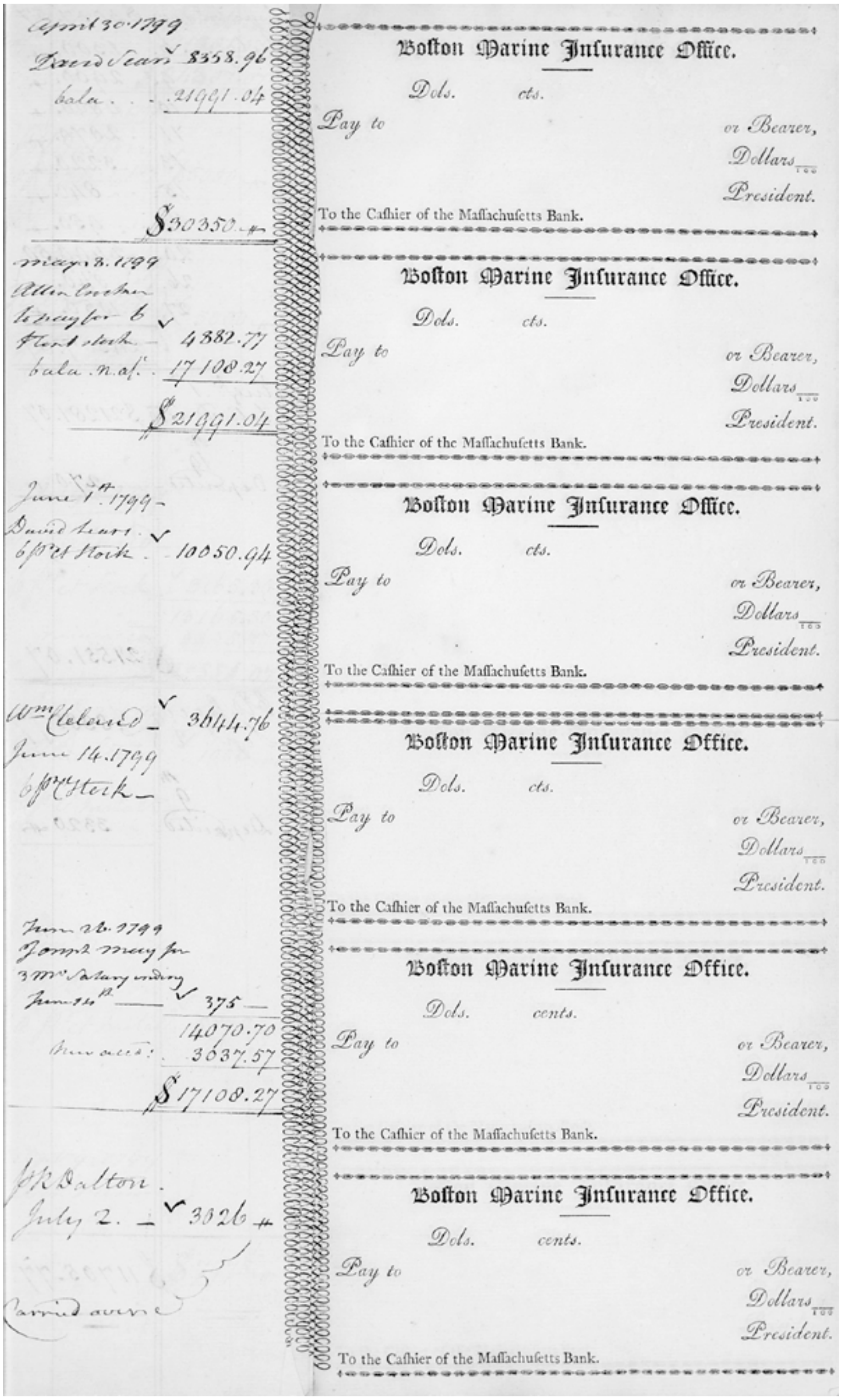


Figure 4. Massachusetts Bank Checkbook, Boston Marine Insurance Company. These checks authorized the transfer of the Boston Marine Insurance Company's funds at the Massachusetts Bank to the named individual. Massachusetts Bank checkbook, stubs dated April 1799–June 1803, vol. 29, Boston Marine Insurance Company Records, MS N–2043. Collection of the Massachusetts Historical Society

having to do with your own case. And the company must be making sound business decisions, for it has been paying impressive dividends in the last couple of years—the most recent, covering a period of only six months, amounted to a full 12 percent! To celebrate your successful transaction, you visit your local stockbroker and purchase five company shares. They are $100 each at face value, but you happily pay $112 apiece. The shares are duly transferred into your name in the company's stock transfer book. They will probably make you money, and they will certainly entitle you to cast five votes for your preferred company directors in the company's next annual election.[20]

Someday, you think, you might make a very good company director yourself.

Introduction

At first glance, the events of the preceding pages seem like a straightforward business story. A merchant buys an insurance policy, undertakes a voyage, suffers losses, and receives indemnification. What significance can we ascribe to these incidents? One reasonable approach would be to view our insurance-buying Bostonian as a dutiful heir to New England's long-established maritime traditions. He trafficked, after all, in the goods his region's economy had depended on since long before the independence of the United States—fish, barrel staves, grain, slave-grown sugar. Alternatively, we might assess our Boston merchant in light of his activities on land. Here, he seems more forward-looking: like a protobusinessman, perhaps, whose successful visit to a city insurance office presages the emerging nineteenth-century world of corporations and capitalists, clerks and accountants, banks and money, finance, risk, and debt.[1]

If we look still more closely at the Boston merchant's tale, however, a third story comes into view. It is a story about events that could have taken place only where and when they did—in American port cities, right at the water's edge, during the first few decades after the establishment of the United States. This third story is about how the old business of marine insurance became suddenly and deeply involved in the new business of American state making.

The clues that reveal this third story are almost comically humdrum: a brand-new insurance company renting office space from a bank, also newly established; a chartered corporation with a few state legislators sitting on its board; a friend in hot water with a foreign government; an obscure law book sitting on a secretary's desk. But if we examine the connections among all of these things, we can take better measure of an unusual business that, for a time, had extraordinary power to shape the course of events. In short, during the American Revolutionary War and the first eventful decades thereafter, as Americans hashed out the meaning of citizenship and put theories of governance into practice, as revolutions tore apart the empires of the Atlantic world and war raged across the oceans, marine insurers underwrote the establishment of the United States.[2]

In the eighteenth century, "underwriting" could mean a few different things. It could mean subscribing one's name to an insurance policy that covered a certain piece of property, thereby accepting, for a price known as the "premium," the risk of that property's loss. "Underwriting" could also mean serving as the guarantor for a loan or committing funds to a certain purpose. As Chapter 1 will explain in greater detail, both of these practices resembled insurance underwriting in that they involved placing one's resources at the disposal of others for a specific undertaking, with the explicit or implicit understanding that the undertaking might fail.[3]

Wherever underwriting was an established financial practice, the term "underwriting" gained cultural purchase and began to signify a more general application of one's resources. People used "underwriting" to mean expressing support for an idea or placing their personal reputation behind a project. These definitions, too, are part of the story told in this book. Its claim that marine insurers underwrote the United States is not only about actions taken in the realm of finance but also about the engagement of a more extensive set of resources in a state-making project that was as much cultural and political as it was economic.

Marine insurers first underwrote the United States simply and straightforwardly by shouldering the financial risks of the war for American independence, the subject of Chapter 2. Port town insurance brokers sold policies, for example, to the owners of American privateer vessels that set out to prey on the British merchant fleet. When the privateers suffered losses, their underwriters, who were typically fellow merchants, indemnified them. When privateers captured and sold British property, they could use the money to buy more insurance, and local merchant-insurers profited. In addition, as observers of the war were quick to note, successful American captures caused politically embarrassing spikes in Britons' own insurance rates. Thus, in several ways, the resources of American marine insurers supported the independence project.

Although the Revolutionary War did not fundamentally change the nature of the American marine insurance business, the national financial infrastructure that emerged from the war bore the mark of underwriters' logic. Philadelphia merchant-underwriter Robert Morris, who famously placed his personal resources behind the independence project, simultaneously brokered foreign loans, sold state debt, and created the Bank of North America. In this fashion, he established the mechanisms through which capital-holding individuals would take the risks of independence and its economically uncertain aftermath. Since these mechanisms required merchant experts to manage them, Morris's wartime undertakings should be understood to include not only the establishment of home rule but the determination of who should rule at home. Morris is most commonly described as a "financier" of the

United States, but the designation of "underwriter," in the early modern sense of subscriber, supporter, or guarantor, suits him equally well.

The constitutional establishment of the United States transformed the marine insurance business by inspiring corporate constitution making, the subject of Chapter 3. From the mid-1790s through the War of 1812, Americans formed scores of insurance companies. They incorporated them by petitioning their states for formal charters in a process that was closer akin to the era's political constitution making than is generally recognized. Corporate constitution making was also, however, a risk-management process that enabled companies to share financial risks with their host states, the public, and the federal polity in new ways. For insurance companies, which specialized in risk management, this process bore particular significance. When the first American joint-stock insurance company requested a charter from the state of Pennsylvania, critics raised important questions about the relationship between organized commercial wealth and the state. But the company's successful charter, which catalyzed the chartering of many other corporations, was in itself a consequential answer. Insurance companies, winning charters en masse, moved to the forefront of American merchant communities. Collaborating closely with one another, they made it possible for American merchants to take on a new, symbiotic risk relationship with state and federal governments without losing their ability to act autonomously.

State-chartered insurance companies underwrote the United States, in the broader sense of the word, by lending it the sizable stores of capital that they accrued in a very short period of time. Far wealthier and more numerous than their place in historical memory would suggest, insurance corporations invested large portions of their capital in the securities issued by the United States. By purchasing so much American debt, as we will see in Chapter 4, insurance companies took on the state's risk, reaping both short- and long-term rewards. In the process, they reshaped the American financial landscape. They also bound themselves closely to American banks, bolstering the financial sector and allowing it to produce more wealth for the state. Meanwhile, they engaged in a cultural initiative to offset the political risk of popular antipathy toward their wealthy and exclusive corporations. Sending delegations to urban parades, bestowing expensive silver gifts on valiant sea captains, and commissioning portraits of themselves in culturally meaningful poses, insurers invested in their own future by weaving themselves into the fabric of American society.

This strategy yielded significant profits to company leaders and shareholders, but American underwriters were not only out for themselves. They could not be, because they were financially invested in the success of the new republic. It was therefore in their best interest to secure American prosperity by, say, publicly pronouncing the country successful, its institutions prosperous, and its trade secure. As insurers' wealth and influence grew, their expressed confidence in the nation's future helped summon that future into reality.

So far, so straightforward. But marine insurance was not as purely patriotic a business as it liked to appear. In its bones, as Chapter 1 explains, it was a transnational practice, not an American one. It had taken its modern form in Renaissance Italian city-states to facilitate the transportation of valuable goods among far-flung parties and across inconvenient political boundaries. Buying and selling in a fragmented landscape drew merchants and their insurers into domains of political and legal uncertainty, which generated financial hazards but also significant opportunities. When city-states or empires went to war, for example, trade became riskier, but merchants were willing to engage in physically dangerous, illegal, or quasi-legal voyages, and insurers were willing to underwrite them, because they offered the possibility of particularly large profits. The polity's peril was the insurer's gain, because it was the risk of losses to foreign powers, or of administrative inconveniences during wartime, that spurred merchants to buy expensive insurance in the first place.[4]

On the most fundamental level, insurance was in tension with the state because insurance functioned in its own right as a form of governance—one that allowed merchants to control each other's behavior through the strategic deployment of capital, technical expertise, mythology, and statecraft. Insurance was a central topic of the purportedly transnational and eternal *lex mercatoria,* the "laws of merchants": a disorderly but revered body of rules, customs, and best practices that many eighteenth-century merchants believed to govern their business; they doggedly defended the autonomy of these so-called laws of merchants even as early modern states consolidated their powers.

During Britain's imperial wars, insurers brought prosperity to the metropole, but they also profited from, and perpetuated, fundamental tensions between the British Empire and the semimythological system of merchant self-governance. They frequently used the laws of merchants to justify their ongoing independence from the state, even as they demanded more assistance and accommodations from it. In the context of this tension, the insurance brokerages that formed in British North America during the eighteenth century cannot be read simply as evidence of economic development on the empire's periphery. They must be additionally understood as new infrastructure for a kind of merchant self-governance that owed no inherent loyalty to Britain—nor to the local leadership of its North American colonies.

Our fictional merchant, like any other American who bought marine insurance in the year 1800, inherited these tensions, for he, too, was subject to two distinct forms of governance. He was a citizen of the new United States—though it was not yet entirely clear what this meant—and as such, he was subject to laws of his fellow citizens' making. But he was also, by necessity, subject to the laws of merchants, which determined when and in what circumstances he would be indemnified. These latter were upheld, in theory and largely in practice, by his insurers.[5]

Who, then, were his insurers? Traditionally and most commonly, marine insurers were experienced merchants, because only such merchants were prepared to grasp the complexities of the insurance business. They held capital or could raise it. They usually understood technical practices like double-entry bookkeeping and the calculation of interest. They frequently had access to at least a modicum of political power, and they kept up with the news. But their characters and politics varied wildly. Marine insurance never belonged to any single political party, social class, or port city clique. In the colonial and Revolutionary eras, figures who will appear in this book include Ezekiel Price, Boston insurance broker, notary, and all-purpose fixture of city government; privateer Samuel Broome and his patriot in-laws; famous national financier Robert Morris; and relentless centralizer Alexander Hamilton, who had the federal republic fixed in his sights but the "laws of merchants" in his back pocket. As our story turns to the nineteenth century, its cast of characters grows to include ebullient, lottery-loving National Republican Samuel Blodget, Jr.; arch-Federalist Massachusetts merchant Israel Thorndike; the predatory Rhode Island slave-trading family known as the D'Wolfs; Nantucket Quaker–turned–Wall Streeter Jacob Barker; and the insurance heirs–turned-lawmakers Edward Everett and Theophilus Parsons, Jr. In short, American insurance brokers and underwriters ran the gamut from port city elites to upstart speculators, high Federalists to Democratic-Republicans, full-time underwriters to dabblers, innovators to traditionalists, settled functionaries to opportunistic migrants.

What these people did was complex but not occult, and although it was often extraordinarily profitable, it was not a magical guarantee of wealth. Many Americans made money underwriting, but others went bankrupt. Moreover, insurers were never really at war with their governments. The insurance business placed insurers in structural conflict with the United States, but that conflict was usually subtle. Most insurers were ardent patriots who genuinely believed that a flourishing insurance business would benefit their countrymen. In fact, the very patriotism of insurers, along with their geographical and political diversity, helped generate and retain the political goodwill that kept them safe from their fellow citizens.

Yet the marine insurance business of the eighteenth and nineteenth centuries was fundamentally and unavoidably political. It did not just protect merchants against the physical dangers of the sea, such as storms and rocks, though policies protecting only against these risks could certainly be purchased. Most merchants wanted marine insurance to protect themselves against the hazards produced by political conflict, like royal edicts, captures, detainments, blockades, and litigation. Incessant conflict among empires in the eighteenth and nineteenth centuries meant that the marine insurance business of this period—to adopt a useful twentieth-century distinction—consisted of a business of uncertainty layered on top of a business of risk. To maneuver in such a world, an insurer could not rely on actuarial tables (and, indeed, marine insurers of this period did not use them). Rather, an insurer needed to be an expert in politics and law as well as in commerce. He needed to understand typical interactions among merchant vessels, privateers, and naval vessels. He needed to be a savvy political observer who tracked the movements of diplomats and naval fleets and kept abreast of the latest decisions of admiralty courts around the world. He needed to understand his own government: its strengths, its weaknesses, and what kind of laws it might try to impose on his business or his clientele. Finally, he needed to be able to *take action,* in politics and law, to create a commercial world more to his liking—not a world without risks, but a world of risks and uncertainties that the state itself would help insurers manage.[6]

Navigating unpredictable political crises, American marine insurers at times pushed the state away and at others drew it close. Unsurprisingly, they tended to proclaim whichever form of loyalty—to their fellow merchants or to their governments—seemed likely to yield them the most profit or security. When autonomous commercial activity was producing a lot of wealth, insurers tended to defend their objectivity, their independence, and their membership in a merchant community separate from the state, and to claim that their risks (and rewards) were entirely their own. But when the international environment became too threatening, or when deeper involvement in the republic seemed to offer greater safety and profit, insurers tended to defend their embeddedness in the nation—to insist that the United States, its citizens, and its corporations had no choice but to pool their risks together.

Although insurers' grandest pronouncements and demands sometimes irritated politicians, their business's sheer profitability generally allowed them to maintain the support of the American states and the federal government. These entities profited when the insurance business did. The states profited from secure imports and exports and from the prosperity of port city merchant classes. The federal government, dependent on customs revenue, benefited from the security that insurers provided to the American commercial fleet. It also benefited from the corporations that purchased and held large quantities of its debt. For all these reasons, the fundamental political tensions generated by marine insurance in an age of war and revolution, to the state, seemed well worth managing.

The complex financial activities of American insurers cannot be easily characterized as socially beneficial or harmful. When they sold policies (or, to put it another way, bought risks) and when they invested their own funds in the state, they could be described as engaging in investment, gambling, or speculation. As Stuart Banner has written, these three processes are separated from one another, not by any objective measure, but by the law and, underlying the law, by a culture's determination of moral behavior. "Investment" is that which is beneficial to society, "gambling" is that which is immoral, and "speculation" lies in the legal and moral gray area in between. Early marine insurers generally managed to convince their countrymen that they were on the righteous, "investment" side of this moral divide, not because they were good people, but because of the ways in which their risks were bound up with those of the nascent state itself. They tried to avoid discussing the ways in which they benefited from the state's weakness.[7]

INSURANCE AS A FORM OF GOVERNANCE

The characteristics that enabled marine insurance to function as a form of governance—Luis Lobo-Guerrero calls it "insurantial sovereignty"—included capital, expertise, myth, and politics. Capital is the most straightforward. Merchants bought insurance because they feared losing their capital; insurers, in theory, had enough capital to indemnify merchants in case of loss. Thus insurers, who, as mentioned above, were usually merchants themselves, wielded capital's power over their merchant customers. They had the power to impose conditions, such as a particular destination or a set of travel protocols, and to refuse to indemnify merchants who disregarded them.[8]

But the power of capital, in the marine insurance business, worked under an idiosyncratic set of rules. American merchants, shipmasters, and insurers believed that marine insurance operated according to the dictates of lex mercatoria, or the "laws of merchants," which supposedly worked the same way everywhere and never changed. These "laws" were notoriously complex. For example, according to the laws of merchants, an insurance contract protected a merchant against "the dangers of the seas," but this protection would be void if his ship had been poorly rigged or if his shipmaster had set a course irresponsibly close to a known outcropping of hazardous rocks. It would be void if his shipmaster had ignored proper shipping practice, which could be understood to include everything from filling out the proper forms at the customhouse to keeping a competent cat on board to minimize rat damage. If the merchant purchased insurance in a faraway city, a host of unfamiliar provisos might apply to his coverage: as one eighteenth-century insurance expert explained in a 714-page treatise, "Almost every Country has its particular Customs and Forms." Even foreign laws, adopted piecemeal and with numerous caveats, were assimilated into lex mercatoria.[9]

If it was any consolation to the insured merchant, the laws of merchants also placed significant obligations on the shoulders of the insurers. As one treatise author noted, "The law presumes every underwriter to be perfectly acquainted with the course of trade in the voyage he ventures to insure." Given that the underwriter was expected to be an experienced merchant himself, "It is unnecessary [for the merchant] to inform the underwriter . . . that which he ought to know." The implications of this point run deep. There was, all parties agreed, a body of knowledge about the particularities of trading, which changed constantly and which could not really be written down or codified. Yet one of the central tenets of insurance—part of the broader corpus of the laws of merchants—was that the underwriter was obligated to know all of it. Such a proviso made an insurer not just the commercial world's chief expert and enforcer but also something like its high priest.[10]

Scholars have recently marshaled evidence that lex mercatoria was not nearly as old, as coherent, as functional, or as independent of the laws of states as its supporters liked to suppose. But this does not mean it should not be taken seriously. Even nebulous governance systems can produce empirically detectable historical change, and early modern states, it must be admitted, were rather nebulous in their own right. We study them nevertheless, and we should do the same with insurance.[11] Such an approach would seem perfectly reasonable to scholars of modern insurance, among whom the idea of insurance as governance is already commonplace. This book, however, necessarily reverses their approach. Within modern insurance scholarship, the state exists as a reliable, established, and powerful sovereign entity. Studying "insurance as governance" generally means studying how insurance governs citizens' behavior over and above the law of the sovereign state, perhaps in tandem with it, and most likely with its consent.[12] Things look rather different in an age of revolution and state formation, when the behavior, legal supremacy, and even the existence of a state could not be taken for granted by either insurer or insured. It would be going too far to say that governance by insurance operated independently of the state in the Age of Revolution, but it certainly worked opportunistically, through or around nascent states, ruptured states, and warring states that were already functioning at the very limits of their capabilities under the pressures of debt and war. In such a context, alliance with coordinated groups of merchant-underwriters with access to overseas capital networks was extraordinarily valuable and worth certain political concessions.

INSURANCE AND STATE MAKING IN AN AGE OF WAR

To understand the state's relationship with the business that helped usher it into existence, we need to have a working conception of what the American state actually was and what it was capable of doing. It is only since the 1990s that large numbers of scholars have taken seriously the idea that the American state wielded significant power before the twentieth century. Earlier American historians, influenced by Weberian conceptions of the modern state as that which wielded "a monopoly of violence over a given territory, ruled through a legal-administrative order," repeatedly looked for a strong state in the nineteenth century and failed to find it. They concluded that social movements had been more significant drivers of American historical change than the state itself, which, to borrow Stephen Skowronek's influential phrasing, had been little more than an agglomeration of "courts and parties." More recently, however, scholars have defined the American state more capaciously. Focusing on its diverse component institutions such as "the post office, the customs, the land office, and the courts," as Richard R. John observes, they began to find ways in which the state was much stronger and more active than earlier scholarship had indicated. Additional strengths of the American state have been revealed through renewed attention to state finance and the "slave power," as well as settler expansion, military violence against Native Americans, and the administration of the West.[13]

One can imagine this scholarship in very broad terms, then, as a tug-of-war between those who ascribed agency to society and those who ascribed it to the state and its subsidiary institutions. But the conversation can be further enriched through a focus on institutions beyond the state. After all, as Philip J. Stern and Carl Wennerlind have observed, the early modern state was "rather weak, decentralized, and amorphous," and it was not the only institution at work in its environment. The early modern world, in fact, teemed with "extremely vibrant" quasi-political institutions that competed with the state, including minor aristocracies, privateer networks, religious communities, families, and local governments. Although we do not usually consider the United States at its founding to be one of these early modern states, it was certainly weak, decentralized, and amorphous, and it contended for authority with many other institutions — not all of which were rival states.[14]

Underwriters of the United States sheds light on the state formation process by following a single idiosyncratic institutional interlocutor of the early American state — one in possession of its own tradition of self-governance — as it attempted, by turns, to invent, direct, co-opt, and evade the state's own component institutions. This is, by necessity, a rather abstract story. Underwriters believed they were loyal subjects or citizens, and the insurance business thrived in national and imperial capitals, where state laws about the practice and adjudication of insurance were created and where new techniques of finance increasingly bound commercial wealth to the state.[15] Insurers routinely leaned on the state, not only for its forums of adjudication but also for the standard practice of its business. Even the "customary" commercial procedures required by the insurance policy required repeated engagements with the state: for example, in the case of a loss, the shipmaster had to make his protest under oath before a consul or in the office of a licensed notary. Many of the most prominent experts in lex mercatoria received state salaries.

In arguing that insurers shaped the state in this period, however, I am not recapitulating Karl Marx's claim that the state's executive was the ruling committee of the bourgeoisie. Though many people gained wealth by underwriting voyages during the American Revolution and by purchasing insurance company shares in the decades afterward, it does not make sense to view insurers' state making as the project of a specific class — neither a fading class of merchant capitalists nor a rising one of industrial capitalists. This book is about a practice, not a class, and it is about a reorganization, not a coup. It is akin to a story of modern regulatory capture, in which an industry co-opts the state's lawmaking capacity, except in this story, the business actually predates the state whose rules it supposedly captures. It is more accurate to say that state and business were involved in a process of coformation.[16]

The global circumstances of this history are extremely specific. American insurers were uniquely able to influence the form of the early American state because that state took shape in a world at war. From the seventeenth through the early nineteenth centuries, European empires were perennially on the brink of war, warring, trying to wind wars up, or engaging in undeclared local skirmishes. The value of overseas shipping increased markedly across this period, and any given war filled the oceans with privateers and naval vessels eager to capture lucrative commercial cargoes. As a result, the insurance of commercial shipping was a very dangerous business, but one in which large profits could be made. When war threatened, merchants hastened to insurance brokerages — some to buy insurance for risky voyages, others to underwrite them.

The outbreak of the French Revolutionary Wars in 1793 produced immediate demand for one of the United States' outsized assets: its fleet of merchant vessels. The warring powers demanded American foodstuffs to feed their armies and American ships to slip goods past their enemies. But Americans seeking to take advantage of these opportunities faced significant risk of capture. For nearly two decades, as their state (and its component states) took shape, Americans navigated this high-risk, high-reward commercial environment, growing the American insurance business by leaps and bounds and demonstrating, day after day, its importance to the state.

American marine insurance companies profited throughout this period, as Chapter 5 explains, because they were the new republic's preeminent market interpreters in a world at war. Insurers' panoramic knowledge of commercial arcana, international law, the latest political news, and recent ship captures enabled them, and the merchants they insured, to profit. Crucially, insurers were not just market readers but market makers, capable of shifting the political economy of warring nations, to some degree, to their and their customers' benefit. Insurers' abilities to intervene in political and legal affairs both at home and abroad were essential to their continued success.

The constant danger of war deepened the symbiotic relationship enjoyed by American insurers and their host country. Insurance reduced the risks taken by the country's most prominent merchants and helped to secure a continued supply of imports during years when customs was generating, typically, 90 percent of the federal government's revenue.[17] Insurers also aggregated valuable information on the plight of the American merchant fleet, which the new American state had no infrastructure to collect on its own. And from the state's perspective, insurers usefully governed the merchant fleets, repressing the most reckless forms of merchant behavior during wartime. In this fashion, war expanded the opportunities for insurers to yield profits to the state and reduce its risks. At the same time, the ongoing Napoleonic conflict aggravated structural tensions between insurers, as sovereigns of merchants, and the state, as sovereign of citizens, monopolist of violence, and generator of law. War produced an increased demand for insurance because of the state's very weakness in the face of enemy naval fleets and privateers. The profitability of insurance during wartime publicly revealed the state's inability to defend its commerce. In addition, war produced a host of new and risky opportunities for merchants (and thus insurers), such as smuggling and blockade running, that were openly illegal or at least at odds with the state's own objectives. Moreover, by filling company coffers, war enhanced insurers' capacity to bend the state toward their own demands, such as the protection of particularly dangerous trade routes.

Insurers engaged the American state in one other sense that is worthy of consideration: as an entity that was itself, in some limited respects, in the business of risk reduction. They even helped produce this state. The French Revolutionary and Napoleonic Wars put pressure on the new American state to protect its citizens from harm and loss. Insurers, enlisted in the project of commercial defense, amplified and strategically shaped public demands for protection in ways that suited them best. Meanwhile, at home, state and federal constitution making functioned as a mechanism for risk sharing among citizens and institutions, as some insurers saw very clearly. The efflorescence of corporate charters in the 1790s demonstrated that Americans had the confidence to take new risks, armed with the knowledge of the new ways in which these risks would be enmeshed with those of their host states, their fellow citizens, and the country as a whole.

NUMBERS AND WORDS

Numbers were essential to understanding the early American insurance business in its own time, and they are essential to understanding it today. In this book, I use numbers to show the scale of certain financial phenomena, such as the amount of capital held by insurance companies vis-à-vis the amount held by banks. I also use numbers to show change over time, such as moments when insurance rates suddenly rose or fell, reflecting insurers' interpretations of the latest political news. For American merchants, as well as their competitors abroad and politicians around the world, numbers like these were highly consequential.

At the same time, however, an investigation of the insurance business cannot always take its numbers at face value. The "hard" numbers that history yields to us are always interpretations, as anyone who has created a historical data set or tried to calculate an eighteenth-century merchant's net worth knows all too well.[18] Every time we make a decision about "what counts," we are already giving shape to our story. In addition, we must approach numbers critically because American insurers themselves wielded numerical calculations as weapons, in culture and in politics. This book takes the imprecise and politically compromised aspects of insurers' numbers as topics to be explored rather than problems to be resolved. For example, when fending off accusations of profiteering during the Revolutionary War, American underwriters ostentatiously laid out their mathematics in the public eye, as Chapter 2 discusses. These purportedly objective calculations were supposed to exonerate merchants from accusations of price gouging. They were also, implicitly, supposed to reinforce underwriters' authority: if a reader could not follow their mathematics, he might well conclude that he had no right to question their decisions. In this book, I take up the underwriters' challenge, unraveling the arguments they were making through numbers to shed light on the assumptions under which they were operating and to inform our assessments of their decisions. But I stop short of issuing a final verdict on whether the prices charged for insurance were fair. This is a moral question, and readers must answer it for themselves.

Numbers offer a different challenge when we attempt to assess insurance company capital. As Chapter 4 demonstrates, Americans chartered many insurance companies in the 1790s and 1800s, and these companies were legally declared, upon their charter, to possess large sums of capital, typically $100,000 to $400,000 apiece. To assert the existence of such a sum of capital is to take an ontological position: it is to say, "This capital is real." If one takes corporate declarations of capital at face value, one may easily produce a chart of insurance company capital, increasing over time, and this book does in fact feature such a chart (Graph 7). In this sense, *Underwriters of the United States* assents to the corporate charterers' own preferred ontology. At the same time, I explore the assumptions that accompany this ontology, seeking to reveal in what form the capital existed at what time, and what legal, cultural, and political forces functioned over time to make it real and to keep it that way.

Taking insurance to be the product of politics, culture, and society affects my use of language in this book. Economic historians employ terms with strict definitions, since this allows them to answer certain kinds of questions about the past. But if we are to understand how early modern insurers thought and acted, we must also take seriously their own definitions, and these can seem imprecise to modern readers. Consider the word "company." To modern ears, this word is nearly synonymous with "corporation," but eighteenth-century writers used the word "insurance company" to mean any of several things: a capital-holding entity with a charter granted by a political body (that is, a corporation); an unincorporated group that pooled capital in one way or another; or an unincorporated group of individuals who insured collaboratively but kept entirely separate books. It is important to understand the legal differences between these entities for certain purposes, but if our broader goal is to understand eighteenth-century political economy, it is also important to know that writers could group all these kinds of projects together under the same name. These writers were not necessarily being imprecise (though sometimes they were, and their imprecisions were also meaningful). They were describing the world that they perceived around them and that they were, day by day, bringing into being.

The early modern mindset similarly informs my choice to identify a broad group of historical actors, in aggregate, as "insurers." Although state-chartered insurance corporations proliferated during the Napoleonic Wars, much marine insurance continued to be sold in the United States through unincorporated insurance brokerages. Corporations and brokerages were structured differently. A corporation legally pooled the resources of its shareholders; a broker, in theory, corralled an ad hoc group of individuals to underwrite each insurance policy. In practice, however, things were more muddled. In Revolutionary-era America, brokers worked with specific, cohesive groups of underwriters, though these could shift over time, and companies could sell insurance policies both before their incorporations and even after their formal dissolution. I therefore use the term "insurers" when I refer to a mixed group of brokers, underwriters, and corporations or when the corporate status of the particular insurance outfit under discussion is unimportant. In some instances, differences among merchant-underwriters, brokers, and corporations are significant; in others, it is essential to be able to characterize a broader group of stakeholders in the insurance sector's overall agenda, incorporating all of those who were—to borrow an appropriately constitution-minded term from the scholarship on contemporary insurance—"citizens of the insurance relationship." When distinctions among these citizens are important to make, I will make them.[19]

CAPITALISM AND POLITICAL ECONOMY

Insurance is a quintessential practice of capitalists. In late medieval Italy, the savvy merchants who invented double-entry bookkeeping and built city-states to facilitate their commercial ventures also invented the modern insurance policy, which has been described as one of the key elements of the commercial revolution of the late Middle Ages. Insurance facilitated long-distance exchange, encouraged merchants to take greater risks, and allowed the accumulation of greater sums of capital in the hands of insurers. Insurance thus broke the trail of capitalism that the historian Fernand Braudel so influentially envisioned, which led north from the Mediterranean to Bruges, then to Antwerp, Amsterdam, and London. In the Netherlands, the sophisticated seventeenth-century insurance market of Amsterdam and its concomitant legal edifice became two of the core "structures" of what Jan de Vries and Ad van der Woude have identified as the first modern economy. In London, the two monopoly insurance companies chartered in 1720, along with the underwriters and brokers of Lloyd's, supported the development of an imperial state intertwined with capitalist endeavor. In all of these milieux, insurance has formed a visible part of a broader story in which "well-functioning" markets facilitated lending and the long-distance exchange of goods, and "well-functioning" polities devoted their resources to enabling and sustaining healthy markets. Everywhere we find the rise of insurance, surely, there we have found the rise of capitalism.[20]

In the United States, the rise of insurance is also a constitutive element of histories of the emergence of capitalism, a system characterized by domestic free markets, capital accumulation, and systematized exchange. Inarguably, insurance helped North America, formerly a financial periphery of the British Empire, to develop its own set of interconnected, financially sophisticated metropoles. It allowed Americans to commodify and sell their risks and required others to pool and hold capital to indemnify them, and thus it seems particularly conducive to what Stephen Mihm has described as America's "emergent commercial society . . . where commodities, currency, reputations, and flesh-and-blood people increasingly floated free of custom, tradition, and place." As insurance companies formed, the country was on the cusp of a vast infrastructural transition, often described as a movement from a precapitalist or merchant capitalist "before" to a market capitalist or industrial capitalist "after." Many historians, surveying these developments, have concluded that the United States emerged soon after its independence—for better or for worse—as a political institution uniquely suited for, and increasingly dedicated to, the facilitation of modern capitalism.[21] Insurance was among the fastest and most highly capitalized commercial sectors to incorporate in the early American republic, taking second place only to the American banks, with which they were closely connected. Ultimately, insurance-as–American capitalism invites us to tell a story that can be summed up as a story of "more." The capital holdings of joint-stock, capital-holding insurance corporations (marine and fire, then life) starts at zero and climbs steadily skyward. More insurance, more capitalism, more America.[22]

This book does not seek to dismantle this trajectory, but it is less interested in a United States hurtling toward capitalist consummation than in the intricate and contingent power arrangements that shaped the national landscape along the way. Early American insurers were consummate capitalists from the get-go, but they organized their ventures around the unique political uncertainties of an age of war and state making. Rather than a history of capitalism, then, I prefer to identify this book as a study in political economy. Works in this genre are rarely associated with any particular trajectory. They assume that economics have political (that is, power) parameters: they generally discuss how governments and states shaped the exchange of economic resources and how they participated in that exchange. Notably, however, political economy in this book assumes that the state was not the only political institution in play. The other, of course, is insurance, a system that does not figure in this book as the legacy of a tradition-bound merchant-capitalist past or the harbinger of a freewheeling capitalist future but rather as an idiosyncratic system exquisitely attuned to the political present.[23]

With the end of the Napoleonic Wars, a new American political economy began to take shape, and by the mid-nineteenth century, the old one had faded into memory. The underwriting business transformed accordingly. Most significantly, after 1815, the marine underwriters living *in* the United States were no longer such crucial underwriters *of* the United States. To show what this transformation looked like, Chapter 6 traces the career of New York merchant-insurer-financier Jacob Barker, who, during the War of 1812, invested heavily in American securities and arranged the investments of numerous others, acting as both an underwriter and a broker of American risks. When peace arrived in 1815, the American state was no longer such a risky investment. Barker remained interested in marine insurance but spent more time engaged in other kinds of finance, juggling "paper risks" on an ascendant Wall Street. Though we can view Barker as driving across a threshold into a new era of free-market capitalism, he was driven by the same combination of ambitions that had defined underwriters in the tumultuous Napoleonic era, and he continued to use many of their techniques. With less opportunity to engage in high-risk underwriting of the state, however, new institutions attracted Barker's attention and established the terms for his rise, fall, and implausible final rise.

As Barker groped his way forward in a changed political landscape, the American federal and state governments became more active in domains that marine insurers had previously ruled almost uncontested, such as information gathering and capital investment. But as Chapter 7 recounts, underwriters, among whom fire and life insurers increasingly numbered, continued to defend the privileged relationship to the state that they had forged in the earlier era. They still wanted to be, simultaneously, autonomous actors operating outside of the state's purview and essential citizen-institutions with the right to make claims on the state. In order to defend this special position, insurers involved themselves heavily in the formation of American commercial law. They also demanded federal government compensation for their losses during the French Revolutionary and Napoleonic Wars, seeking to establish the precedent that the government itself was the ultimate indemnifier. During the wars, marine insurers had taken the state's risks like underwriters; afterward, they demanded indemnification like customers.

With this eventful history in mind, we might justifiably consider one of the insurance sector's most remarkable attributes to be its ability to recede from view. Insurers were frequently motivated, and usually able, to make their businesses seem like nothing more than what they first appeared to be in this book's prologue: matters of careful calculations, straightforward transactions, and sensible investments. Among insurers' unwitting collaborators in this public relations initiative were antebellum American cultural critics. These individuals crafted declension narratives with their own era's politics in mind, but in the process, they forged a new mythology of the American founding. They edited out the ways that risk-taking capitalists, playing quite literally by their own rules, bet on American independence for their own benefit. In so doing, antebellum Americans made space for new myths to take root: tales of early business enterprises that owed their successes to their founders' good judgment and prudent characters, and legends of an American founding in which men took risks for patriotic reasons, not financial ones.