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## Reversals of Fortune in the Tea Industry

### *Part VI: The Struggles of 17th Century England*



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*Terrified Citizens Shelter Beneath London Bridge as the Fire Rages Through the City*

**T**he *Great Fire of London* was one of many tragedies faced by England in the formative years of the British Empire. The fire burned for days and defied all attempts at containment as it swelled into a firestorm. By the end, over 13,000 homes and 87 churches were destroyed.

Some have seen this great tragedy as a turning point for London and Britain. The *Great Plague* that had crippled the city for over a year went immediately into decline. Just as the city was being reconstructed, so were the political and financial foundations of the British Empire.

*Please turn to page 46.*

## ***Reversals of Fortune in the Tea Industry, Part VI***

Part V of our series concluded at the onset of the twilight years of the *Dutch East India Company* (a.k.a. VOC). For nearly a century, the Dutch dominated the trade routes around the Cape of Good Hope, through the South China Sea, and eastward to Japan. However, when their alliance with England ended in war, it became clear that their future was in for difficulty.

There was no single event that signaled the loss of Dutch supremacy. Their strength was in their entrepreneurial spirit, combined with a unity of purpose, and steeled by a resistance to Spanish dominance. Their strong financial position in the formative years of the VOC secured their lead. Perhaps their greatest weakness was the comparatively small population of the Dutch Republic, which limited their domestic market, leading them to rely heavily on foreign consumers. Dutch efforts to monopolize Far East trade ultimately failed, and by the end of the 1600s the *Golden Age* of Dutch maritime trade had crested. By some accounts, the British were the obvious successors to the Dutch, but at the time this was not so clear. According to Ukers (*All About Tea*, vol. 1):

There were sixteen rival East India companies of Dutch, French, Danish, Austrian, Swedish, Spanish, and Prussian origin, operating at various times from the continent of Europe.

In his engaging history of the early years of the spice trade (*The Scents of Eden*, Kodansha America, Inc., 1998), Charles Corn states:

Holland had ignited the Elizabethans' competitive spirit in 1599 by making inquiries to purchase ships from a supposed ally—England—to swell the numbers of its Eastern fleets. This challenge of one-upmanship rankled in the Tudor breast. Suddenly the race was on ...

This installment of our series will discuss the obstacles that England faced in the seventeenth century that limited her chances of winning *the race*. The Dutch had certainly entered the race in 1599, but by then the Tudor dynasty (1485-

1603) was coming to a close. Significantly, the fledgling *English East India Company* (EIC), which was granted a Royal Charter by (the ailing) Queen Elizabeth I on December 31, 1600, returned in September of 1603 to learn that the Queen had died six months prior. While this did not signal the end of the EIC, it was nonetheless a harbinger of difficult times for England.

The first Tudor king (Henry VII) assumed the throne of a virtually bankrupt monarchy when he defeated Richard III at the *Battle of Bosworth*. The reign of Henry VII was a time of peace for England, and one of Henry's achievements was to balance the budget and restore the treasury. This was no small achievement for someone with minimal financial capacity. In fact, S.B. Chime, in his biography of Henry VII, states, "No man succeeded to the throne of England with such a total lack of financial experience and resources as did Henry VII."

Henry's lack of financial experience did not limit his enthusiasm and creativity for raising revenue. His aggressiveness in this area went beyond conventional taxation, and was considered excessive, even for the times. Chime describes it as follows:

A number of kings before Henry had used similar methods, but few if any of his predecessors had taken such a close personal part in wielding the whips and scorpions of financial pressures to attain their ends. The sovereign lord the king could not play the part of Shylock without incurring loss of prestige.

T. B. Pugh (*Magnates, Knights and Gentry*) states, "no previous English King had ever realized so fully that money was power". The term *Morton's Fork*, means a situation where neither of two choices has a favorable outcome (i.e., "damned if you do and damned if you don't"). It originates from Henry VII's reign, under which John Morton was appointed Lord Chancellor in 1497, whose primary responsibility was the collection of taxes. English barons were known to feign poverty when called upon by the tax collector, hoping for a favorable assessment. However, when Morton called, he treated everyone equally. Those who appeared prosperous were obviously wealthy and could afford a high tax. Those who

displayed a modest lifestyle were obviously frugal and likely had substantial savings. They, therefore, could also afford a high tax.

A counterpoint to the above is presented by John Francis in his two volume classic, *History of the Bank of England*, first published in 1847:

The reign of Henry VII. was distinguished by a great advance in commerce. This politic sovereign endeavoured to raise and cherish the Commons as an important barrier against the power of the baron.

Henry VII left the throne to his son upon his death in 1509. Henry VIII inherited a strong, reformed currency and a budget surplus. During his reign of 37 years, Henry VIII became even more aggressive at extracting revenues from his subjects than his father had been. He extended his model to the outright confiscation of Church property after his historic conflict with Pope Clement VII. Still, he was unable to live within his means and left the throne in financial ruin. It is well beyond the scope of this series to adequately document the chaos of Henry VIII's reign, especially in fiscal management. Those interested in the details will find Glyn Davies' *History of Money from Ancient Times to the Present* most interesting. Therein he states:

... despite all the money squeezed by Henry VIII from taxing his subjects and from confiscating the property of the religious orders, he was still, in the early and mid-1540's, desperately in need of additional resources. Therefore, while his land sales were still proceeding, he turned to see what ruthless exploitation of the coinage could bring into the royal coffers.

His actions devalued the English currency to drastic levels, resulting in yet another form of excessive taxation levied upon his subjects.

When Henry died in 1547, his son, Edward, became King Edward VI. He was only 9 years old at the time and in poor health. He died when he was just 16. His successors were Queens Jane (who reigned for nine days), Mary I (a.k.a. *Bloody Mary*, who reigned for 5 years), and finally Elizabeth I, who ruled for 44 years.

Ironically even with six marriages, Henry VIII had no grandchildren. Elizabeth never mar-

ried, and left the throne with no successor, marking the end of the Tudor dynasty (1485-1603). During Elizabeth's long reign, England prospered and regained prestige. The currency was stabilized and fiscal responsibility restored the confidence of the people. However, the stability that Elizabeth brought to England was fleeting. Once again, the irresponsibility and whims of the monarchy would take their toll.

To avoid a lapse in leadership, Elizabeth's cousin, James VI of Scotland had been chosen to assume the English throne well before her death. Spain was considering overtaking England, and would likely have done so if England remained without a monarch for long. Thus, with few alternatives, Scots King James VI was promptly crowned King James I of England upon the death of Elizabeth. His domain was all of Britain (England, Ireland, and Scotland), ushering in the Stuart dynasty, the dynasty that welcomed the return of the first EIC expedition.

In theory, the English Parliament controlled the king's purse strings and approved tax programs. King James was not accustomed to these limitations, so when disagreements arose with Parliament, James simply dismissed them and did as he pleased. He justified his actions with his belief in the *divine right of kings*. Once again, the people of England, and now all of Britain, were at the mercy of their king's temperament.

There were significant achievements during the reign of King James, including the settlement of Jamestown, the first surviving English settlement in America, as well as the establishment of trading factories in the Orient. It is, however, unclear how much of this was owed to the momentum of the Elizabethan era, rather than his own initiative. But, overall, James was a relatively popular king and, to his credit, he preferred diplomacy to war and ruled over a period of peace and tranquility.

His son, Charles, was far more impetuous. His presumption of the divine right of kings matched his father's, but his arrogance was not tempered by good judgement or experience. In the last few years of his father's rule, Charles even tried to persuade his father to go to war with

Spain because of a perceived insult that he had received while trying to negotiate his own marriage to Spanish *Infanta* (Princess) Maria. Although James had become senile in his later years, he was no fool, and peace continued during his few remaining years.

When he assumed the throne at the age of 25, Charles I set upon a destructive course culminating in civil war, and leaving the kingdom of Britain bankrupt, once again.

History was repeated. Unpopular new taxes, levied illegally (i.e., without the consent of Parliament), were among the grievances that spurred unrest. A long series of armed conflicts followed, mostly between the troops supporting Parliament and those supporting King Charles. But there were also riots against the combined lot, as anger over taxes was exacerbated by religious intolerance and a feeling of disenfranchisement.

Ultimately, the supporters of Charles were defeated. He was tried, convicted, and executed for treason. Referred to as the *Wars of the Three Kingdoms* (England, Ireland, and Scotland), the conflicts sparked during Charles' reign lasted until 1651, two years beyond his execution. In an attempt to quell the violence, Oliver Cromwell, who fought on the side of Parliament, was appointed *Lord Protector* under a new form of government referred to as the *Commonwealth of England*, which lasted from 1649 until 1660.

His son, Richard, assumed the position of Protector upon Oliver's death in 1658. It was clear to everyone (likely even Richard) that he was not suitable for the job. *Queen Dick* (a.k.a. *Tumbledown Dick*), as he was nicknamed by his detractors, went into voluntary exile within a year. With few alternatives at hand, and a distaste by many for the military rule of the Cromwell period, Parliament decided to restore the Stuart monarchy and recognize Charles II, son of the executed Charles I, as King of England.

The Scottish Parliament had already recognized Charles II as King of Scots just six days after the execution of his father. Uniting Britain under Charles II was considered an appropriate move, with the hope of restoring unity and ultimately bringing peace and prosperity to a weary

nation. However, two disasters dashed these hopes. The first was the *Great Plague of London* (1665-1666), which claimed a thousand lives per day at its peak. The plague was halted abruptly by the second disaster, the *Great Fire Of London*, which devastated most of the city. In all of this turmoil, and with a debt of £2 million from the Cromwell years, it is no surprise that the finances of England were again in shambles. But this was also a period of reversal of British fortunes.

The first Anglo-Dutch War (1652-1654) was fought under Cromwell's rule. Largely due to Cromwell's show of strength during this war, he was able to secure a treaty with King John IV of Portugal, giving British ships free access to the East Indies. This was a major victory and further strengthened her position.

Three years after the London fire, England finally entered the tea trade. In 1669 the EIC imported 143½ pounds of tea. Except for two small gifts of tea brought to King Charles II (in 1664 and 1666), this was the first record of tea imported on English ships.

The British navy was becoming more formidable by the decade. At this stage, however, two additional milestones would have to be reached for the British Empire to have a chance of becoming a maritime superpower. The first was a stable government, eliminating the *divine right of kings* (i.e., preventing the monarchy from acting autonomously), and the second was achieving a sound and durable financial foundation.

The first of these milestones was achieved by a series of laws creating a favorable balance of power between the Crown and the British Parliament. The second milestone, which hinged upon the success of the first, was formally secured by the establishment of the Bank of England in 1694. Had these elements been in place a century earlier, England would certainly have been in a better position to challenge the Dutch in a more formidable way, and at a much earlier date. By the time England was fully prepared for the race, France would be her chief rival.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.