A nation of outlaws

A century ago, that wasn't China -- it was us

By Stephen Mihm  |  August 26, 2007

If recent headlines are any indication, China's rap sheet of capitalist crimes is growing as fast as its economy. Having exported poison pet food and toothpaste laced with antifreeze earlier this year, the world's emerging economic powerhouse has diversified into other, equally dubious product lines: scallops coated with putrefying bacteria, counterfeit diabetes tests, pirated Harry Potter books, and baby bibs coated with lead, to name but a few.

Politicians are belatedly putting China on notice. Representative Frank Wolf of Virginia delivered one of the more stinging counterattacks last month, warning that the United States "must be vigilant about protecting the values we hold dear" in the face of China's depredations.

His anger reflects the mounting disgust with how recklessly China plies its trade, apparently without regard for the things that make commerce not only dependable but possible: respect for intellectual property, food and drug purity, and basic product safety. With each tawdry revelation, China's brand of capitalism looks increasingly menacing and foreign to our own sensibilities.

That's a tempting way to see things, but wrong. What's happening halfway around the world may be disturbing, even disgraceful, but it's hardly foreign. A century and a half ago, another fast-growing nation had a reputation for sacrificing standards to its pursuit of profit, and it was the United States.

As with China and Harry Potter, America was a hotbed of literary piracy; like China's poisonous pet-food makers, American factories turned out adulterated foods and willfully mislabeled products. Indeed, to see China today is to glimpse, in a distant mirror, the 19th-century American economy in all its corner-cutting, fraudulent glory.
China may be a very different country, but in many ways it is a younger version of us. The sooner we understand this, the sooner we can realize that China's fast and loose brand of commerce is not an expression of national character, much less a conspiracy to poison us and our pets, but a phase in the country's development. Call it adolescent capitalism, if you will: bursting with energy, exuberant, dynamic. Like any teenager, China's behavior is also maddening, irresponsible, and dangerous. But it is a phase, and understanding it that way gives us some much-needed perspective, as well as some tools for handling the problem. Indeed, if we want to understand how to deal with China, we could do worse than look to our own history as a guide.

A bit of empathy might even be in order. One hundred and fifty years ago, even America's closest trade partners were despairing about our cheating ways. Charles Dickens, who visited in 1842, was, like many Britons, stunned by the economic ambition of our nation's inhabitants, and appalled by what they would do for the sake of profit. When he first stepped off the boat in Boston, he found the city's bookstores rife with pirated copies of his novels, along with those of his compatriots. Dickens would later deliver lectures decrying the practice, and wrote home in outrage: "my blood so boiled as I thought of the monstrous injustice."

In the United States of the early 19th century, capitalism as we know it today was still very much in its infancy. Most people still lived on small farms, and despite the persistent myth that America was the land of laissez-faire, there were plenty of laws on the books aimed at keeping tight reins on the market economy. But as commerce became more complex, and stretched over greater distances, this patchwork system of local and state-level regulations was gradually overwhelmed by a new generation of wheeler-dealer entrepreneurs.

Taking a page from the British, who had pioneered many ingenious methods of adulteration a generation or two earlier, American manufacturers, distributors, and vendors of food began tampering with their products en masse -- bulking out supplies with cheap filler, using dangerous additives to mask spoilage or to give foodstuffs a more appealing color.

A committee of would-be reformers who met in Boston in 1859 launched one of the first studies of American food purity, and their findings make for less-than-appetizing reading: candy was found to contain arsenic and dyed with copper chloride; conniving brewers mixed extracts of "nux vomica," a tree that yields strychnine, to simulate the bitter taste of hops. Pickles contained copper sulphate, and custard powders yielded traces of lead. Sugar was blended with plaster of Paris, as was flour. Milk had been watered down, then bulked up with chalk and sheep's brains. Hundred-pound bags of coffee labeled "Fine Old Java" turned out to consist of three-fifths dried peas, one-fifth chicory, and only one-fifth coffee.

Though there was the occasional clumsy attempt at domestic reform by midcentury -- most famously in response to the practice of selling "swill milk" taken from diseased cows force-fed a diet of toxic refuse produced by liquor distilleries -- little changed. And just as the worst sufferers of adulterated food in China today are the Chinese, so it was the Americans who suffered in the early 19th-century United States. But when America started exporting food more broadly after the Civil War, the practice started to catch up to us.

One of the first international scandals involved "oleo-margarine," a
butter substitute originally made from an alchemical process involving beef fat, cattle stomach, and for good measure, finely diced cow, hog, and ewe udders. This "greasy counterfeit," as one critic called it, was shipped to Europe as genuine butter, leading to a precipitous decline in butter exports by the mid-1880s. (Wily entrepreneurs, recognizing an opportunity, bought up genuine butter in Boston, affixed counterfeit labels of British butter manufacturers, and shipped them to England.) The same decade saw a similar, though less unsettling problem as British authorities discovered that lard imported from the United States was often adulterated with cottonseed oil.

Even worse was the meatpacking industry, whose practices prompted a trade war with several European nations. The 20th-century malfeasance of the industry is well known today: "deviled ham" made of beef fat, tripe, and veal byproducts; sausages made from tubercular pork; and, if Upton Sinclair is to be believed, lard containing traces of the occasional human victim of workplace accidents. But the international arena was the scene of some of the first scandals, most notably in 1879, when Germany accused the United States of exporting pork contaminated with trichinae worms and cholera. That led several countries to boycott American pork. Similar scares over beef infected with a lung disease intensified these trade battles.

Food, of course, was only the beginning. In the literary realm, for most of the 19th century the United States remained an outlaw in the world of international copyright. The nation's publishers merrily pirated books without permission, and without paying the authors or original publishers a dime. When Dickens published a scathing account of his visit, "American Notes for General Circulation," it was, appropriately enough, immediately pirated in the United States.

In one industry after another, 19th-century American producers churned out counterfeit products in remarkable quantities, slapping fake labels on locally made knockoffs of foreign ales, wines, gloves, and thread. As one expose at the time put it: "We have 'Paris hats' made in New York, 'London Gin' and 'London Porter' that never was in a ship's hold, 'Superfine French paper' made in Massachusetts."

Counterfeiters of patent medicines were especially notorious. This was a bit ironic, given that most of these remedies were pretty spurious already, but that didn't stop the practice. The most elaborate schemes involved importing empty bottles, filling them with bogus concoctions, and then affixing fake labels from well-respected European firms.

Americans also displayed a particular talent for counterfeiting currency. This was a time when individual banks, not the federal government, supplied the nation's paper money in a bewildering variety of so-called "bank notes." Counterfeiters flourished to the point that in 1862 one British writer, after counting close to 6,000 different species of counterfeit or fraudulent bills in circulation, could reasonably assure his readers that "in America, counterfeiting has long been practiced on a scale which to many will appear incredible."

What was it that made the 19th-century United States such a hotbed of bogus goods? And why is China's economic boom today, as New York Times writer Howard French clucked earlier this month, "minted in counterfeit"?

Piracy, fraud, and counterfeiting, whether of currency, commodities, or brand-name electronics, flourishes at a particular moment in a capitalist society: the regulatory interregnum that emerges in the
wake of fast-paced capitalist change. This period is one in which
technology has improved, often dramatically, and markets have burst
their older boundaries. Yet the country still relies on obsolete ways of
controlling commerce. Until there's something to replace them,
counterfeiters and other flim-flam operators flourish, pushing new
means of making money to their logical, if unethical, conclusion.

Indeed, the ease with which counterfeiters and corner-cutters operate
in China today can be attributed to many of the same failings that
plagued the United States 150 years ago: a weak, outdated
regulatory regime ill-suited to handling the complexities of modern
commerce; limited incentives for the state to police and eliminate
fraud; and, perhaps most important of all, a blurring of the lines
between legitimate and fraudulent means of making money.

All of these are typical of capitalism in its early, exuberant phase of
development. The United States may have been the worst offender,
but early industrial Britain had significant problems with food
adulteration and counterfeiting, and Russia from the 1990s onward
has been the scene of some of the worst capitalist excesses in
recent memory. And in all likelihood China's recklessness is just that:
a phase that will eventually pass when the nation's regulatory
institutions catch up with its economic ambition.

None of this is to suggest that we should exonerate China for
shipping poisonous pet food and lead-impregnated toys, nor that we
can count on China merely to follow in our footsteps. There are,
obviously, enormous differences between modern China and the
United States of 150 years ago. China is not a democracy; however
angry its citizens may be, they have limited capacity to translate their
rage into legislation aimed at putting the brakes on the economic
free-for-all. And there's no equivalent of the muckraking American
journalists who thrust these issues into the public spotlight. Just as
bad, many of the worst excesses are being conducted under the
auspices of the state.

But understanding the parallels does suggest a way to move forward.
The rogue industries of the United States eventually responded to
stiff international economic pressure. Beginning in the 1880s, the
European meat boycotts spurred Congress to pass a raft of federal
legislation aimed at imposing some inspection controls on the exports
of meat. In response, European countries opened their doors to
American meat again. And in 1891, Congress finally bowed to
decades of angry lobbying and passed an international copyright law
that protected foreign authors.

At a certain point, some of the push for change can come from
within. As a capitalist system evolves, there can come a time when
some players in the economy prefer to be held to more stringent
standards, even ones that impose additional costs.

Partly, this happens when a country begins producing and exporting
original goods that might appeal to counterfeiters elsewhere. The
United States, for instance, strengthened its copyright laws to protect
the growing number of American authors whose books sold overseas.
If the Chinese movie business gains a significant international
audience, it's safe to say that Hollywood will get a better reception
next time it complains about knockoff DVDs of the latest Bruce Willis
flick.

In the scandal-racked American food business, several industry
leaders converted to the cause of regulation in no small part because
there was money to be made: Certain competitors would be put at a
disadvantage, and the new federal laws would banish the inefficiencies of the older patchwork of state-level regulation.

But at a more fundamental level, producers began to realize that they could reap big profits from simple trust. By 1905, business leaders were testifying in Congress that the federal government could "do much toward preserving the reputation of US foods abroad" -- in other words, they could make more money if potential trading partners believed the United States was finally cleaning up its act. And that's exactly what happened with the passage of the landmark Food and Drug Act the following year.

With each regulatory advance, the United States began gaining the trust of its own consumers, along with the rest of the world. In the process it went from being an upstart to the most powerful economy on the globe. China is far more than an upstart already, but as recent events suggest, it has a long way to go before it emerges, as the United States once did, from its own reckless youth.

Indeed, if the Chinese are truly following Deng Xiaoping's apocryphal maxim, "to get rich is glorious," then their own entrepreneurs and industries may eventually recognize that to get rich while bowing to international standards may be equally glorious -- and even more profitable.

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