

Book Review - Underwriters of the United States: How Insurance Shaped the American Founding*

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Why do revolutions - in whatever area (politics, science, social sciences) - occur when they do, why do they succeed or fail, and what shapes the post-revolutionary outcome? The most familiar way of answering these questions is to focus on the actions of a few geniuses and hero/ines (and, for contrast, some villains): this is the history of public statues and popular accounts such as the musical, *Hamilton*. A more careful - but also more complex - approach recognises a broader cast of characters and context. Why things happen when they do is not merely because someone has come up with a new idea, circumstances need to be propitious.

In this splendid book, Farber uses this broader approach to tackle nothing less than the founding of the United States: its origins in the Revolutionary War and the post-war creation of the new state. She advances what seems the bold proposition that “marine insurers underwrote the establishment of the United States” (p.13):

“... the key story is... the ways public and private institutions - banks, insurance companies, and governments - were interlocked from their origins. The United States was substantially underwritten by capitalholders bound together in "bodies politic," insurance companies foremost among them. These insurance companies were autonomous institutions, whose credibility and security derived from their very distinctiveness from the body politic as a whole.” (p.149)

Insurers were merchants (or, at least, merchants invested in insurance companies) and were closely allied to banks, and, as the US emerged and strengthened, these businesses prospered with the government 'in a process of coformation' (p22). This relationship was reflected in the broader meaning of underwriting used by Farber. Insurers subscribed to policies, which facilitated international trade and, therefore, the customs revenue that formed the bulk of government funding. Furthermore, insurers wrote policies for the privateers that attacked British shipping during the Revolutionary War: “Patriot underwriters quite literally assumed the risk of the war for independence, one voyage at a time.” (p.59) In addition, insurers invested in securities issued by the new government.

Farber does not ignore the role of individuals. Several feature in her account but these do not include those usually associated with the emergence of the US, and this inclusion of what might be regarded as minor figures illustrates broader themes in the development of insurance rather than suggests history as driven by the sole efforts of a handful of people. Farber does not suggest that these underwriters were, in some sense, all heroes - one need only point to their attitude to slave trading, which, as she shows, some underwriters continued to insure even after the trade had been banned - or that the founding of the US can be entirely ascribed to the insurance industry.

* Hannah Farber, *Underwriters of the United States: How Insurance Shaped the American Founding*, Omohundro Institute of Early American History and Culture, Williamsburg, and University of North Carolina Press, Chapel Hill, 2021, 335pp. ISBN-10: 1469663635; ISBN-13: 978-1469663630. Hardback US\$34.95. Also available as e-book.

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The insurers' support for the government that emerged triumphant from the wars with Britain did not mean subservience to the state nor did it trigger a revolution in insurance practice. To encourage prospective customers, who could easily continue to insure in Europe, it was regarded as important to reassure them that US insurance - like insurance elsewhere - rested on immutable and transnational traditions, practices and laws, which gave insurance a degree of independence from national laws: US insurers regarded themselves as "the true heirs of older forms of collective merchant activity - public, but autonomous, with their own relationships to the navy, to privateers, and even to foreigners" (p.147). The propagation of the myth of a universal and unchanging *lex mercatoria* was important. This theme, along with the complexity of the business and its importance to the economy and to government revenue, gave insurance some protection against state intervention. The profits generated by insurance and the lack of scrutiny did lead some to question the fit between profit and patriotism, causing insurers to present themselves - with some justification - as patriots and to argue that profit was essential to the new nation: in short, they were part of "the civil fabric of the United States" (p.120). It was also true that well into the nineteenth century the fledgling state remained relatively small, so that, even had it wished to do so, it could not have effectively opposed the new centres of power emerging in the finance industry. Furthermore, the government continued to depend not only on investment by insurers and revenues from the insured marine trade, but also on the information about international conditions (political, legal, geographical) that was a fundamental part of marine insurance business.

The insurance industry was relatively small after the Revolutionary War, but it began to expand rapidly from the 1790s as the outbreak of war in Europe, while not cutting off access to European insurance, offered a prospect of high premiums that encouraged US investors into the market. Although merchants might be concerned at these premiums, many were also investors in insurance companies which were able to return high dividends. The marine market remained dominant, despite a rapid increase in the number of chartered insurance companies offering fire and life policies: "its [the fire and life insurance sector] local orientation meant that it lacked the urgent relevance to national affairs that marine insurance possessed from its first postconstitutional incorporations." (p.107) The relationship between insurance and government loosened in the nineteenth century as the US government became more robust and secure. The industry continued to defend itself from state intervention, developing the idea of insurance practice as a science, which reinforced the idea that it should not be subject to national constraints.

This brief review hardly does justice to the richness of this study. It is well written, the analysis is excellent, the arguments are clearly presented and supported, and, importantly for a book presenting such a significant thesis about the foundation of the US, it does not require any knowledge of insurance. The footnotes are not necessary for the casual reader but are a treat for the scholar, who will be thankful for Farber's efforts in providing a treasure trove of sources and analysis for future research. Occasionally, the UK reader might benefit from a knowledge of US history and political institutions, but these occasions are very few and do not detract from this book. Finally, while Farber deserves congratulations on this terrific book, her publishers should also be praised: not only did they recognise the value of publication, they were also willing to include the many illustrations, graphs and extensive footnotes that illuminate the text.