COMPANIES, COMMERCE and POLITICS

The Hudson's Bay, Levant and Russia Companies, 1714-1763

Michael Wagner

Lady Margaret Hall

Thesis submitted for the degree of Doctor of Philosophy

Trinity 2012

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ABSTRACT

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The operations of the chartered trading companies in the eighteenth century have long been regarded as a mere afterthought to their activities in the previous two centuries. Recently, however, there has been renewed interest in the Royal African and East India companies, and this thesis concerns the three other major chartered companies which survived as trading entities in the eighteenth century – the Hudson's Bay Company (HBC), the Levant Company and the Russia Company. The thesis re-examines, for the period 1714-63, the commercial operations of the three companies as well as the relationship between their commercial operations and politics. The hundreds of merchants in these three companies represent a broad and important sample of London merchant enterprise. The companies had different organizational structures and employed different strategies, but a common attribute of the three companies was that they were in the vanguard of change in terms of their use of financial services to manage their operations and the involvement of their members on the boards of joint stock companies. An inability to match French cloth prices was the principal reason for the decline of the Levant Company during this period. The HBC also lost significant market share to their French rivals, but was able to consistently produce strong financial results

because of rising prices for beaver fur in London. Strong demand for its imports allowed the Russia Company to become one of the great success stories of eighteenth-century commerce. The mid-century parliamentary attacks on the Levant Company and the HBC were fundamentally motivated by the economic impact of French competition on key stakeholders in their businesses. The companies were able to call on support from a range of sources, which crucially included the government, and they skilfully used the parliamentary process to counter a popular prejudice against monopoly companies.

EXTENDED ABSTRACT

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The operations of the chartered trading companies in the eighteenth century have long been regarded as a mere afterthought to their activities in the previous two centuries. Charles Wilson's view was that, 'at the Restoration, the idea that trade could best be conducted through the grant of monopolistic powers to chartered companies was still at full strength. But thereafter it weakened rapidly'. Of the major chartered companies which survived as trading entities in the eighteenth century (the East India Company, the Royal African Company, the Hudson's Bay Company, the Levant Company, and the Russia Company), it is only the East India Company (EIC), which has continuously attracted the interest of historians of eighteenth-century Britain. However, recent historiographical developments point towards the need for a re-assessment of the role of chartered trading companies, both in terms of their commercial operations and their involvement in politics.

Amidst growing interest in commercial and political developments in the first half of the eighteenth century, there has been a renewed focus on the activities of both the Royal African Company (RAC) and the EIC. As a joint stock company, the RAC has been used as a case study in the early history of financial markets and the development of Atlantic history has led to a re-examination of the RAC in the context of the political debates concerning its monopoly in the late seventeenth and early eighteenth centuries. The EIC has a much broader historiography than the RAC and has featured prominently in narratives concerning the financial and consumer revolutions as well as the formation of British national identity. However, the focus of historical enquiry concerning the EIC has traditionally been on the period following the Seven Years War (1756-63) when the company was seen making a transition from its 'commercial' to 'imperial' phases. Phillip Stern's, *The Company-State*, which demonstrates that the EIC was deeply concerned with the governance of its overseas territories well before the grant of the Bengal *diwani* (the right to collect taxes), has led to new interest in the activities of the company prior to 1763.

Encouraged by this renewed interest, this thesis will examine the commercial operations of the Hudson's Bay Company (HBC), the Levant Company, and the Russia Company during the period 1714-63, as well as the relationship between their commercial operations and politics. Despite the availability of extensive records of the companies, their members and the political debates concerning the companies, their experience has been used vey sparingly in addressing broad questions regarding merchant enterprise and the politics of trade in the eighteenth century.

A primary focus of this thesis is the need to gain a better understanding of London merchants during this period. As David Hancock has noted, London's merchants, who were the driving force behind overseas trade, remain largely unstudied. The hundreds of London merchants in these three companies represent a broad and important sample of merchant activity. Central to this study is an analysis of how these merchants influenced and responded to economic developments, both at home and overseas, such as the development of financial services and growing foreign trade rivalry. As John Smail suggested in his study of the wool textile industry, 'we must attempt to understand key periods of economic change by understanding how firms acted to create change in their economic environment (whether consciously or not) as well as how they reacted to change'. The chartered companies also provide a unique opportunity to examine the interaction between business and the state in the early modern period. Chartered companies relied on the diplomatic and military support of the government, and the parliamentary reviews concerning these three companies in the 1740s and 1750s provide insights into the politics of trade for a period which has been less intensively studied than the reigns of William and Anne.

This thesis will show that the three regional economies in this study were very important to Britain. The three regions not only accounted for close to 10% of British imports by 1763, but some of the largest manufacturing industries in the country, which supported many thousands of jobs, depended on the companies. The Levant had been the single most important destination for English cloth exports in the seventeenth century and was the main source of supply for the silk industry, which was the largest manufacturing industry in London. Russia was the preferred source of naval stores for the Royal Navy as

well an increasingly important supplier of iron, which was critical for a number of emerging manufacturing industries. The small size of the HBC's business belied its importance as a supplier to the hat-making industry as well as its strategic value as a representative of British interests in a vast, unexplored territory which was coveted by both Britain and France. From this analysis, it becomes clear that while there were significant differences between the companies and the markets in which they operated, there were also common elements in terms of the challenges they faced, their commercial strengths and weaknesses, as well as their political relationships. These similarities and differences become more apparent when the companies are considered together, a study which has not previously been attempted.

As chartered companies with regional trading monopolies, the companies faced two very different sorts of challenges to their businesses. The first type of challenge faced by the companies came from foreign competitors. Foreign competition during the period of this study was dominated by an increasingly intense Anglo-French commercial rivalry. The French had displaced the Dutch as Britain's principal commercial rival and the failure of the French Commerce Bill of 1713 ensured that Britain and France would remain commercial rivals even while they were not at war. The end of the Anglo-French alliance in the early 1730s coincided with an increase in the intensity of the French competitive threat. The companies responded to the French threat in different ways. While the Russia Company relied on diplomacy to avoid competing with the French, the HBC and the Levant Company were engaged in direct commercial competition with French rivals. Indeed, there are long-standing issues which arise from the historiography of these two companies concerning their competitiveness, such as the reasons for the decline of the

Levant Company and the severity of the competitive threat to the viability of the HBC, which can benefit from re-examination. The second type of challenge to the companies came from potential British rivals who sought to break the company monopolies. With the exception of some clandestine trading activity through Italy which threatened the Levant Company, these were, by and large, political battles. Parliament was the key forum in which these battles were fought since it had the power to alter company charters. However, the Board of Trade played a more important role in dealing with all three companies than has previously been recognized.

To provide context for the commercial and political experience of the companies during the study period, the study begins by examining developments in the quarter of a century prior to the start of this study which were instrumental in shaping the environment in which the companies operated. The debates concerning chartered company monopolies in the aftermath of the Glorious Revolution created a political framework for the companies. Although historians have often seen the revolution as a serious challenge for companies, these debates recognized that there was a role for companies, but the right of companies to enjoy trading monopolies was contingent upon their economic performance. In addition to the growth of French competition, there was a series of developments in their overseas markets which, to varying extents, affected the companies. Russian victory in the Great Northern War was a particularly significant development for the Russia Company.

The commercial analysis in this thesis starts by comparing the company organizations and then examines their strategies, operations and overall performance. While there were significant differences in terms of company structure, size and admission requirements, a

common theme was the increasing involvement of senior members of the companies in the emerging world of financial services. The involvement of key members of the Russia Company with the Bank of England, and Levant Company members with the marine insurance companies, is particularly noteworthy. The evaluation of strategies indicates that, again, there was a marked contrast between the HBC's focus on managing the business for cash, the Russia Company's quest for growth and the Levant Company's desire to protect margins in a declining business. The operations of the companies are examined in detail under the headings of revenue generation, cost control and management of cash flow. This analysis suggests that the ability of French merchants to undercut Levant merchants for cloth sales in the Levant was the fundamental reason for the decline in the Levant Company's business. In this regard, the requirement that the Levant Company pay for the British diplomatic establishment in the Ottoman Empire was a significant factor which limited its pricing flexibility. To a somewhat lesser extent, manufactured trade goods were also a weakness for the HBC, but the HBC was insulated from the impact of French competition by strong demand and rising prices for beaver fur. For all three companies, the timing of their cash flow, rather than credit, was the major financial management concern. The HBC's system of purchases and sales of securities was a particularly innovative means of solving liquidity problems which stemmed from the seasonal nature of the company's business. Finally, the review of overall performance shows that the Russia Company was one of the greatest success stories of eighteenth-century British commerce, and the level of its imports rivalled those of the EIC by the middle of the eighteenth century. Despite losing market share, the HBC was able to comfortably support a steady stream of dividend payments and generate surplus cash. The Levant Company's business shrank in the first half of the eighteenth century, but it

survived and enjoyed a renaissance in the late eighteenth century. An understanding of the overall performance of the companies is important context for the analysis of the companies and politics.

The political environment within which the companies operated was transformed in the 1740s. A hallmark of the period 1714-42 was how insulated the three companies were from political attack. Relationships between the companies and the government were, on the whole, mutually beneficial. Key members of the companies also enjoyed strong relationships with Sir Robert Walpole. In fact, the most serious parliamentary challenge during this period involved a dispute between two of the companies, when the Russia Company was granted the right to enter the Persian silk trade in 1740 over the objections of the Levant Company. The post-Walpole era saw parliamentary challenges to the Levant Company in 1744 and 1753 and to the HBC in 1749. The economic motives for these challenges were related to the impact of French competition, which was exacerbated by war in the 1740s. The mid-century parliamentary debates involved a greater use of economic data and expert witnesses than the debates of the 1690s concerning chartered companies. However, the essential character of the political debate had not changed. The key criterion used to judge the utility of companies was their economic performance and they were able to effectively counter a popular prejudice against monopoly companies. The companies may have operated in a period when there was a 'noisy cult of commerce', as Linda Colley put it, but they had well defined groups of economic stakeholders. In the case of the Levant Company, loss of market share to French cloth in the Levant was the root cause of dissatisfaction with the company. In the case of the HBC, the problem was a perception that the company was

not doing enough to develop the potential of Rupert's Land as a colony and was consequently abandoning opportunity to the French. The cause of both the Levant Company in 1744 and the HBC in 1749 was championed in the Commons by Sir John Barnard, the leading politician in the City of London. Anti-company rhetoric was a feature of the debates, but the ability of the companies to satisfy the government and their economic stakeholders was much more important than theories of political economy. The net impact of the mid-century parliamentary debates was a £30 reduction in the admission fee to the Levant Company.

The variety and depth of the primary sources for the companies enables a broad understanding of how merchants perceived and responded to both commercial and political developments. A number of important sources concerning the companies have also been under-utilized. For the HBC, in particular, the comprehensive company records contain a wealth of operational information. In one important respect, this study uses the HBC records in a different way than previous economic studies. In order to understand the timing of cash inflows and outflows, cash transactions as recorded in the Grand Journal have been analyzed. An understanding of the timing of cash flows, in turn, illuminates the role of the company's portfolio of financial securities in managing the business. In the case of the Levant Company, whereas Ralph Davis based *Aleppo and Devonshire Square* on the Radcliffe records and the trade to Aleppo, this study has relied more heavily on the records of the merchant, John Mitford, and particular attention has been paid to the minutes of the Levant Company's factory in Smyrna. For the Russia Company, the commercial analysis relies upon the merchant records of Samuel Holden, Henry and John Shiffner, and Henry and John Sperling, as well as Navy Board records for

trade in naval stores. There is a substantial body of pamphlet literature associated with the parliamentary debates concerning the companies. In addition, a particularly valuable and under-utilized source, which has been used in this study, is the transcript of the 1744 debate in the House of Lords on the Levant Company monopoly contained in *Cobbett's Parliamentary History.* The richness of the sources for the three companies provides an insight into not just what merchants did, but how they did it. The perspective of the firm which this provides allows us to better understand the commercial and political processes involved in being a merchant.

Along with the renewed historiographical interest in the EIC and the RAC, this study will contribute to a re-assessment of the role of chartered companies in the eighteenth century. However, there is considerable scope for more work on chartered companies in the eighteenth century, particularly in exploring the financial and political connections between the companies. Furthermore, this study has examined the role of competition as an agent of economic and political change, and further case studies involving both regulated and unregulated markets are required. The companies needed to adapt to a changing economic and political environment in order to survive and they continued to adapt after the Seven Years War. Although the companies certainly had weaknesses, they should be seen as vital to promoting British interests in a difficult trading environment in the eighteenth century.

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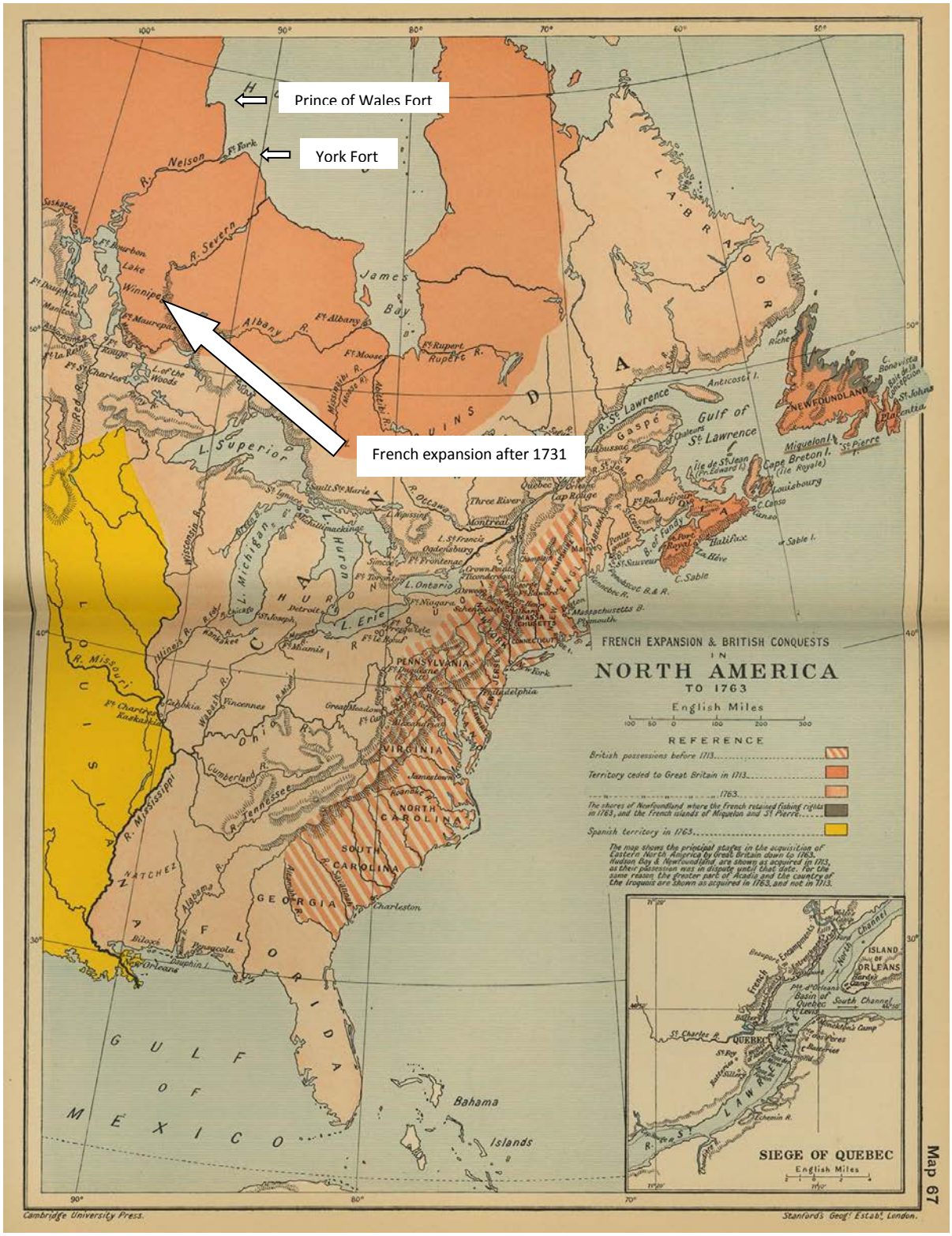
ABBREVIATIONS

BHR	Business History Review
BOTJ	Board of Trade Journals
EHR	Economic History Review
HBCA	Hudson's Bay Company Archives
HBR	Harvard Business Review
JEH	Journal of Economic History
JHC	Journals of the House of Commons
ODNB	Oxford Dictionary of National Biography

CONVENTION

All dates up to 1752 are Old Style unless otherwise indicated, but the year is taken to begin on 1 January throughout.

RUPERT'S LAND



Source: Cambridge Modern History Atlas (Cambridge, 1912)

THE LEVANT


OTTOMAN EMPIRE
IN ASIA SINCE 1792
English Miles
100 50 0 100 200
The coloured area represents Ottoman territory in 1792
The part ceded to Russia is coloured thus
The parts occupied by Gt Britain are coloured thus
Cambridge University Press.
Stanford's Geogl Estabt London.
Map 110
Cyprus
Crete
Rhodes
Mesopotamia
Wahabi's
Asia Minor
Syria
Egypt
Arabia
Constantinople
Smyrna
Angora
Sinope
Trebizond
Erzerum
Baghdad
Damascus
Jerusalem
Cairo
Alexandria
Port Said
Suez
Aleppo (Haleb)
Antioch
Beirut
Bassorah
Susa
Tabriz
Baku
Tiflis
Derbent
Kutais
Batum
Kars
Van
Mosul
Orfa
Adana
Smyrna
Samos
Rhodes
Crete
Cyprus
Nicosia
Famagosta
Larnaka
Tripoli
Homs
Hamah
Beirut
Saida
St Jean d'Acre
Nazareth
Naplous
Jaffa
Gaza
El Arish
Rosetta
Damietta
Aboukir
Alexandria
Rahmanieh
Siwa
Decapolis
Hauran
Druse Mts
R. Euphrates
Bir
Mosul
Orfa
Aleppo (Haleb)
Alexandretta
Bir
Adana
Tarsus
Selefkeh
Konieh
Karaman
Erekli
Afion Karahissar
Akhissar
Kutayah
Brousa
Constantinople
Adrianople
Rastamuni
Amasia
Tokat
Sivas
Khozat
Susan
Bitlis
Van
Ardahan
Akhaltzik
Kars
Poti
Batum
Trebizond
Kutais
Derbent
Tiflis
Baku
Susa
Bassorah
Baghdad
Damascus
Jerusalem
Cairo
Suez
Port Said

RUSSIA



Source: Cambridge Modern History Atlas (Cambridge, 1912)

Chapter 1 – Introduction

The operations of the chartered trading companies in the eighteenth century have long been regarded as a mere afterthought to their heyday in the previous two centuries. Charles Wilson's view was that 'at the Restoration, the idea that trade could best be conducted through the grant of monopolistic powers to chartered companies was still at full strength. But thereafter it weakened rapidly.'[1] The chartered companies have been viewed as being very much on the defensive in the wake of the Glorious Revolution, which prompted parliamentary challenges to the monopolies of several companies. In a classification scheme which Jacob Price outlined for merchants in London in the 1690s, he described the old East India, the Royal African and Hudson's Bay companies as well as the Russia and Levant companies as being members of an 'old gang' under political attack from groups of merchants in less regulated and more vital trades. [2] D.C. Coleman's view was that 'by circa 1700, it can be said that most English trade was open to all comers'.[3] The re-export of colonial goods and the unregulated Atlantic trades have been seen as the principal dynamic forces driving trade expansion in the eighteenth century.[4] Consequently, as Ann Carlos and Stephen Nicholas noted, 'The neglect of the early trading companies springs from the implicit belief that they were outliers, offering little of historic or economic interest'.[5]

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[1] C. Wilson, *England's Apprenticeship, 1603-1763* (London, 1965), p. 270.

[2] J. Price, 'The Tobacco Adventure to Russia', *Transactions of the American Philosophical Society*, new series, volume 51, part 1 (Philadelphia, 1961), pp. 31-2.

[3] D.C. Coleman, *The Economy of England, 1450-1750* (Oxford, 1977), p. 149.

[4] R. Davis, 'English Foreign Trade, 1700-1774', *EHR*, 2nd series, vol. 15 (1962), pp. 292-4.

[5] A. Carlos and S. Nicholas, 'Giants of an Earlier Capitalism: The Chartered Trading Companies as Modern Multinationals', *BHR*, vol. 62, no. 3 (1988), p. 399.

However, recent historiographical developments point towards the need for a re-assessment of the role of chartered trading companies in the eighteenth century.

The historiography of chartered trading companies has always recognized that the companies had both an economic function and, by virtue of their chartered monopolies, a relationship with the state and a role in politics which was distinct from that of merchants in unregulated trades. The relative emphasis on the economic and political aspects of the companies has varied over time. Until the late twentieth century, with the exception of the East India Company, the company histories were principally concerned with chronicling their commercial operations. More recently, the interest of economic historians has expanded to consider the role of the companies in the broader development of the economy. Even more significantly, recent studies have produced new perspectives on the relationship of the companies to the state and their involvement in politics. This revival of interest in the chartered trading companies has focussed on two joint stock companies - the Royal African Company (RAC) and the East India Company (EIC).

The Royal African Company (RAC) in the eighteenth century has attracted recent interest from both economic and political historians. The RAC was in commercial decline in the eighteenth century but, as a joint stock company, dealings in its shares have been used as a case study by economic historians interested in the development of capital markets and the impact of the South Sea Bubble.[6] This financial analysis is enabled by company records which detail accounts of shareholders and transfers of stock. There is also a substantial

[6] For example, see L. Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge, 1990) and A. Carlos, K. Maguire and L. Neal, 'Financial Acumen, Women Speculators, and the Royal African Company During the South Sea Bubble', *Accounting, Business and Financial History*, vol. 16, issue 2 (2006), pp. 219-43.

historiography dealing with the economics of the sugar trade and the related slave trade which, to a degree, involves the RAC.[7] The evolution of Atlantic history since the 1980s and the continuing interest in the slave trade has also led to a re-examination of the RAC in the context of the political debates concerning its monopoly in the late seventeenth and early eighteenth centuries. Recent scholarship has emphasized the role of political as opposed to economic factors in explaining the demise of the company. William Pettigrew challenged the account of the company's principal historian, K.G. Davies.[8] Pettigrew argued that Davies overstated economic factors, such as the structural faults of the company and the commercial advantages of interlopers, and understated the political acumen and lobbying ability of the separate traders.[9] Steve Pincus has used the attacks on the RAC in the wake of the Glorious Revolution, as well as the EIC, as evidence of the influence of conflicting views of political economy.[10]

The EIC has a much broader historiography than the RAC and has featured prominently in narratives concerning the financial and consumer revolutions as well as the formation of British national identity.[11] The focus of historical enquiry regarding the EIC has traditionally been on the period following the Seven Years War (1756-63) when the company was seen

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[7] For example, see Richard Sheridan's *Sugar and Slavery* (Baltimore, 1974), David Hancock's *Citizens of the World* (Cambridge, 1995) and David Eltis's *The Rise of African Slavery in the Americas* (Cambridge, 1999).

[8] Davies wrote the standard history of the RAC, *The Royal African Company* (London, 1957).

[9] W. Pettigrew, 'Free to Enslave: Politics and the Escalation of Britain's Transatlantic Slave Trade, 1688-1714', *The William and Mary Quarterly*, vol. 64, issue 1 (2007), footnote 4, p. 6.

[10] S. Pincus, *1688: The First Modern Revolution* (New Haven, 2009), p. 398.

[11] For a survey of the EIC historiography, see P. J. Stern, 'History and Historiography of the English East India Company: Past, Present and Future', *History Compass* 7/4 (2009), pp. 1146-1180.

making a transition from its 'commercial' to 'imperial' phases.[12] A noteworthy recent contribution is Phillip Stern's, *The Company-State*, which demonstrates that the EIC was deeply concerned with the governance of its overseas territories well before the grant of the Bengal *diwani* (the right to collect taxes) in 1765.[13] Stern noted that the EIC was different than other forms of business organization because, 'Unlike a guild or other forms of company, where leadership and governance inhered in those who actually did the trading, the joint-stock organization meant that the company was administered by shareholders'. [14] This, along with its proprietorship over English government and colonies in Asia, gave it the appearance of a political community. Stern's work places the EIC very much at the centre of historical enquiry into the development of the early modern state and the empire.

The recent historiography regarding the RAC and the EIC suggests that the companies can tell us more about economic development in the first half of the eighteenth century than has previously been recognized, and that, in order to understand the companies, it is necessary to examine their political involvement as well as their economic operations. However, it is important to recognize the limitations of the work on the RAC and EIC with respect to the study of eighteenth-century merchant enterprise. The RAC was not commercially robust. The exemption of private traders from the requirement to pay a

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[12] Stern, *History and Historiography*, p. 1161. K.N. Chaudhuri's *The Trading World of Asia and the East India Company, 1660-1760* (Cambridge, 1978) remains the best economic study of the EIC and has been supplemented, for a later period, by Huw Bowen's, *The Business of Empire: The East India Company and Imperial Britain, 1756-1833* (Cambridge, 2006).

[13] P. J. Stern, *The Company-State: Corporate Sovereignty & the Early Modern Foundations of the British Empire in India* (New York, 2011). Stern argues that the EIC was already behaving as a 'company-state' in the seventeenth century.

[14] Ibid., p. 10.

contribution towards the upkeep of the RAC's forts in 1712 severely damaged the RAC's financial viability, and its survival in the first half of the eighteenth century can be attributed, at least in part, to its ability to secure parliamentary subsidies for its forts.[15] The EIC's size, financial resources and exercise of territorial sovereignty overseas were not typical of merchant operations. As K.N. Chaudhuri noted, 'The East-India companies did not set the general institutional norm of long-distance trade in the seventeenth and eighteenth centuries, which was firmly based on private partnerships and individual family-owned business houses both in Asia and Europe'.[16] In this respect, the regulated companies (such as the Levant and Russia companies), which were comprised of large numbers of merchants and merchant partnerships, which traded on their own account, as well as small joint stock companies (such as the Hudson's Bay Company), were more representative of eighteenth-century merchant enterprise.

The flourishing interest in eighteenth-century commerce and the politics of trade suggests that it is timely to look again at, not just the EIC and the RAC, but also the other major chartered trading companies. The aim of this thesis is to outline the commercial operations of the Hudson's Bay Company (HBC), the Levant Company and the Russia Company during the period 1714-63, as well as the relationship between their commercial operations and politics. The start of this period was one of relative commercial stability, following the Nine Years War and the War of the Spanish Succession, while the end of the period brought imperial expansion which significantly altered several trades. For the HBC, the conquest of New France meant that it had to deal with an entirely new set of competitors who were

[15] The RAC was dissolved as a joint stock company in 1752.

[16] K.N. Chaudhuri, 'Reflections on the Organizing Principle of Pre-Modern Trade', in J.D. Tracy (ed.), *The Political Economy of Merchant Empires* (Cambridge, 1991), p. 440.

British rather than French. Despite the availability of records of the companies and merchant members of the companies, the experience of the three companies in this study has been used very sparingly, to date, in addressing broad questions regarding merchant enterprise and the politics of trade in the eighteenth century. However, their experience can provide insights into a range of historiographical issues of interest to business historians and, more generally, to historians concerned with the relationship between commerce and politics.

Study Objectives and Methodology

A primary focus of this thesis is the need to gain a better understanding of merchant operations, particularly for London merchants. Jacob Price, a pioneer in the field who identified the key concerns of merchants, emphasized the focus of merchants on problems relating to credit and liquidity. [17] For a few trades, notably the tobacco trade, we have a reasonable understanding of how this affected merchant operations. [18] However, even for the tobacco trade, we have a much better understanding of the Glasgow trade than we have of the London trade. As Price noted, 'If our information on the capital structure of the London trade is so sparse as to be only tantalizing, our data for Glasgow are considerably fuller and richer'. [19] Indeed, this points to a general problem in merchant historiography –

[17] J. Price, 'What Did Merchants Do?: Reflections on British Overseas Trade, 1660-1790', *JEH*, 49, no. 2 (June, 1989), pp. 267-84.

[18] The tobacco trade has been studied in several works by Jacob Price including his *Capital and Credit in British Overseas Trade* (Cambridge, Mass., 1980), as well as T.M. Devine's *The Tobacco Lords* (Edinburgh, 1975).

[19] Price, *Capital and Credit*, pp. 23-4.

the lack of detail on London merchant operations. As David Hancock has noted, London's merchants, who were the driving force behind overseas trade, remain largely unstudied.[20] While an older historiography, such as Richard Pares' *War and Trade in the West Indies, 1739-1763* (Oxford, 1936), was concerned with merchant operations and the influence of diplomacy on commerce, Hancock observes that economic historians have tended to focus on production, cultural historians have tended to focus on consumption, but few consider the role of trade and distribution. [21] There are notable exceptions, such as John Smail's *Merchants, Markets and Manufacture* (Basingstoke, 1999) which examines the development of the wool textile industry. However, according to Hancock, the result has been that the assessments of the role of eighteenth-century trans-Atlantic trade have taken one of two forms – statistical analysis or biographical narrative.[22] Recent work on London merchants has given us a better understanding of their social life and the cultural milieu within which they operated, but we still have comparatively little which examines their commercial operations.[23] The hundreds of London merchants in the HBC, the Levant Company and the Russia Company represent a broad and important sample of merchant activity. The experience of the three companies in this study is particularly revealing in terms of how London merchants used the emerging financial services infrastructure to manage their businesses.

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[20]D. Hancock, *Citizens of the World* (Cambridge, 1995), p. 6.

[21] D. Hancock, *Oceans of Wine* (New Haven, 2009), xiv.

[22] Hancock, *Citizens of the World*, p. 3.

[23] Richard Grassby's *Kinship and Capitalism* (Cambridge, 2001) emphasizes the importance of family networks while Perry Gauci's *Emporium of the World* (London, 2007) illustrates how merchants participated in the financial and political life of the City.

This thesis will also re-examine long-standing issues which arise from the historiography of the HBC and the Levant Company concerning their competitiveness, such as the reasons for the decline of the Levant Company and the severity of the competitive threat to the viability of the HBC. This re-examination can, in turn, help to improve our sparse understanding of the competitiveness of British enterprise during this period. Stanley Chapman observed that the only general thesis on the performance of British merchants compared with foreign competitors was that developed by D.C.M. Platt regarding trade to Latin America.[24] Business academics, notably Michael Porter, have been very much concerned with assessments of competitiveness since the 1980s.[25] Notwithstanding this interest in competition, business history has not focussed on commercial rivalry in the eighteenth century. Business history continues to be a discipline which essentially starts in the nineteenth century and predominantly concerns large firms, for whom case studies can be developed. In this respect, the competitive experience of the HBC and the Levant Company, who faced strong French competition in their overseas markets during the study period, is particularly valuable.

The three companies in this study also provide important case studies regarding the interaction between commerce and politics. [26] While traditionally the province of political historians, the interaction between commerce and politics has also become an issue of

[24] S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), p. 13. Platt's *Latin America and British Trade, 1806-1914* (London, 1972) argued that British merchants sought the shelter of imperial markets as competition intensified in Latin America.

[25] See, in particular, Porter's *Competitive Strategy* (New York, 1980), *Competitive Advantage* (New York, 1985) and *The Competitive Advantage of Nations* (New York, 1990).

[26] In the recent collection edited by Perry Gauci, *Regulating the British Economy, 1660-1850* (Farnham, 2011), the need for more research into the discourses of economic debate as well as the forums in which those debates were conducted was identified, pp. 22-3.

increasing interest for business historians. Indeed, the theme of the 2012 Business History Conference was 'Business and the State'. The charters of the companies could be modified or revoked by Parliament, and the companies relied on both the diplomatic and military support of the government. Like the EIC and the RAC, the three companies in this study had a direct relationship with the government. However, it is important to recognize that the trades in which the chartered companies were engaged varied significantly, as did their relationship with the state and the nature of their political challenges. Philip Stern's notion of a 'company-state' is insightful for the overseas operations of the EIC, but does not describe the companies in this study, which were more purely trading organizations. The RAC faced intense commercial competition and political attack from rival British merchants, but 'interlopers' were not a major concern for the companies in this study. The recent interest in the post-Glorious Revolution debates has very much focussed on the EIC and the RAC. However, during this period, there were also two debates concerning the HBC, one debate concerning the Russia Company and a noticeable lack of debate concerning the Levant Company. This experience needs to be considered in order to develop a more comprehensive view of the politics of trade in the 1690s. Furthermore, the Levant Company reviews of the 1740s and 1750s have received little attention, while consideration of those debates, alongside the mid-century debate concerning the HBC, can shed new light on the HBC debate.

While the recent work on the EIC and RAC has reinforced the need to examine both economic and political aspects of the companies, there has also been a reconsideration of the methodological approaches for studying the economics and politics of companies. This debate has yielded three important insights. The first is the need to understand what the

companies did commercially and what they thought they were doing. In his study of the EIC during the period 1756-1833, Huw Bowen noted that political studies of the company during this period had neglected the question of how the EIC 'actually worked as an organisation dedicated to the management of long-distance trade and empire' and that 'in seeking to provide an anatomy of the East India Company in Britain, it is first necessary to consider what type of organisation the company was before it established a territorial empire during the 1760s.'[27] A similar sentiment was expressed by Maya Jasanoff in her review of a recent study of the Levant Company's overseas factors and ambassadors by James Mather. Jasanoff observed that Mather's study 'offers much more Levant than company. For all the rich human detail, the reader craves analysis of corporate structures and practices.'[28] Secondly, the historiography of merchant enterprise has highlighted the central importance of understanding how merchants managed their finances. As Stanley Chapman noted, 'The pivotal position of the merchant was ultimately based on close financial control' and 'this key point must justify the considerable space devoted to finance and credit in any study of mercantile enterprise'.[29] Older company histories touched upon financial management practices, but not nearly to the same extent as, for example, Jacob Price's work on the tobacco trade. Thirdly, the interaction between commerce and politics has been highlighted. For example, although Stern's *Company-State* has provided new insight into the EIC as a political actor before the Seven Years War, it has also been criticized for its lack of attention to the 'company' side of the 'company-state' equation. In his review of the

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[27] H. Bowen, *The Business of Empire: the East India Company and Imperial Britain, 1756-1833* (Cambridge, 2006), p. 20.

[28] M. Jasanoff. Review of Mather, J., *Pashas: Traders and Travellers in the Islamic World*. The Guardian, 5 Dec. 2009.

[29] Chapman, *Merchant Enterprise in Britain*, p. 4.

Company-State, Ilya Vinkovetsky noted that Stern 'while devoting entire chapters to missionaries and political thinkers - does not address how the company's political functions interacted with its economic operations', and Vinkovetsky argues that 'at the very least, a brief analytical section on the company's economic fortunes would have made the political picture more complete'.[30] For the companies, the influence of commerce on politics can be traced by identifying the economic stakeholders in their businesses, identifying how stakeholders were affected by the financial performance of the companies, and assessing their participation in political debate. A review of the historiography of the three companies in this study indicates that there is a need to apply the insights gained from the recent discussion regarding approaches to the study of companies in order to develop a more comprehensive view of the companies as both commercial and political actors.

In this regard, it is the history of the Russia Company which has been the most neglected. Part of the problem is that the company's organization and basic objectives are poorly understood. D.C. Coleman's view of the Russia Company was that it 'effectively petered out in the 1690s'.[31] It may have had a difficult period in the late seventeenth century, but the Russia Company was very much a going concern in the eighteenth century and, in fact, survived as a trading organization until 1917! There is still no company history which deals with the British operations of the Russia Company in the eighteenth century. The closest approximation to a company history is an article by David MacMillan written in 1973.[32]

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[30] I. Vinkovetsky. Review of Stern, Philip J., *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India.* H-Empire, H-Net Reviews. November, 2011. URL: http://www.h-net.org/reviews/showrev.php?id=34170.

[31] Coleman, *The Economy of England*, p. 149.

[32] D. MacMillan, 'The Russia Company of London in the Eighteenth Century: the effective survival of a chartered company', *The Guildhall Miscellany*, vol. IV, no. 4 (April, 1973).

Anthony Cross's *By the Banks of the Neva* (Cambridge, 1997) is useful for the activities of the Russia Company in St. Petersburg, while Arcadius Kahan's *The Plow, the Hammer and the Knout* (Chicago, 1985) contains a wealth of statistical information regarding the composition of Russian trade. Margrit Schulte Beerbuhl's *Deutsche Kaufleute in London* (Munich, 2007) contains an informative discussion of German merchants in the Russia Company. However, the sheer scale and scope of the Russian trade, which is brought to life by the records of Russian merchants, has not been appreciated. Russian merchants had links to many different markets, including the North American fur trade and the silk trade, and their financing arrangements were complex. The experience of Russian merchants over an extended period can, therefore, provide valuable insight into the evolution of, not just Anglo-Russian trade, but also, more generally, the evolution of British merchant enterprise. The historiography of Anglo-Russian relations during the study period has highlighted the vital link between diplomacy and trade development.[33] This was an important aspect of the relationship between business and government, but there was also another very important dimension which was particularly important for the Russia Company. The involvement of senior members of the company in financial services, particularly in the Bank of England, gave them considerable political influence.

The major histories of the Levant Company which deal with the operations of the company are quite dated. These are Alfred Wood's *A History of the Levant Company* (London, 1935) and Ralph Davis's *Aleppo and Devonshire Square* (London, 1967). Wood deals with both economics and politics but Davis touches only lightly on politics. Several more recent

[33] D. Reading, *The Anglo-Russian Commerce Treaty of 1734* (New Haven, 1938), pp. 295-301, M.S. Anderson, *Britain's Discovery of Russia, 1553-1815* (London, 1958), pp. 108-42, and N.C. Hunt, 'The Russia Company and the Government, 1730-42', *Oxford Slavonic Papers*, vol. 7 (1957), pp. 27-65.

economic studies deal with Western trade to the Levant during this period, but are not specific to the Levant Company and its merchants. [34] James Mather's *Pashas* is a cultural study which is based largely on correspondence of the Levant Company's factors. The key issue in the historiography of the early eighteenth-century Levant trade is the reasons for the decline. The company's stated position was that its decline was directly related to the assistance which the French government gave to French manufacturing and merchants. This interpretation was largely supported by Alfred Wood and Gwilym Ambrose in the 1930s.[35] Ralph Davis challenged this interpretation.[36] Davis placed more emphasis on shifting demand patterns in Britain, such as the substitution of cloth or metal for silk buttons, and the development of alternative sources of silk supply in Bengal and China. The existing historiography of the Levant Company (in common with that of the HBC) has considered aspects of French competition but has not emphasized how the companies and leading figures in the companies responded to the changing competitive environment. An understanding of the company's responses, such as its shifts in commercial policy, can indicate the perceived seriousness of various competitive threats to the company. In addition, the Levant Company's parliamentary debates of 1744 and 1753 are a particularly rich source for understanding the politics of trade in the mid-eighteenth century and the importance of economic stakeholders in political debate.

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[34] Elena Frangakis-Syrett's *The Commerce of Smyrna in the Eighteenth Century, 1700-1820* (Athens, 1992) is a particularly rich and detailed study. Edhem Eldem's *French Trade in Istanbul in the Eighteenth Century* (Brill, 1999) provides insight into the commerce of the third major centre of western trade with the Ottoman Empire (after Aleppo and Smyrna).

[35] G. Ambrose, 'The Levant Company, 1640-1753' (Unpublished B. Litt. thesis, University of Oxford, 1932).

[36] R. Davis, 'English Imports from the Middle East' in M.A. Cook (ed.), *Studies in the Economic History of the Middle East* (Oxford, 1970), pp. 193-206.

Despite being by far the smallest of the three companies, the HBC of the eighteenth century continues to attract the interest of both economic and political historians. Ann Carlos and Frank Lewis's *Commerce by a Frozen Sea* (Philadelphia, 2010) is the best and most recent of the economic studies. However, like most of the more recent economic studies of the fur trade it focuses on the HBC's North American (rather than British) operations. The operations of the HBC are particularly significant for historians interested in the development of Canada, but its small size has meant that historians have rarely used it as a case study in the development of the British economy. A key question in the historiography of the fur trade in the first half of the eighteenth century was who was winning - the British, in the form of the HBC, or the French? At the two poles of the debate are Harold Innis and W.J. Eccles. Innis argued for British advantage resulting from the superiority of British manufactured trade goods.[37] Eccles noted the increase in the French share of the fur trade and maintained that, although French participation in the fur trade was essentially politically motivated, 'had the Seven Years War not intervened, the Hudson's Bay Company might well have been driven to the wall by the Canadians'.[38] As this study will demonstrate, the HBC's use of a portfolio of financial securities in order to manage its cash flow is an important aspect of its operations which has not been examined in detail and which has a major bearing on the Innis-Eccles debate. The key works on the political treatment of the company, subsequent to the publication of E.E. Rich's official history, were articles by Glyn Williams in 1970 and Marie Peters in 2010 which focus on the 1749 parliamentary enquiry

[37] H.A. Innis, *The Fur Trade in Canada* (New Haven, 1930), p. 391.

[38] W.J. Eccles, 'The Fur Trade and Eighteenth Century Imperialism', *William and Mary Quarterly*, 3rd series vol. 40, (July, 1983), pp. 341-62 and 'A Belated Review of Harold Adams Innis's The Fur Trade in Canada', *Canadian Historical Review*, vol. 60 (December, 1979), p. 430.

into the HBC's monopoly. [39] The article by Peters is a welcome re-examination of the debate but, as chapter 6 will discuss, there are some significant problems with her interpretation of events.

This study will demonstrate that new insights can be provided into the key issues which arise from the historiographies of the companies (particularly those of the HBC and the Levant Company) by employing a different methodology to analyze their commercial operations. Looking at the operations of the companies in detail in terms of how they generated revenues, controlled costs and managed their cash flow provides a new perspective on their economic fortunes in the eighteenth century, in particular, what caused the decline of the Levant Company in the first half of the eighteenth century and whether the HBC's survival was truly endangered by their French competition. A detailed analysis helps to pinpoint areas of competitive strength and weakness. The need to take the perspective of the people actually running businesses, and to examine the operations of their businesses in some detail in order to understand their performance, was underlined by D.C.M. Platt in his study of British trade to Latin America. Platt stated,

> As historians, we would be unwise to assume that we can judge business decisions, by a kind of macro-economic hindsight, by broad economic trends, by developments which may be clear enough to us now but which at the time covered more than a man's working lifetime.[40]

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[39] E.E. Rich, *Hudson's Bay Company* (2 vols., London 1958 and 1959), G.Williams, 'The Hudson's Bay Company and its Critics in the Eighteenth Century', *Transactions of the Royal Historical Society*, 5th series, vol. 20 (1970), pp. 149-71, and M. Peters, 'State, Parliament and Empire in the Mid 18th Century: Hudson's Bay and the Parliamentary Enquiry of 1749', *Parliamentary History*, vol. 29, pt. 2 (2010), pp. 171-91.

[40] Platt, *Latin America and British Trade*, p. 309.

A detailed economic analysis also helps to highlight the economic stakeholders in the companies and this, in turn, is fundamental to an understanding of the political debates concerning the companies. The approach to analyzing the politics of trade used in this thesis is closest in spirit to that of Nancy Koehn. In *The Power of Commerce* (Ithaca, 1994), which examined the post-1763 period, Koehn sought to outline the influence of macro-economic developments on political economy, which, in turn, influenced political behaviour. The substantive difference between my approach and Koehn's is that my economic analysis is conducted more at the level of the firm. Koehn was interested in the influence on political economy of concurrent macro-economic trends such as the growth of manufacturing, the integration of goods and credit markets, the growth of cities and the expansion of the empire.[41] A more detailed economic analysis can produce new insights into the politics of trade which can complement those obtained from a macro-economic analysis. For example, while manufacturing was generally on the rise during the period 1714-63, certain manufacturing areas, whose exports were to markets subject to intense French competition, were suffering. Appreciating this distinction is the key to understanding the political debates concerning the companies.

Considering the three companies together can provide insights which are not afforded by individual case studies. While there were significant differences in company organization and strategy, the HBC and the Levant Company shared some common weaknesses in the face of their French competitors, both in terms of their manufactured trade goods and their marketing. On the other hand, all three companies displayed strength in financial management. Jacob Price observed that financial matters were the main commercial

[41] N. Koehn, *The Power of Commerce* (Ithaca, 1994), pp. 26-7. Koehn's view of major trends owes a particular debt to John Brewer and Maxine Berg.

concern of merchants and that was also true of the companies in this study. However, whereas credit management has been identified as a major concern of tobacco merchants, amongst others, credit management was relatively unimportant for the companies in this study. Rather, it was managing the timing of their cash flows which was most vital. There was some similarity in terms of the role of the Board of Trade in dealing with the companies, and there were common elements in the parliamentary debates, not just in terms of the arguments deployed to attack and defend monopolies, but also in terms of the individuals involved. For example, Sir John Barnard was the main defender of both the Levant Company and the HBC in the Commons debates of the 1740s. Moreover, this study will highlight the intrinsic value of all three companies during the period 1714-63.

The Importance of the Companies

The three regional economies in this study were very important to Britain, notwithstanding the fact that Rupert's Land, Russia and the Ottoman Empire were neither part of the colonial empire nor were they part of Britain's core European trading network.[42] Although Patrick O'Brien downplayed the contribution of the 'periphery', in aggregate, to European economic development, particularly in the period prior to 1750, it is important to recognize

[42] I have not considered Rupert's Land (whose geographical limits were vague) to be a colony during the study period, as British settlement consisted only of the HBC's forts on Hudson's Bay and the HBC did not govern the native people of Rupert's Land. Historians have only considered the HBC territory to be part of the empire after the study period, particularly after the HBC's merger with the Northwest Company in 1821. See J.S. Galbraith, *The Hudson's Bay Company as an Imperial Factor, 1821-1869* (Berkeley, 1957).

that O'Brien's figures excluded Russia and the Baltic.[43] By 1763, the three regions in this study accounted for close to 10% of British imports.[44] Moreover, their economic value cannot be measured simply in terms of their trade volume. The companies supported many thousands of manufacturing jobs. The Levant had been the single most important destination for English cloth exports in the seventeenth century.[45] The Levant Company was also the main source of supply for the silk industry, which was easily the largest branch of London's textile trade.[46] Russia became the most important source of European imports into Britain in the second half of the eighteenth century and was the preferred source of naval stores for the Royal Navy as well an increasingly important supplier of iron, which was critical for a number of emerging manufacturing industries.[47] In addition, as David Ormrod has noted, 'Fundamentally, the dynamism of the Atlantic economy rested on British control of the North Sea entrepôt system, together with its Baltic periphery'.[48] The small size of the HBC's business belied its importance as a supplier to the hat making industry, as well as its

[43] P. O'Brien, 'European Economic Development: The Contribution of the Periphery', *EHR*, new series, vol. 35, no. 1 (Feb. 1982), pp. 1-18. O'Brien excluded the Baltic, Eastern Europe, Ireland and Scotland from his definition of the periphery.

[44] More than three-quarters of this total was from Russia.

[45] On the importance of cloth exports to the Levant in the seventeenth century, see J. de la Mann, *The Cloth Industry in the West of England from 1640 to 1880* (Oxford, 1971), p. 18. The Levant Company's responsibilities also included the funding of the British ambassador and consuls in the Ottoman Empire.

[46] Peter Earle estimated that 40,000-50,000 people were employed in London silk manufacturing and allied trades in the early eighteenth century, *The Making of the English Middle Class: Business, Society and Family Life in London, 1660-1730* (London, 1989), p.20.

[47] H. Kaplan, *Russian Overseas Commerce with Great Britain during the Reign of Catherine II* (Philadelphia, 1995), p. 9.

[48] D. Ormrod, *The Rise of Commercial Empires: England and the Netherlands in the Age of Mercantilism 1650-1770* (Cambridge, 2003), p. 229. Ormrod views the European world-system as an intermediate zone, bounded by the North Sea-Baltic economy to the North and the Mediterranean to the south, within the larger world economy (see *The Rise of Commercial Empires*, pp. 4-9).

strategic value as a representative of British interests in a vast, unexplored territory and as an impediment to French expansion in North America. This study shows that, while macroeconomic developments had a major impact on the companies, the operations of the companies also had a significant influence on the development of the potential of these three important markets.

The companies had parallels in other sectors of British trade and their experience is revealing of wider trends. Levant merchants had a similar reliance on the competitiveness of British woollen cloth exports as merchants exporting to markets in north-western and southern Europe. The import side of the trade in Russian naval stores was not structurally dissimilar, for much of the study period, to some of the bulk Atlantic trades such as tobacco and sugar.[49] Although the HBC was a joint stock company, the scale of its operations was similar to that of a large merchant. However, like the EIC and the RAC, the companies in this study faced two additional types of challenges. The first was commercial challenges from foreign rivals and the second was challenges to their monopolies from critics within Britain.

In terms of foreign rivalry, the period of this study was dominated by an increasingly intense Anglo-French commercial rivalry. The French had displaced the Dutch as Britain's principal commercial rival and the failure of the French Commerce Bill of 1713 ensured that Britain and France would remain commercial rivals. The British chartered trading companies played a prominent role in this rivalry as they operated in markets which were coveted by both sides. The HBC and the Levant Company were engaged in direct commercial

[49] For instance, the trade in Russian imports was very much concentrated in a group of big merchants as were the sugar and tobacco trades, see J. Price and P. Clemens, 'A Revolution of Scale in Overseas Trade: British Firms in the Chesapeake Trade, 1675-1775', *JEH*, vol. 47, no. 1 (Mar. 1987), pp. 24-35. There were many exporters to Russia but they tended to be only modestly sized.

competition with French rivals while the Russia Company relied on diplomacy to avoid competing with the French. The seriousness of the eighteenth-century Anglo-French commercial rivalry was underscored by Stanley Engerman and Patrick O'Brien, who noted that,

> French mercantilism competed with British, economically and geo-politically. While the outcome of this rivalry, as seen after the Seven Years War, seemed easy in retrospect to predict, during the eighteenth century the writings of British and French economic pamphleteers and statesmen had expressed considerable uncertainty as to the eventual resolution.[50]

During the second quarter of the eighteenth century, French trade grew at almost three times the rate of British trade.[51] For all three companies in this study, the end of the Anglo-French alliance in the early 1730s also coincided with a substantial increase in the intensity of the French competitive threat. In Russia, the threat of a Franco-Russian alliance led to four years of difficult negotiations which culminated in the Anglo-Russian Commerce Treaty of 1734. In North America, the French expanded westwards, starting in 1730, and threatened the HBC's most important trading post. In the Levant, markets were flooded with French cloth and prices tumbled in the early 1730s. However, trade rivalry during this period was not simply a commercial matter.

Historians have recognized that the state played an essential role in promoting trade. As Donald Coleman put it,

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[50] S.L. Engerman and P.K. O'Brien, 'The Industrial Revolution in Global Perspective', in R. Floud and P. Johnson (eds.), *The Cambridge Economic History of Modern Britain,* vol. 1 (Cambridge, 2004), p. 457.

[51] F. Crouzet, *La Guerre Economique Franco-Anglaise au XVIIIe Siècle* (Paris, 2008), tableau 14.1, p. 369. Crouzet does not include Scottish figures for the first half of the eighteenth century but estimates that, in 1755, Scotland would add only 5% to English trade volumes, p. 15. Crouzet relies on E.B. Schumpeter's *English Overseas Trade Statistics, 1697-1808* (Oxford, 1960) for much of his English data. He uses a number of sources for his French data.

> The period between the onset of the first Anglo-Dutch War in 1651 and the end of the Seven Years War in 1763 was quintessentially the age of trade wars and trade treaties, of battles by tariffs and prohibitions as much as by navies and armies.[52]

The development of the British fiscal-military state was outlined by John Brewer in his *The Sinews of Power* (London, 1989) and the role which that development played in Britain's commercial ascendancy has been explored by a number of historians. Anglo-French rivalry has been used as a case study by economic historians interested in the theory of the firm and the impact of transaction costs. North and Weingast suggested that it was the inferiority of France's institutions, particularly the difficulty in funding war-related public debt, which was France's undoing.[53] Patrick O'Brien acknowledged that the growth of the British Atlantic Empire was a significant source of advantage but stressed that this was an advantage maintained and extended by force of arms.[54] Jacob Price also noted that much of the success of British merchants lay in 'lands where they, their ships, and their goods had preferred or exclusive access.' [55] In the long term, the development of the fiscal-military state is, along with industrialization, a convincing explanation of British ascendancy but, during the period of this study, the companies depended on other forms of state support. Both the French silk and fur industries dwarfed their British counterparts, making the customers of the HBC and the Levant Company dependant on protectionist tariffs in Britain, which effectively banned French imports. The role of diplomacy in the Anglo-French

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[52] D.C. Coleman, *The Economy of England 1650-1750* (Oxford, 1977), pp. 32-3.

[53] D.C. North and B.R. Weingast, 'Constitutions and Commitment: the Evolution of Institutions Governing Public Choice in Seventeenth-Century England, *JEH*, (Dec., 1989), pp. 830-1.

[54] P. O'Brien, 'Imperialism and the Rise and Decline of the British Economy, 1688-1989', *New Left Review*, I/238 (Nov.-Dec. 1999), p. 5. O'Brien sees naval power as Britain's leading comparative advantage.

[55] J. Price, 'What Did Merchants Do?', *JEH*, vol. 49 (Jun., 1989), p. 274.

commercial rivalry was also critical.[56] The threat that France would extend its European dominance to the Baltic made British access to the Russian market through the commerce treaty even more vital. Not only were imports from Russia essential for Britain, but Russia was also the major re-export market for British furs.

The success or failure of the companies was also inextricably linked to their ability to deal with challenges from within Britain. The quarter of a century prior to the start of this study has been seen as crucial in shaping the politics of trade in the eighteenth century. David Armitage noted that commerce had become, in Hume's words, 'an affair of state' for every European polity in the late seventeenth century.[57] In Britain, the Glorious Revolution was recognized as a pivotal point in the regulation of the economy. As Perry Gauci observed, the growing importance of Parliament at the expense of the Crown was a major change to which merchants needed to adapt in order to take advantage of the shift in the global balance of power.[58] The political debates regarding chartered company monopolies and their relationship to manufacturing industries, in the wake of the Glorious Revolution, established the political framework in which the chartered companies operated in the eighteenth century. These debates continue to attract the interest of historians. Steve Pincus has recently argued that opposed Whig and Tory views regarding political economy were a fundamental attribute of the Glorious Revolution.[59] According to Pincus, the

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[56] Jeremy Black has explored the connections between trade and foreign policy in many of his publications, most recently in *Trade, Empire and British Foreign Policy, 1689-1815* (Abingdon, 2007).

[57] D. Armitage, *The Ideological Origins of the British Empire* (Cambridge, 2000), p. 17.

[58] P. Gauci, *The Politics of Trade* (Oxford, 2001), p. 12.

[59] S. Pincus, *1688: The First Modern Revolution*, p. 399. Pincus uses the parliamentary attacks on the Tory-dominated EIC and RAC in the 1690s as support for his argument.

triumphant Whigs viewed the French as Britain's main commercial rival while Tories were more concerned with the Dutch. The failed French Commerce Bill of 1713 has also been used to illustrate differences between Whig and Tory views on the economy, most recently by Doo Won Ahn.[60]

During the period of this study, the companies had many supporters and they played a more important role in supporting British commercial interests than previously thought. Prior to the 1740s, the companies were largely free of political challenges and key members of the companies enjoyed strong relationships with Sir Robert Walpole. The relationships between the Russia Company and the government were particularly strong. However, as Bob Harris has observed, French competition became a growing political concern in the 1740s.[61] The companies were drawn into a series of parliamentary debates. The economic motives for the attacks on the HBC and the Levant Company were both related to the cumulative impact of French competition, which was exacerbated by war in the 1740s. The mid-century debates concerning the Levant Company and the HBC involved a greater use of economic data and expert witnesses than the debates of the 1690s concerning chartered companies, and the Board of Trade played a more important role in non-imperial markets than previously recognized. However, the essential character of the political debate had not changed. The key criterion used to judge the utility of companies was their economic performance and they were able to effectively counter a popular prejudice against

[60] D. Ahn, 'The Anglo-French Treaty of Commerce of 1713: Tory Trade Politics and the Question of Dutch Decline', *History of European Ideas*, vol. 36, issue 2 (2010), pp. 167-80. While most Tories supported the bill, it failed because of the presence of a significant faction of dissident Tories.

[61] Harris noted a series of initiatives following the War of the Austrian Succession which were designed to deal with French competition in *Politics and the Nation: Britain in the Mid-Eighteenth Century* (Oxford, 2002).

monopoly companies. The companies may have operated in a period when there was a 'noisy cult of commerce', as Linda Colley put it, but they had well defined groups of economic stakeholders.[62] In the case of the Levant Company, loss of market share to French cloth in the Levant was the root cause of dissatisfaction with the company. In the case of the HBC, the problem was a perception that the company was not doing enough to develop the potential of Rupert's Land as a colony and was consequently abandoning opportunity to the French. Despite the challenges which they faced, the survival of the companies after 1763 was a sign of their ongoing importance.

Sources and the Outline of the Study

This study is based on a range of primary sources for both the commercial operations of the companies and the political debates concerning the companies. Like the EIC and the RAC, there are excellent records regarding their commercial operations. For all three companies, there are minutes of meetings throughout the study period. For the HBC, in particular, the comprehensive company records also contain a wealth of operational information. In one important respect, this study uses the HBC records in a different way than previous economic studies. In order to understand the timing of cash inflows and outflows, cash transactions as recorded in the Grand Journal have been analyzed. An understanding of the timing of cash flows, in turn, illuminates the role of the company's portfolio of financial securities in managing the business. The company records of the Levant and Russia companies are also informative, but much of the detail of the commercial analysis in this

[62] L. Colley, *Britons: Forging the Nation, 1707-1837* (New Haven, 1992), p. 61.

study comes from merchant records. Ralph Davis based *Aleppo and Devonshire Square* on the trade to Aleppo and the records of the Radcliffe merchant family. This study has relied more heavily on the records of the merchant, John Mitford, and particular attention has been paid to the minutes of the company's factory in Smyrna.[63] The main element of the Radcliffe records which has been used in this study, the cash book of Edward and Arthur Radcliffe, is one on which Ralph Davis did not focus. For the Russia Company, the company records contain less operational information than for the other two companies, and the study relies even more heavily on merchant records, particularly those of Samuel Holden, Henry and John Shiffner, and Henry and John Sperling. The Navy Board records have also provided an important source for data on the trade in naval stores. In addition, there are a number of valuable sources relating to the political involvement of the companies. Foremost amongst these are the records of the parliamentary challenges to the charters of the companies in the late seventeenth and mid-eighteenth centuries. Several particularly valuable and under-utilized sources for the parliamentary debates have been used in this study, such as the transcript of the 1744 debate in the House of Lords on the Levant Company monopoly contained in *Cobbett's Parliamentary History.* There is also a substantial body of pamphlet literature associated with these parliamentary debates. The richness of the primary sources for the three companies provides an insight into not just what merchants did, but how they did it and how they tried to justify it to a broader public. The perspective of the firm which this provides allows us to better understand the commercial and political processes involved in being a merchant.

[63] Ralph Davis described the Mitford records as rivalling that of the Radcliffes' in size, *Aleppo and Devonshire Square*, xii.

This approach takes inspiration from the likes of John Smail who, in his study of the wool textile industry, suggested that 'we must attempt to understand key periods of economic change by understanding how firms acted to create change in their economic environment (whether consciously or not) as well as how they reacted to change'.[64] The structure of this thesis attempts to do this by looking at the activities of the companies as well as the external economic and political forces which shaped their operating environment.

Chapter 2 describes the new political and commercial environment which began to emerge after the Glorious Revolution and which dominated company concerns in the eighteenth century. The political debates in the aftermath of the Glorious Revolution recognized that there was a role for chartered companies, but the right of companies to enjoy trading monopolies was contingent upon their economic performance. In addition to the growth of French competition, there was a series of developments in their overseas markets which, to varying extents, affected the companies. Of particular significance was Russian victory in the Great Northern War.

Chapter 3 describes the organization of the companies, including key members of the companies, and outlines their basic objectives or, in more commercial terms, their strategies. While there were significant differences in terms of company structure, size and admission requirements, a common theme was the increasing involvement of senior members of the companies in the emerging world of financial services. There was also a marked contrast between the HBC's focus on managing the business for cash, the Russia Company's quest for growth and the Levant Company's desire to protect margins in a declining business. Although the HBC and the Levant Company were, in practice, more

[64] J. Smail, *Merchants, Markets and Manufacture* (Basingstoke, 1999), p. 11.

tightly regulated than their French competitors, the differing organization structures of the three companies were suited to their differing strategies and the companies were able to attract talented individuals.

Chapter 4 examines the operations of the companies in detail under the headings of revenue generation, cost control and management of cash flow, and also provides an overview of their economic performance in terms of revenues, market share and profits. This operational analysis exposes competitive strengths and weaknesses of the HBC and the Levant Company. To a degree, the financial competence of the companies helped to compensate for product and marketing weakness. The Russia Company was one of the greatest success stories of eighteenth-century British commerce. Despite losing market share, the HBC was able to comfortably support a steady stream of dividend payments and generate surplus cash which it invested in a growing portfolio of financial securities. The Levant Company faced the most intense French competition and its business shrank, but it survived and enjoyed a renaissance in the late eighteenth century.

Chapters 5 and 6 analyze the political context within which the companies operated during the study period. Chapter 5 covers the period 1714-42. A hallmark of this period was how insulated the three companies were from political attack. Relationships between the companies and the government were, on the whole, mutually beneficial. The most serious parliamentary challenge during this period involved a dispute between two of the companies, when the Russia Company was granted the right to enter the Persian silk trade in 1740 over the objections of the Levant Company. Chapter 6 deals with the post-Walpole era, up until the outbreak of the Seven Years War. The focus of this chapter is on the parliamentary challenges to the Levant Company in 1744 and 1753 and the 1749 challenge

to the HBC. In these debates, the ability of the companies to satisfy the government and their economic stakeholders was much more important than theories of political economy. The net impact of the mid-century parliamentary debates was a £30 reduction in the admission fee to the Levant Company.

Chapter 7 presents the overall conclusions, discusses the experience of the companies during and after the Seven Years War, and provides some suggestions for further study. Along with the renewed historiographical interest in the EIC and the RAC, this study can contribute to a re-assessment of the role of chartered companies in the eighteenth century. The Seven Years War recast commercial rivalries, but the three companies in this study continued to play an important role in the expansion of British commerce. The companies needed to adapt to a changing commercial and political environment, and the state needed to adapt the way it dealt with different companies. The methodology used in this study could be applied to other merchants, including other chartered companies, and further such studies are needed to improve our understanding of merchant activity and the relationship between merchants and the state.

Chapter 2 – The New Commercial and Political Environment

This chapter outlines the three major forces which shaped the environment in which the companies operated: a series of economic and political developments in the wake of the Glorious Revolution both within Britain and overseas, the growth of French commercial competition, and key changes in the overseas markets in which the companies operated. These forces acted to create an operating environment, during the study period, which was quite different, both commercially and politically, than that which the companies had faced previously. An understanding of this new environment is essential in order to appreciate the challenges which the companies encountered both commercially and politically in the early Hanoverian period.

The period 1688-1713 was crucial in shaping the operating environment of the companies in two respects. The first was that the economic order of world trade was fundamentally changed. The process by which Britain displaced the Dutch as the integrator of regional economies, and emerged as the dominant force in world shipping, was accelerated. Two major wars with France were extremely disruptive to trade, particularly to the trade of the Levant Company and the HBC, and the failure of the French Commerce Bill of 1713 ensured that France, rather than Holland, would be Britain's major commercial rival after 1714. The second major development was that the Glorious Revolution brought into question the validity of trading charters granted by the crown and firmly established the right of Parliament to modify those charters. This led to a series of parliamentary debates concerning the trading monopolies of chartered companies, as well as their relationship to manufacturers.

While historians have tended to focus on the challenges to the EIC and RAC from rival merchants seeking to break their monopolies, the varied experience of the three companies in this study indicates that these debates were not just about 'interlopers' challenging monopolies. The Levant Company's monopoly was not challenged and it successfully lobbied against the importation of calicoes by the EIC as well as the proposed French Commerce Bill. The HBC survived two parliamentary reviews, which it initiated. In these debates, there were no proposals from rival merchants seeking to trade in the HBC's territory. The Russia Company was successfully attacked by merchants seeking to trade in Russia, but it is important to note that the core of this group were already involved in Baltic trade and were members of the beleaguered Eastland Company. The successful attack on the Russia Company resulted in a de facto merger of the Eastland and Russia companies. The parliamentary debates involving manufacturers, particularly clothiers, are also important because they indicate the mutual dependency between manufacturers and merchants, and they illustrate the expectations which politically powerful manufacturing groups had of chartered trading companies.

Although the early Hanoverian period was less turbulent for the companies politically, the 1720s saw the imposition of protectionist tariffs by a number of European countries, including Britain and France, but it was the end of the Anglo-French alliance which coincided with an escalation in the intensity of the French competitive threat in the early 1730s. The resumption of hostilities with France in the 1740s disrupted trade once more and exacerbated the impact of competition on the companies and their stakeholders. France had military, manufacturing and colonial assets which the Dutch did not possess. Between

1726/30 and 1751/55, English exports grew by 47% while French exports grew by 137%.[1] In total, the level of English and French exports was roughly comparable by the middle of the century. While France was clearly gaining momentum in its commercial rivalry with Britain, the rates of growth of British and French trade in different markets varied considerably and developments in individual overseas markets need to be studied on a case by case basis.

The companies also had to adjust to significant changes in their overseas markets such as Russian victory in the Great Northern War, a series of wars involving the Ottoman Empire, and the expansion of British and French colonies in North America. These developments meant that, although there were some new trade opportunities and threats created for the companies themselves, they also changed the diplomatic and military significance of these markets for the British government. Russia became vastly more important, both commercially and diplomatically. French mediation of Ottoman disputes put Britain at both a diplomatic and a commercial disadvantage. French territorial expansion in the North American fur trade was at least as much a military as a commercial threat. In these key overseas markets, British interests were, therefore, very much a joint enterprise between the companies and the government. The ensuing sections analyze these multiple domestic and overseas challenges in turn.

[1] F. Crouzet, *La Guerre Economique Franco-Anglaise au XVIIIe Siècle* (Paris, 2008), tableau 14.1, p. 369.

1688-1713: The Establishment of a New Environment

Historians continue to debate the significance of the period 1688-1713 for British commerce and the politics of trade. In particular, the Glorious Revolution and the French Commerce Bill, at the beginning and end of this period, have attracted considerable attention from historians.

Steve Pincus's work is the most recent to animate debate about the economic and political consequences of the Glorious Revolution. Pincus has provided a comprehensive interpretation of the motivation for the attacks on the chartered companies following the Glorious Revolution, which he views as being grounded in political ideology. He argues that the revolution represented a triumph for the Whig view of political economy, which he contends favoured trade and manufacturing, as opposed to the Tories, who were supporters of trade monopolies and who favoured imperial expansion. Pincus uses the attacks on the Tory-dominated RAC and EIC to support his argument. [2] Pincus also argues that these divisions concerning political economy led Whigs to regard France as Britain's major commercial rival while Tories feared the Dutch. Some of Pincus's views were foreshadowed by the work of Joyce Oldham Appleby and Gary Stuart de Krey. Appleby described a new economic policy which 'subordinated the interests of English merchants to those of English manufacturers'.[3] De Krey believed that the EIC, the RAC, and the HBC were

[2] S. Pincus, *1688: The First Modern Revolution* (New Haven, 2009), p. 398.

[3] J.O. Appleby, *Economic Thought and Ideology in Seventeenth-Century England* (Princeton, 1978), p. 248.

attacked by Whigs in the 1690s because of their royal charters and the 'Tory proclivities' of their principal investors.[4]

Other scholars have had a different perspective on the role of party politics in the attacks on the chartered companies. Henry Horwitz noted that, in the parliamentary debates of 1691-2 concerning the EIC, 'the lines of division among M.P.'s cut across both Whig-Tory rivalries and Court-Country differences'. [5] D.W. Jones observed that it was wine merchants, whose trade was disrupted by the Seven Years War and who were frustrated at their inability to buy EIC stock, who led the call to turn the EIC into a regulated company.[6] William Pettigrew's analysis of the 1698 attack on the RAC also indicated a considerable degree of support for both sides of the dispute from both political parties.[7]

There have also been differences of opinion regarding English perceptions of trade rivalry. Ralph Davis was of the view that, 'the doubt which had nagged for so many decades at men's minds, whether England could successfully meet Dutch competition, faded unperceived during the long wars between 1689 and 1713 in which the rivals fought side by side.'[8] However, Jonathan Israel has argued that the accession of William III did not instantly transform British attitudes towards the Dutch. There was deep suspicion about William's motives and, Israel stated, 'At the time of the Glorious Revolution and the onset of

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[4] G. De Krey, *A Fractured Society* (Oxford, 1985), p. 25.

[5] H. Horwitz, 'The East India Trade, the Politicians and the Constitution: 1689-1702', *Journal of British Studies*, vol. 17, no. 2 (Spring, 1978), p. 3.

[6] D.W. Jones, 'London Merchants and the Crisis of the 1690s' in P. Clark and P. Slack (eds.), *Crisis and Order in English Towns, 1500-1700* (London, 1972), pp. 241-5.

[7] W. Pettigrew, 'Free to Enslave: Politics and the Escalation of Britain's Transatlantic Slave Trade, 1688-1714', *The William and Mary Quarterly*, vol. 64, issue 1 (2007), pp. 5-6.

[8] R.Davis, 'English Foreign Trade 1700-1774', *EHR*, 2nd series, vol. 15 (1962), p. 288.

the Nine Years War, many Protestant Englishmen continued to view the Dutch, rather than the French, as England's real adversaries.'[9]

The most recent study of the French Commerce Bill, by Doo Won Ahn, suggests that there was still a considerable body of opinion in 1713, notably amongst Tories, which considered the Dutch as Britain's major commercial rival.[10] It may have taken some time for popular opinion regarding the Dutch to change, but that should not obscure the reality of the decline of Dutch trade and the change in the political relationship between the Dutch Republic and Britain.

While overall Dutch trade volume was still slightly greater than Britain's in the first quarter of the eighteenth century, it was perhaps a quarter less than Britain's by the middle of the century.[11] In fact, Dutch trade volume actually contracted in the first half of the eighteenth century. It was British merchants who were the main beneficiaries of the decline in Dutch trade. David Ormrod observed that 'seventeenth-century Dutch hegemony within the European world-economy, in fact, was achieved principally by linking the bulk trades of the North Sea and the Baltic with the rich trades of the Mediterranean, to form an integrated

[9] J. Israel, 'England, the Dutch, and the Struggle for Mastery of World Trade in the Age of the Glorious Revolution (1682-1702)', in D. Hoak and M. Feingold (eds.), *The World of William and Mary* (Stanford, 1996), p. 78.

[10] D. Ahn, 'The Anglo-French Treaty of Commerce of 1713: Tory Trade Politics and the Question of Dutch Decline', *History of European Ideas,* vol. 36, issue 2 (2010), pp. 167-80.

[11] D. Ormrod, *The Rise of Commercial Empires* (Cambridge, 2003), pp. 55-9.

world trade network. The rise of the English entrepôt in some degree involved recapitulating the Dutch success '.[12]

The origins of the decline of the Dutch commercial threat can be traced to the mid-seventeenth century. The three Anglo-Dutch wars of the seventeenth century deprived the Dutch of their main American colonies and the Navigation Acts of 1651 and 1660, as well as the Staple Act of 1663, required that the produce of the British Atlantic colonies be re-exported from Britain rather than directly shipped to continental European markets. The result was to block Dutch access to the burgeoning Atlantic trades which were fuelling English trade growth in the seventeenth century. Many British re-exports still entered the continent through Dutch ports after passing through London but, increasingly, Amsterdam had to compete with Hamburg for British exports in the first half of the eighteenth century.

In addition to the impact of the Anglo-Dutch wars and the Navigation Acts, some historians have argued that the Glorious Revolution was a major contributor to Dutch decline. Simon Groenveld described the significance of 1688 for the Dutch Republic as being, 'in the short run, an essential stage in the continuing struggle against France and, in the long run, the starting point of its decline to the status of a second-rank power'.[13] The Dutch increasingly became a junior partner that supported Britain politically and financially. Of particular financial significance was the development of a securities market in England after the Glorious Revolution which gave the Dutch investment options. With limited investment

[12] Ibid., p. 61. The Dutch grain trade to the Baltic, which had required the bulk of Dutch shipping, declined as major European countries developed their own grain supplies. The Dutch fell to a distant third in eastern Mediterranean trade behind Britain and France early in the eighteenth century.

[13] S. Groenveld, 'The Dutch Side of the Revolution', in R. Beddard (ed.), *The Revolutions of 1688* (Oxford, 1991), p. 245.

opportunities in Dutch enterprises and lower interest rates on Dutch securities, Dutch capital poured into England. Stanley Chapman noted that by 1750, Dutch residents owned 78 per cent of the foreign holdings of Bank, East India and South Sea stock.[14] Furthermore, the Huguenot diaspora throughout Europe following the revocation of the Edict of Nantes in 1685 helped to establish an international merchant banking network in which London was an important hub. The close linkages between the Dutch and Huguenot communities in London established an immensely important pool of capital, with international connections, which helped to fuel the expansion of British trade.[15] While the Dutch tended to invest directly in European trades, this freed English capital to finance the growth of Atlantic trade.

For the chartered companies, the sting was taken out of the Anglo-Dutch rivalry following the Glorious Revolution. In the late seventeenth century, the Dutch East India Company was still the principal competitor of the English East India Company although the two companies had increasingly focussed on different commodities. English East India Company imports were dominated by textiles in the early eighteenth century while the Dutch East India Company concentrated more on spices, coffee and tea.[16] K.N. Chaudhuri and Jonathan Israel also observed an improvement in relations between the English and Dutch East India companies,

> All at once, the openly hostile propaganda ceased, the further use of force was ruled out, and, even though the directors of both the great Companies instructed their employees to hinder and obstruct the activity of the other with every means compatible with an

[14] S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), p. 34.

[15] Charles Wilson described the close ties between the van Necks, the leaders of the Dutch community in London, and the Huguenots, in *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (Cambridge, 1941), pp.111-14.

[16] Ormrod, *The Rise of Commercial Empires*, pp. 190-1.

> outward show of friendliness, official communication between the two Companies was now transformed.[17]

The intensity of Dutch rivalry with the RAC also appears to have diminished. K. G. Davies indicated that the RAC wrote to its chief merchants in 1702 informing them that Dutch agents had been sent to 'consult and agree with you in what shall be most advisable to promote trade'.[18]

The Glorious Revolution brought into question the validity of rights established by royal charter rather than a parliamentary mandate, and this provided a convenient opportunity to challenge the remaining monopoly privileges of the chartered companies. Political challenges to chartered company monopolies did not start in 1688. Both the Merchant Adventurers and the Eastland Company faced challenges from the early seventeenth century.[19] Several other companies had their charters altered as a result of the reviews following the Glorious Revolution, including the Russia Company. Therefore, in order to understand the political environment in which companies operated after the Glorious Revolution, and the reasons why some survived in the eighteenth century, it is necessary to examine the fate of the major chartered companies in the post-Glorious Revolution political debates.

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[17] K.N. Chaudhuri and J. I. Israel, 'The East India Companies and the Revolution of 1688-9', in J. I. Israel (ed.), *The Anglo-Dutch Moment* (Cambridge, 1991), p. 420.

[18] K.G. Davies, *The Royal African Company* (New York, 1970), p. 269.

[19] The Merchant Adventurers were challenged by a 'Bill for Free Trade' as early as 1604 while the Eastland Company was first challenged by Ipswich cloth merchants in 1622. In 1673, the Eastland Company lost its monopoly in the western part of the Baltic (Scandinavia) and entrance fees were reduced to forty shillings.

In the 1689 Act, which ended the monopoly of the Merchant Adventurers and opened up the right to export cloth, exceptions were made to preserve the monopolies of the Levant, Eastland, Russian and Royal African companies. The Eastland Company's argument concerning this issue is probably the clearest articulation of the need for chartered companies during this period.[20] The Eastland Company noted that they had been established because Queen Elizabeth was concerned that the trade in hemp, pitch, tar, powder and other naval provisions was in the hands of foreigners. Without a company, the Eastland merchants argued that foreign countries would cancel the trading privileges of the companies (such as lower duties). Foreigners would also not use English shipping, thereby impairing the navigation of England. Finally, if trade was unregulated and foreign markets were flooded with English cloth, much of it would become unsellable. Companies, therefore, were needed to further the English national interest in the face of foreign competition – securing access to vital imports of raw materials, encouraging exports of English manufactured goods at reasonable prices and promoting English shipping.

The Levant Company's charter was not reviewed in Parliament in the 1690s. This was not because it was unimportant. The Levant Company was extremely important to the English cloth manufacturing industry. By 1669, the Levant was as important as Holland and Germany together as a market for English cloth.[21] Amongst the chartered companies, the Levant Company was by far the most important exporter of cloth. In 1693, Josiah Child proposed a scheme for encouraging wool exports which involved setting export quotas for

[20] See *Reasons Humbly Offered by the Governor, Assistants, and Fellowship of Eastland Merchants* (1689).

[21] J. de la Mann, *The Cloth Industry in the West of England from 1640 to 1880* (Oxford, 1971), p. 18.

the various chartered companies.[22] For broadcloths, Child suggested annual quotas of 28,000 for the Levant Company, 5,000 for the East India Company, 4,000 for the Russia Company, 3,000 for the Eastland Company and 500 for the HBC. By the second half of the seventeenth century, the West Country had displaced Suffolk as the main cloth supplier to the company. Gloucestershire was the most important supplier to the company but the Worcestershire cloth industry was almost totally dependent on exports to the Levant.[23] A significant reduction in Levant Company cloth exports would, therefore, have a serious impact on the regional economy in Worcestershire and Gloucestershire and would, in turn, become a major political issue for their members of Parliament.

The Levant Company was also extremely important as a supplier to the English silk manufacturing industry. The best silk came from Piedmont and Italian thrown silk was used for the warp in silk fabrics.[24] However, in the 1660s, the quantity of thrown silk imports was less than 30% of raw silk imports and the Levant Company supplied over 90% of raw silk imports.[25] Silk from the Levant was used for the weft of fabrics and in the manufacture of buttons. The silk weaving industry, centred in Spitalfields, came to be dominated by Huguenot immigrants after 1685. Silk weavers were notoriously militant. In 1689, trained bands had to be called out to deter an unruly multitude of weavers who presented a

[22] J. Child, *An Essay on Wool and Woollen Manufacture, for the Improvement of Trade, to the Benefit of Landlords, Feeders of Sheep, Clothiers and Merchants* (1693), pp. 9-10.

[23] de la Mann, *The Cloth Industry*, p. 20.

[24] N. Rothstein, 'The Silk Industry in London 1702-1766' (Unpublished M.A. thesis, University of London, 1961), p. 123.

[25] R. Davis, *Aleppo and Devonshire Square* (London, 1967), p. 139.

'tumultuous' petition to Parliament.[26] In January 1697 a large group of weavers marched on Westminster protesting against textile imports from India.[27] Two months later, the same paper reported that a group of weavers assaulted the house of the deputy-governor of the East India Company.[28] Silk weavers were a constituency whom politicians would be very reluctant to antagonize.

There was no evidence of support for a political attack on the Levant Company in the 1690s. The devastating loss of the Levant fleet to the French in 1693 was the greatest loss of shipping which England had experienced, and underscored the need for convoys to protect the trade during wartime. Some cloth producers would have preferred an increase in shipping to the Levant but more ships would have exacerbated the difficulty of naval protection. Furthermore, the detrimental impact on English cloth and silk manufacturing of importing substitute products from India was an issue which united manufacturers with the Levant Company in the 1690s.[29] Neglect of manufacturing was seen as causing the unemployment of the poor which, as the weavers had demonstrated, could lead to serious civil unrest. The EIC's position was further undermined by its exportation of large quantities of bullion which some believed would decrease the wealth of the nation. At this point in its history, the Levant Company also exported bullion but it was very much a supplement to cloth exports while the reverse was true of the EIC.

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[26] *Cobbett's Parliamentary History of England*, vol. 5 (London, 1806-20), pp. 400-1. *The Making of the Modern World* website, viewed 20 Feb. 2012.

[27] *Post Man and the Historical Account*, 21 Jan. 1697.

[28] *Post Man and the Historical Account*, 20 Mar. 1697.

[29] For a good summary of arguments against the East India Company see *Reasons Humbly Offered for the Passing of a Bill for the Hindering the Home Consumption of East India Silks, Bengals etc.* by T.S., a weaver in London (1697).

Unlike the Levant Company, the HBC's charter was discussed in Parliament not just once but twice in the 1690s. Although the HBC's parliamentary reviews involved criticism of the company, they were, in fact, initiated by the company.[30] The first was in 1690 when the company applied for parliamentary confirmation of its charter. The HBC's argument relied upon differentiation from the East India and Royal African companies.[31] In particular, the HBC emphasized the company's role in preserving English interests against France. In *The Case of the Hudsons-Bay Company*, the company stressed that its charter did 'extremely differ' from the charters given to the East India and African companies because it gave the company the right of dominion over Rupert's Land. [32] The company emphasized the cost of establishing the trade, indicating that it had spent two hundred thousand pounds on forts, ships and other expenses. The company went on to argue that only a joint stock company could have succeeded in establishing such a trade amongst savage Indians and they had suffered more by the French than any company in England (losses estimated at one hundred and fifty thousand pounds).[33] The company accused the French of seeking to make Hudson's Bay a 'dependance of Canada' after which, in a short time, they would seek to extend their control to New York and New England too. The company noted that it had

[30] There are parallels between the HBC and the RAC. Like the HBC, the RAC initiated a parliamentary review of its charter in 1690 and there was a further review in 1698 which opened up the African trade subject to payment of a duty, W. Pettigrew, 'Parliament and the Escalation of the Slave Trade', *Parliamentary History*, vol. 26, issue supplement (June, 2007), p. 14.

[31] The HBC was aided by the fact that its political opposition was much less broadly based than opposition to the RAC. William Pettigrew noted that the RAC debate produced over 200 petitions and over 200 pamphlets, 'Regulating Inertia and National Economic Growth' in P. Gauci (ed.), *Regulating the British Economy 1660-1850* (Farnham, 2011), p. 32.

[32] The company's case was read in Parliament on 7 April 1690.

[33] The HBC lost most of its forts to the French during the Nine Years War and would suffer further losses during the War of the Spanish Succession.

built up a trade of over twenty thousand pounds annually, but the support for English manufacturing did not feature prominently in its argument.

It is important to recognize that the opponents of the HBC were not 'interlopers', as was the case for the EIC and the RAC. Interloping was not, in practice, a serious threat to the HBC because of the difficulty of navigation to Hudson's Bay and harsh conditions at the bay. In fact, the first two attempts at interloping by English ships, in 1683 and 1688, resulted in shipwrecks.[34] Whereas Chief Justice Holt's decision in 1689 in *Nightingale v. Bridges*, which made the RAC's seizure of interloping ships unlawful, set a dangerous precedent for both the RAC and the EIC, it was less momentous for the HBC. Therefore, in seeking a confirmation of its charter, the HBC was more concerned with securing its own right to operate in Hudson's Bay as a joint stock company, than blocking potential rivals from entering its business.[35] There were no proposals to set up a 'new HBC' and potential English rivals in Hudson's Bay did not feature in the HBC debates of the 1690s.

In fact, the leading opponents of the renewal of the company's charter in 1690 were feltmakers. The key argument of the feltmakers was that the HBC's sales policy left them with poor quality furs at high prices; the best furs being sold privately to large furriers who exported them to Russia. The feltmakers succeeded in obtaining the requirement that coat beaver, which could be used in hat-making without first separating the guard hairs from the wool underneath, be sold at auction in lots of about £100 as a condition of the renewal of the HBC's charter. In addition to the feltmakers, the HBC faced opposition from New York

[34] E.E. Rich, *The Hudson's Bay Company 1670-1763* (London, 1958), p. 57.

[35] The HBC's furs also competed in the London market with furs from the American colonies.

and New England merchants.[36] Many of the arguments deployed by the New York and New England merchants would re-surface more than fifty years later. They argued that the area covered by the HBC charter was vast but they did little to develop it, thereby depriving New York and New England merchants of the opportunity of trading with the Indians. The merchants went on to claim that the HBC had vast profit margins and accused them of being a vehicle for stock jobbing. The New York and New England merchants argued that the problems associated with the trade could not be redressed while the HBC conducted its business on a joint stock basis. The HBC only obtained a confirmation of its charter for seven years in 1690 but showed little political sensitivity when it tripled its capital base and declared a 25% dividend on the expanded base (equivalent to a 74% dividend on the old capital base) soon after its charter was renewed.

The feltmakers and the New York and New England merchants were still unhappy in 1698 and were joined by the skinners in opposing the charter renewal.[37] The HBC attempted to counter their arguments with evidence that the price of beaver skins had been falling but failed, and the bill to extend their charter was dropped after its second reading. E.E. Rich contended that 'there can be no doubt that this represents an important defeat for the company.'[38] It is true that the company operated in an ambiguous legal situation after 1697 but its operations were largely unaffected and its monopoly was not challenged until Arthur Dobbs appeared in the 1740s. Parliament did not ignore the manufacturing interest in the

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[36] See *Reasons Humbly Offered Against the Bill, for Continuing a former Act, for the Confirming to the Hudson's Bay Company, their Priviledges and Trade* (London, 1690).

[37] A contemporary pamphlet entitled *An Impartial Account of the Present State of the Hudson Bay Company* accused the HBC of obtaining its charter upon a 'specious pretence of discovering the north-west passage to the south seas'. This was to be a key argument of Arthur Dobbs in the 1740s.

[38] E.E. Rich, *Hudson's Bay Company Volume I: 1670-1763* (London, 1958), p. 364.

HBC debates; hence the requirement for auctions, but the HBC argument regarding French competition clearly had some resonance in the 1690s. An indication of the political fluidity of the period and government concern with the French impact on trade was the appointment of Sir William Trumbull as governor of both the HBC and the Levant Company in 1696. Trumbull was, at the time, also Secretary of State for the Northern Department.

It is important to note that the change to the RAC charter and the establishment of the New East India Company only took place in 1698, after the conclusion of the Nine Years War. The reviews of their monopolies were conducted in an environment of heightened concern about the government's post-war finances. It should also be noted that the outcome of the 1698 RAC debate, which was conducted under a Whig administration, was more favourable to the company than the 1712 debate, which was conducted while the Tories were in power. Whatever the political complexion of the ministry, the RAC had lost its trade monopoly well before the 1698 debate. As Tim Keirn noted, 'by 1700, interlopers were providing planters with approximately 80 percent of their slaves as the Royal African Company proved unable to enforce its monopoly, nor could it compete in what was essentially an open market'.[39] The key point in the RAC debates was thus the issue of subsidy for the company's forts, with company supporters arguing that they were necessary for the defence of trade. As for the EIC, there were differences in political affiliation between the old and new East India companies, but the impact which the Whig orientation of the new company may have had on their political victory is overshadowed by the £2 million loan to government which was the price of their admission to the business.[40] The

[39] T. Keirn, 'Monopoly, Economic Thought and the Royal African Company' in J. Brewer and S. Staves (eds.), *Early Modern Conceptions of Property* (London, 1995), p. 433.

[40] P. Lawson, *The East India Company* (Harlow, 1987), pp. 54-5.

decision to grant the charter for the new EIC was driven by the financial needs of the government.

In evaluating the debate concerning the Russia Company, it is important to appreciate the import-biased nature of its business. The quantity of its exports was not an important criterion used to evaluate the Russia Company's performance. The Russia Company's main business was to import naval stores (hemp, pitch, tar, masts etc.). The Russia Company was a key supplier to shipbuilders whose ultimate customer was the Royal Navy as well as the merchant marine.[41] The diminished state of the Russia Company in the late seventeenth century brought access to these naval stores into question. Of the group interested in opening a tobacco trade to Russia, there were at least thirty who had some involvement in the Baltic trade, most of whom already had experience in importing naval stores. This, rather than the money to be made from tobacco sales in Russia, may have been the principal aim of the tobacco contractors. As Jacob Price put it,

> The Russian tobacco contract can very plausibly seem in great part an effort of a number of prominent Baltic merchants to break into the reserved trade of the Muscovy Company and extend thereby their already substantial dealings in northern produce…The tobacco contractors rejected every compromise with the Russia Company which would have limited their freedom to trade to and from Russia in commodities other than tobacco.[42]

A key point emphasized by the contractors was that naval stores obtained from Russia would be brought home in English ships as the Russians had no merchant fleet. Naval stores obtained from Sweden and Denmark, on the other hand, were imported chiefly in shipping

[41] Iron from Russia became an important import in the mid-eighteenth century and was used extensively in domestic industry. In the seventeenth century, Sweden was overwhelmingly the most important source of iron.

[42] J. Price, 'The Tobacco Adventure to Russia', *Transactions of the American Philosophical Society*, new series, vol. 51, part 1 (Philadelphia, 1961), p. 37.

of those countries and subject to additional charges.[43] The Russia Company had no effective counter to the argument that relaxed admission requirements would boost trade but responded more vigorously to the accusation that it was not fulfilling its mandate to discover new lands. The company noted that it had been responsible for many discoveries including Cherry Island (Bear Island), Greenland, Nova Zembla, the Streights of Davis, Groondland, Hudson's Bay and Newfoundland as well as several other places.[44] As the EIC was a spin-off of the Levant Company, it could be argued that the HBC was a spin-off of the Russia Company since Henry Hudson was working for the Russia Company when he discovered Hudson's Bay. There was an expectation of both the Russia Company and the HBC that they would explore new territories and trading routes, with a route to China being the ultimate prize. The attack on the Russia Company was not driven by party politics. It is true that many of the new entrants to the trade, such as Gilbert Heathcote, were Whigs but the key factors in the challenge to the company were the depressed state of the Russia Company and the opportunity to expand Baltic trade.

Although subject to a series of attacks on their monopolies, chartered companies have been seen as part of a wider shift in commercial politics in the late seventeenth century. Some historians have argued that the Glorious Revolution exposed fundamental conflict between manufacturers and merchants. Joyce Oldham Appleby argued that differences in political ideology were apparent before 1688, but that it was the financial pressure created by war

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[43] *Some Considerations Relating to the Enlarging the Russia Trade and the Contract for Importing Tobacco into that Countrey: Humbly Proposed by the Contractors* (1698). Following the Great Northern War, Russia acquired Baltic ports through which the Eastland Company had imported naval stores. The northern European naval stores trade then was very largely directed through the Russia Company.

[44] *An Answer to Some Mistakes Offered to the Honourable House of Commons, by Way of Objection Against the Continuance of the Russia Company, According to Their Ancient Establishment* (1697).

which was the key catalyst for the ideological triumph of mercantilism and economic protectionism over the notions of free trade and economic liberalism, which she contended became prominent in the immediate aftermath of the Glorious Revolution. Appleby used the example of clothiers to illustrate what she termed the divergence of interest between those in commerce and those in manufacturing in the 1680s and 1690s. In particular, Appleby referred to calls for protection from clothiers against the imports of the EIC. [45] The belief that there was conflict between manufacturers and merchants, and that Whigs championed the cause of manufacturing, is also central to Steve Pincus's interpretation of the post-Glorious Revolution attacks on the chartered companies.

There are two basic problems with these interpretations of conflict between manufacturers and merchants. The first is that that there was not a monolithic 'manufacturing interest'. In fact, there was not even a united West Country cloth interest. For example, the petitions received in 1692-3 which emanated from Gloucestershire clothiers were opposed by Devon, Wiltshire and Somerset. The positions of manufacturers on trade were influenced by the nature of their export markets. Devon specialized in the manufacture of lighter cloths, perpettuanas, and serges, which were the mainstay of the African trade. In 1698, Exeter was petitioning against the RAC on the basis that private traders were exporting more of their cloth. Gloucestershire, whose main export market was in the Levant, remained broadly supportive of the Levant Company until the mid-eighteenth century. The second problem is that the depiction of a general upheaval in the relationships between merchants and manufacturers is more plausible for the latter part of the eighteenth century when the congruence of interests between the owners of land, woollen manufacturers and merchants

[45] Appleby, *Economic Thought and Ideology*, p. 194.

weakened. While Pincus acknowledges that woollen cloth remained the most important manufactured good, he asserts that its importance was declining in the late seventeenth century as coal mining, metalworking and shipbuilding increased.[46] These emerging manufacturing industries were not, however, major export industries in the seventeenth century. Even at the end of the seventeenth century, some 85% of England's manufactured exports were still woollen goods.[47]

Looking more closely at the debates involving clothiers, it is evident that the EIC was not the only concern of clothiers, and clothiers were not opposed to all trading companies. The pamphlet literature of the 1690s shows that clothiers were deeply concerned with the role of Blackwell Hall factors in controlling their access to merchants who exported their cloth. The case of the clothiers in Parliament was championed by Sir John Guise, an MP for Gloucestershire, until his death in 1695. One of the most interesting representations of the grievances of clothiers and their attitude towards trading companies is contained in the *Clothiers Complaint* of 1692.[48] The *Clothiers Complaint* argued that trade had decayed since the demise of the Hamburg Company (common name for the Merchant Adventurers) and that the trade to Holland and Germany had consequently come under the control of foreign merchants whose agents beat down the price of English cloth. It was alleged that the packers and factors in London who controlled the sale of cloth were interested only in commissions and not in supporting the price of English cloth. In fact, it was suggested that a

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[46] Pincus, *1688*, p. 59.

[47] R. Davis, 'English Foreign Trade, 1660-1700', *EHR*, 2nd series, vol. 6 (1954), appendix detailing average English exports for 1699, 1700 and 1701.

[48] *The Clothiers Complaint: or, Reasons for Passing the Bill, Against the Blackwell-Hall Factors, &c. Shewing it to be a Publick Good: Humbly Offered to the Parliament* (1692).

new Hamburg Company be established. The perspective which the *Clothiers Complaint* took on companies in trade was pragmatic and, although it warned of dangers inherent in companies, it also saw a definite role for them in the management of trade. As the *Clothiers Complaint* put it,

> A regular management of trade, by companies, is upon several conditions; the unquestionable interest of the English nation, as in keeping up its grandure at home; so likewise the price and value of our cloth abroad: overstocking of a market will presently beat down the value of a commodity; and this can never be well gaged by private hands. It is true, that publick companies may make themselves of ill use to the nation, if they let their private interest interlope upon the publick, and endeavour, by the delay of shipping, to keep up the price of cloth too high abroad, and thereby the cheaper at home, as likewise, in the effects of cloth: this will enrich a few and impoverish multitudes. The true interest of the English nation consists in a free current of a regular trade, managed with moderate profit, and a true merit in the commodity to preserve a good credit abroad, with a vigilant care at home to incourage the proper effects of those places that are most serviceable to us in taking of our woollen manufacture, by laying a good duty upon the commodities that herein interfere, and are brought home with our bullion.[49]

This is a good summary of the criteria which manufacturing interests used to judge companies through the middle of the eighteenth century. Companies had a place in maintaining a well ordered trade. This meant selling reasonable quantities at reasonable prices to provide reasonable profits to both suppliers and merchants. Companies got into trouble with manufacturers when they were perceived as profiteering, typically by restricting supply to raise their profit margins. Exporting too little was a bigger political problem than exporting too much. Manufacturers were opposed to the export of bullion, not because of abstract notions about preserving a balance of trade in specie, but simply because exporting bullion detracted from exports of English manufactures. Manufacturers also expected the government to play a part in managing trade by laying duties on products

[49] *The Clothiers Complaint*, pp. 35-6.

which interfered with English manufactures. This meant duties (or outright prohibitions) on the export of raw materials from England and the import of manufactured goods.

Indeed, the most significant developments in the 1690s affecting the manufacturing interests related to the Levant Company and the HBC were changes to tariffs. Although Ralph Davis argued that the raising of import duties was motivated by the need to raise money to fight the Nine Years War rather than any protectionist sentiment, the impact of the measures initiated in the 1690s was to provide a significant measure of support for English manufacturing. [50] The general level of import duties tripled (to 15%) between 1696 and 1704-5. Most significantly, even heavier duties were introduced on the products of France, the greatest threat to English manufacturing. The duties on French goods were particularly important for English silk manufacturing as the French silk industry, centred in Lyons, was dominant in Europe. It did not entirely eliminate the problem for English silk manufacturers as smuggling was a persistent problem but it was a major benefit for the English silk industry.[51] The duties on French imports, combined with the influx of Huguenot hat makers, also provided a huge boost to the English hat making industry. The woollen cloth industry was supported by the ban on the exportation of Irish woollen manufactures in 1699 and the elimination of export duties on woollen cloth in 1700.[52]

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[50] R. Davis, 'The Rise of Protection in England 1689-1786', *EHR*, new series, vol. 19, no. 2 (1966), p. 310.

[51] The ban on the importation of printed calicoes in 1700 did not so much help the English silk industry as promote the growth an English calico-printing industry, A. Plummer, *The London Weavers' Company, 1600-1970* (London, 1972), pp. 294-5.

[52] Davis, *The Rise of Protection*, pp. 308-11.

The chartered companies faced a diverse range of critics in the 1690s. The debates were triggered by a political event (the Glorious Revolution) but the substance of the debates concerned a variety of economic issues. The EIC faced severe criticism from merchants seeking to establish a rival company as well as from silk and woollen cloth manufacturers who were alarmed by the popularity of calicoes. The Levant Company was still viewed in a largely positive light and received some sympathy for the losses it suffered during the war but was not entirely immune to criticism over its export of currency and infrequent shipping. The parliamentary reviews regarding the HBC did not go entirely the HBC's way. Parliament was sympathetic to the complaints of feltmakers regarding the HBC's sales policy and mandated the requirement for sale of the most desired type of beaver fur by auction. The Russia Company's failure to develop the important trade in naval stores was a strategic risk and undoubtedly influenced the decision to relax admission requirements to the company. The RAC's vulnerability was fundamentally related to its inability to supply sufficient numbers of slaves. The common thread in this diverse set of arguments is that opposition to the companies was based on criticism of their ability to meet the needs of their suppliers and customers.

In the face of diverse criticism, there was very little consistency amongst the arguments deployed by the companies in their defence. The HBC stressed the difference between its charter and those of other chartered companies and heavily emphasized its contribution in competing with the French. The RAC was concerned about the upkeep of its forts and the Russia Company's main arguments were that it was still economically viable and not neglecting its mandate to explore new territories. The companies were not advancing normative arguments about the organization of trade but rather attempted to defend their

positions based on the particular economic circumstances of their individual trades. The ongoing utility of companies was based on their ability to adapt to a changing economic environment.

Before 1714, Britain's relationship with France was dominated by the fact that England and Britain were at war with France for twenty of the twenty five years following the accession of William III. However, the French military threat had commercial implications. Perry Gauci has described France as the *bête noire* of the commercial classes as early as the end of the Dutch wars in the 1670s, with Colbert and Richelieu seen as master exponents of mercantilism.[53] French exports in the first quarter of the eighteenth century were only slightly more than half England's exports, but France was poised to expand its trade in competition with Britain.[54] The acquisition of St. Domingue from Spain in 1697 put the French in a position where they could compete with English interests in the West Indies for the European sugar re-export business and intensified Anglo-French competition in the African slave trade. The development of a Languedoc cloth manufacturing industry also put France in direct competition with England for the Levant trade. Furthermore, France benefitted from a large domestic market and a strong position in key European markets.

The end of the War of the Spanish Succession was a decisive point in terms of Anglo-French commercial rivalry and the fate of the three companies in this study. A key event which set the tone for Anglo-French commerce in general was the failed French commerce treaty of 1713. The major economic argument against the bill was that French imports, notably wrought silks and wine, would flood the British market. This, in turn, would severely

[53] P. Gauci, *The Politics of Trade* (Oxford, 2001), p. 178.

[54] Crouzet, *La Guerre Economique,* tableau 14.1, p. 369.

damage British silk manufacturing and the ability to export cloth to markets like the Levant, Portugal and Italy.[55] D.C. Coleman noted that opposition to the bill came from four main sources, all of whom would have potentially suffered economic harm from a liberalization of Anglo-French trade – Levant merchants, merchants trading to Spain and Portugal, manufacturers exporting to Spain and Portugal, and other manufacturers protected from French competition by tariffs, such as the makers of linen, silk and paper as well as the distillers of spirits.[56]

Sir Charles Cooke galvanized the membership of the Levant Company to oppose the bill and countered the claim of a major dissenting opinion within the company by demonstrating that the opponents of the bill exported substantially more cloth than the bill's supporters. [57] Even if the Levant Company had been able to obtain a cancellation of the *arrêt* of 1701 which prohibited the importation of Turkish silk into France by English merchants, geography would have dictated that imports to France be routed through Marseilles and onto the manufacturing centre of Lyons rather than via London. Clearly, this would have given the advantage to French merchants in supplying the French silk manufacturing industry. The defeat of the bill was also positive for other companies. The Treaty of Utrecht gave the HBC possession of all Hudson's Bay, although the company was unsuccessful in its efforts to press the French for compensation of £100,000. Furthermore, as was the case for silk manufacturing, the French fur industry was larger than Britain's and there was a real risk

[55] For example, see *The Case of the Clothiers, With Reference to Their Several Petitions* (1713).

[56] D.C. Coleman, 'Politics and Economics in the Age of Anne' in D.C. Coleman and A.H. John (eds.), *Trade, Government and Economy in Pre-Industrial England* (London, 1976), pp. 194-5.

[57] P. Gauci, 'The Clash of Interests: Commerce and the Politics of Trade in the Age of Anne', *The Parliamentary History Yearbook Trust* (2009).

that British fur traders would have been overwhelmed if French merchants had unfettered access to the British market. Freer trade between Britain and France would also have increased the short-term risk that France would have acted as an entrepôt for a portion of Russian trade and, in the longer term, would have brought the rationale for a bi-lateral commerce treaty between Britain and Russia into question. The defeat of the French Commerce Bill ensured that Britain and France would remain strong commercial rivals even while they were allies.

The Growing French Threat 1714-56

From the Treaty of Utrecht until the declaration of war between Britain and France in 1744, the Anglo-French rivalry was principally a political, diplomatic and economic rivalry. There was still a large element of direct military threat which underlay Britain's fear of France in that there was a real, if at times exaggerated, possibility of a French-backed Jacobite invasion. There were also two sorts of indirect linkages between success in overseas trade and military capability. The first was that success in trade would increase wealth which could be used to finance war. The second was that the development of a shipping industry to support overseas trade would act as a training ground for the navy. Notwithstanding these ongoing military considerations, success or failure in trade, relative to France, was a matter of national concern because of its impact on taxation, employment and the personal wealth of the politically influential classes. Whereas Anglo-Dutch competition was very much about control of shipping and trade routes, there were broader economic stakes in the Anglo-French rivalry. The issue became, as Daniel Defoe was to put it, not just whether Britain should be 'the meer carriers of the world' (as the Dutch had been) but also whether

Britain should aspire to be the 'greatest manufacturers of the world'.[58] The welfare of many thousands of people in Britain involved in the manufacture of cloth, silk, hats and ships, depended on the three companies in this study.

Political historians lose sight of French competition as an issue in the 1720s and 1730s but interest resumes in the 1740s. As chapter 5 will discuss, the loss of historiographical focus on French competition in the 1720s and 1730s reflects the greater contemporary public concern with Spain during the period of the Anglo-French alliance. Jeremy Black observed, 'commercial and colonial relations with Spain were more contentious in the 1720s and 1730s than those with France'.[59] The major political debates concerning chartered companies in 1730 (the renewal of the EIC's charter and the parliamentary subsidy for the RAC) were not specifically related to French competition. Bob Harris has shown that it was the outbreak of war in Europe in 1740 which led to general attention to the issue of French commercial competition, but the initiatives intended to deal with the French threat were heavily concentrated in the period 1748-c.1754.[60] The fact that the mid eighteenth-century debates about the companies were being conducted in the context of an increasingly difficult commercial struggle with France is what gave them their urgency and made them matters for consideration by Parliament. However, the timing of the parliamentary debates concerning the companies should not be interpreted to mean that French competition was

[58] D. Defoe, *The Just Complaint of the Poor Weavers Represented, With as Much Answer as it Deserves, to a Pamphlet Lately Written Against Them* (1719), pp. 36-7.

[59] J. Black, *Trade, Empire and British Foreign Policy 1689-1815* (Abingdon, 2007), p. 131.

[60] B. Harris, *Politics and the Nation: Britain in the Mid-Eighteenth Century* (Oxford, 2002), p. 241 and 237.

insignificant prior to the middle of the century. The French posed a growing and serious commercial threat well before mid-century.

Francois Crouzet summarized a large body of comparative data on English and French trade in his *La Guerre Economique Franco-Anglaise au XVIIIe Siècle*. Apart from the usual problems concerning the completeness of eighteenth-century trade statistics, Crouzet's comparative study involved some unique methodological challenges. The most fundamental was that English customs data is expressed in official values while French data is expressed in current, or market, values. After reviewing various potential approaches, Crouzet concluded that the differences were not great. [61] However, in looking at Crouzet's tables, it is important to recognize that conclusions can more safely be drawn about trends and growth rates than the absolute levels of British and French trade.[62]

Crouzet's data provides a compelling case for French success across a broad range of trade routes, particularly from the 1730s. It is not coincidental that the French 'take-off' in trade came in the 1730s under Fleury's administration. Indeed, the period 1735-55, when France's trade growth outstripped Britain's, has been termed 'l'age d'or' of French commerce.'[63] Colbert is often credited with transforming the French economy but, despite his creation of a multitude of trading companies, most of which failed, his more lasting

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[61] For the first half of the century, official values are perhaps 5%-15% higher than current values, *La Guerre Economique*, pp. 18-24.

[62] It should be noted that Crouzet's statistics exclude Scotland prior to 1755 due to the lack of data on Scottish external commerce. However, the lack of Scottish data for this period should not significantly distort the overall picture regarding trade patterns because, as Crouzet notes, Scottish trade in 1755 only represented 5% of England's, p. 15.

[63] F. Crouzet, 'Angleterre et France au XVIIIe siècle: Essai d'analyse comparée de deux croissances économiques', *Annales: Economies, Societes, Civilisations* 21 (1966), p. 264.

contribution to the French economy was in terms of manufacturing developments such as the establishment of new glassworks and the revitalization of the textile industry. It is important not to let our knowledge of France's delayed industrialization (compared with Britain) cloud our judgement of France's manufacturing capability in the first half of the eighteenth century. The sheer size of the French population (roughly three times that of England) meant that France's total manufacturing output was roughly double that of Britain in 1750 and it was only at the end of the eighteenth century that Britain achieved parity with France in terms of total manufacturing output.[64] Fleury's economic reforms, such as the fixing of the exchange rate of livres to gold marks and the improvement of France's internal road network, are viewed by some historians as being more directly beneficial to merchants than Colbert's had been.[65] Equally important was Fleury's use of diplomacy to facilitate French trade with countries such as Spain, Italy and the Ottoman Empire.[66] Fleury's initiatives created an economic dependency between the Spanish Empire and France which was not dissimilar to Britain's relationship with the Portugese Empire.[67] France had joined Britain in the War of the Quadruple Alliance against Spain in 1718-20. However, the French relationship with Spain improved in the 1720s while Britain's relationship with Spain remained volatile. British and Spanish warships were in open conflict on the high seas during 1727-9.[68]

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[64] B.R. Tomlinson, 'Economics: the Periphery', in A. Porter (ed.), *The Oxford History of the British Empire: The Nineteenth Century* (Oxford, 1999), table 3.8, p. 69.

[65] A. M. Wilson, *French Foreign Policy During the Administration of Cardinal Fleury 1726-1743* (Cambridge, Mass. 1936), p. 63. The value of the gold mark was fixed at 740 livres 9 sols.

[66] See Ibid., pp. 42-90 for a discussion of Fleury's economic policies.

[67] Ibid., p. 60.

[68] P. Langford, *The Eighteenth Century 1688-1815* (London, 1976), p. 32.

Within Europe, Crouzet's statistics point to a rapidly strengthening French position in the key northern and north-west European markets which remained the most important destinations for both English and French exports in the first half of the century.[69] While the bulk of English trade remained with Holland, the French lessened their reliance on the Dutch entrepôt and shipped more and more directly to Germany through Hamburg.[70] In southern Europe, England's special relationship with Portugal was balanced by French dominance in the trade with Spain. It has been estimated that, by 1716, one third of French manufactured exports went to Spain and that, by the late 1730s, re-exports of French linens alone from Spain to its American colonies were worth £300,000 annually.[71] In the other key southern European market, Italy, France enjoyed a decisive advantage notwithstanding the significant English presence at Leghorn.[72]

Outside Europe, Britain and France began to emphasize different markets. The Levant trade became considerably more important to France than to England. England still exported more cloth to the Levant in the first quarter of the century but French cloth exports more than doubled in the ten years after 1725 and, by mid-century, were roughly three times the level of English cloth exports.[73] Both countries were interested in India, and France had developed its imports to be almost equal to England's prior to the outbreak of war in

[69] Crouzet, *La guerre économique*, tableau 4.3, p. 155.

[70] P. Butel, 'France, the Antilles, and Europe, 1700-1900', in J. Tracy (ed.), *The Rise of Merchant Empires* (Cambridge, 1990), p. 165.

[71] Figures quoted in A.J. Pearce, *British Trade with Spanish America 1763-1808* (Liverpool, 2007), p. 8.

[72] Crouzet, *La Guerre Economique,* tableau 7.3, p. 215.

[73] Ibid., p. 223. It should be noted that the growth in French cloth exports to the Levant in the 1720s reflected, in part, recovery from the plague in Marseilles in the early 1720s which devastated the trade.

1744.[74] French trade with India was devastated by that war and, after a brief recovery in the early 1750s, was destroyed by the Seven Years War. The American colonies were, of course, to become England's greatest area of advantage over France. The rapidly growing European population of the thirteen colonies made them a hugely important market for British manufactured goods as well as a source of raw materials. It is important, however, not to overstate this relative advantage during the first half of the eighteenth century. England's exports to its colonies in the West Indies and North America were perhaps 50% greater than France's by the middle of the century, but the growth of St. Domingue meant that, in absolute terms, French and English exports to the Americas grew by about the same amount in the second quarter of the century.[75] The population growth of the thirteen colonies would naturally have tipped the balance in Britain's favour over time. However, the French loss of Canada in the Seven Years War accelerated the process.

The most important conclusion which should be drawn from this review of comparative English and French rates of growth in trade during the first half of the eighteenth century is that France enjoyed an advantage in Europe while England's advantage lay in its overseas empire.[76] France's natural economic impulses were to exploit its central position in the European market while Britain had inherited the Dutch role of interconnecting regional markets. Without protective tariff barriers, British industries such as silk manufacturing would likely have been crushed by the larger scale and proximity of France's industry. The

[74] Ibid., tableau 12.1, p. 323.

[75] Ibid., tableau 10.3, p. 272.

[76] The importance of the empire to England is even greater if one considers Ireland to be part of the empire. By the middle of the eighteenth century, English trade with Ireland (imports + exports) was roughly equal to English trade with Portugal, E.B. Schumpeter, *English Overseas Trade Statistics, 1697-1808* (Oxford, 1960), tables V and VI.

development of British trade was also in many ways more difficult because it depended, to a greater extent, on managing diverse markets distributed over great distances. For British cloth manufacturers, in particular, overseas trade was vital because of protectionism in Europe and France's superior access to the major European markets. French growth during the first half of the century was substantially but not entirely driven by the re-exportation of the products of St. Domingue. The negative impact which the growth of St. Domingue had on European sugar prices goes a long way towards explaining the lobbying activity of Britain's West Indies merchants. Joshua Gee observed in 1729 that France had undersold British sugar in markets such as Hamburg, Holland and Flanders, which the British had previously dominated.[77] British and French competition in the sugar industry only indirectly involved manufactured goods, which were traded for slaves in Africa to provide the labour for the sugar plantations.

There were, however, a few markets where French and British manufactured goods competed directly. Apart from southern Europe, the most important of these was the Levant. What was particularly threatening about French success in the Levant market was that it appeared to be based upon superior French cloth, not traditional French luxury products such as silk garments. French success in the Levant threatened the most important British manufacturing industry. Gaining access to new markets was also vital in *la guerre économique*. In the case of the North American fur trade, this was literally about exploration. The potential for the discovery of new markets, and potentially a north-west passage to China, is what gave the North American fur industry significance greater than its immediate economic value.

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[77] J. Gee, *The Trade and Navigation of Great Britain Considered* (1729), pp. 44-5.

For all three companies in this study, the early 1730s saw the French threat increase to a new level. In Russia, the possibility of a Franco-Russian alliance led to four years of difficult negotiations culminating in the Anglo-Russian Commerce Treaty of 1734. In North America, the French set out to establish trading posts to the west, putting them in competition with the HBC's most important trading post, York Fort. The first phase of the French move westwards saw them occupy the forest belt between Lake Superior and Lake Winnipeg during the period 1731-4. In the Levant, markets (particularly Smyrna) were flooded with French cloth and prices tumbled in the early 1730s. This is not to suggest that French commercial activity in all three regions was centrally coordinated. France's attempts to negotiate a Russian alliance certainly were directly related to the worsening of Anglo-French relations. Moreover, French exploration westwards from New France might have been blocked by French authorities concerned about jeopardizing relations with the British. However, it would be difficult to argue that the French government sought to encourage price competition in the Levant for cloth. In fact, attempts by French authorities to support price levels were ineffective. The system of *répartitions*, whereby the timing and price of cloth sales was to be controlled, was first introduced in 1737.[78] The effective price paid by customers of French merchants in the Levant was a composite of the stated cash price, credit arrangements and barter involving a variety of colonial products. It was only the cash price which authorities could attempt to regulate. Furthermore, during the War of the Austrian Succession, French merchants were selling cloth at 10% below the 'official' cash price suggesting that even regulation of cash prices was, at best, difficult. Nonetheless, there is no doubt that that the intensity of the French threat heightened in the 1730s. At

[78] For a discussion of the *répartitions*, see Elena Frangakis-Syrett, *The Commerce of Smyrna in the Eighteenth Century* (Athens, 1992), pp. 198-201.

the same time as the companies faced a growing French threat, the companies had to deal with some fundamental changes in their overseas markets.

Changes in Key Overseas Markets

As businesses, the companies had to be sensitive to changes in overseas markets and adapt their operations accordingly. Much commercial attention centred on France, but there were other major developments which directly affected trade such as Russian growth in the Baltic and Ottoman wars with Persia, Austria and Russia. Foreign policy considerations were also important influences on overseas trade in all three regions in which the companies operated. British trade benefitted from Britain's improved relations with Russia from the late 1720s but was hurt by the strength of Franco-Ottoman relations. In North America, Britain and France were engaged in intense competition for possession of the central and western portions of the continent. As the most visible British presence in Russia, the Ottoman Empire and what is now Canada, the three companies in this study represented British interests and were a vehicle through which foreign policy could be implemented.

The Russian example demonstrates how the mere threat of French competition in an important market was sufficient to mobilize the power of the government in support of commerce. It also demonstrates how diplomacy and commerce were linked in Britain's rivalry with France. The strategic value of the Russian market rose significantly in the eighteenth century. M.S. Anderson observed that, in the seventeenth century, Russian affairs were considered largely irrelevant to the European balance of power but 'Russia's decisive victory over Sweden, her acquisition of the Baltic provinces, the growth of her navy,

were signs which western Europe could scarcely ignore that a new power of unforeseeable potentialities was rising in the east.'[79] Russia's military strength and new found willingness to engage with Europe under Peter the Great, created new opportunities for the West. Russia's victory in the Great Northern War also put it in a position where it could provide alternative supplies for virtually all the naval stores which Britain had been importing from politically unreliable Baltic countries. Sweden was a particular concern for British diplomats. Swedish privateers plagued British shipping during the Great Northern War, and Sweden became much friendlier towards France than Britain, especially after the Anglo-French alliance ended. Although officially neutral, Denmark, which included Norway in the early eighteenth century, also essentially became an economic client of France.

France was never successful in developing its Russian trade. In fact, Arcadius Kahan noted that, 'France was the one Western European power during the eighteenth century for which trade with Russia was marginal, even unimportant.'[80] There was certainly a market for French luxury goods in a Russian court enamoured of French manners but, in purely commercial terms, Holland and Prussia were more significant competitors for the British.[81] However, this did not mean that France did not covet a stronger diplomatic and commercial relationship with Russia. Indeed, the threat of French competition was decisive in spurring the British state to undertake a major diplomatic initiative.

Although the Russia Company essentially dictated its terms, N.C. Hunt convincingly argued that the Anglo-Russian Commerce Treaty was principally motivated by diplomatic rather

[79] M.S. Anderson, *Britain's Discovery of Russia 1553-1815* (London, 1958), p. 108.

[80] Kahan, *The Plow, the Hammer and the Knout*, p. 212.

[81] Prussia and Britain competed for the contract to supply cloth to the vast Russian army. The loss of the contract to Prussia in 1724 was a serious blow to British merchants.

than purely commercial considerations.[82] Based largely on an analysis of correspondence which involved the British Resident in St. Petersburg, Claudius Rondeau, and his immediate superior, Lord Harrington, the Secretary of State for the North, Hunt demonstrated that Britain sought to thwart French designs in the Baltic (particularly in Poland) between 1731 and 1734 by entering into an alliance with Russia without shouldering the obligations of a mutual defensive alliance. French diplomatic tactics were directed towards attempts to negotiate a treaty with Russia in 1732 and in 1734.[83] In a more recent article based on the analysis of the papers of Lord Forbes, who preceded Rondeau as the chief British negotiator, Michael Bitter described how Count Osterman, one of the main Russian negotiators, used the 'repeated and very generous French offers of assistance and alliance to demand some equivalent action from London'.[84]

The treaty provided for the opening of a trade with Persia at the request of the Russia Company. However, parliamentary approval was required before the Russia Company was able to actually engage in the Persian trade because it required a change to the Navigation Acts. The Navigation Act of 1660 required that imports into England be shipped directly from the country of origin. In this case, the Russia Company was seeking the right to import Persian silk via Russia. The traditional Levant silk trade was also enabled by a special clause in the Navigation Act which made an exception for imports from the Levant. Most silk exported from ports in the Ottoman Empire, prior to the Ottoman-Persian wars of the

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[82] See N.C. Hunt, 'The Russia Company and the Government, 1730-42', *Oxford Slavonic Papers*, vol. 7 (1957), pp. 27-39.

[83] Ibid., p. 46 and p. 49.

[84] M. Bitter, 'Anglo-Russian Relations During the 1730s: Evidence of the Impact of the 'Germans' at the Court of Anna Ioannovna', *Germano-Slavica*, vol. 16 (January, 2007), p. 8.

eighteenth century, had arrived there via caravan from Persia. Thus, the Russia Company was seeking the same exceptional treatment which had been accorded the Levant Company. The fact that the Russia Company only applied for the necessary change to the Navigation Acts in 1740 supports Hunt's claim that diplomatic concerns were the principal motivation for the treaty.

Having secured most favoured nation status with Russia in 1734, British merchants rapidly outdistanced their commercial competitors. The Russian trade was always imbalanced, with imports to Britain heavily outweighing exports, but the establishment of the Russian court at St. Petersburg and the growth of that city also created a new consumer market for a wide range of British manufactured goods. Britain and France competed for access to the Russian market but it was a competitive struggle which was only, in a limited sense, commercial. The key to British success in Russia was a very close relationship between the government and the Russia Company.

As was the case in Russia, British merchants within the Ottoman Empire required the assistance of the British government. However, whereas British merchants could operate in Russia without the benefit of a commerce treaty (albeit with limited success), they had no right to operate within the Ottoman Empire without a commercial agreement between the British and Ottoman states known as the capitulations. The Ottomans had very similar agreements with all of their western trading partners until 1740, when France was given preferred status as the most favoured western trading partner of the Ottomans. By 1740, contemporaries in Britain were already well aware of French ascendancy in the Levant trade and the change in Ottoman policy exacerbated an already deteriorating position. The

circumstances which led to this change in Ottoman policy were wrapped up in a series of regional conflicts which threatened the security of the Ottoman Empire.

While Russia was turning to the West with confidence in the first half of the eighteenth century, the Ottoman Empire was experiencing some difficulty and looking for help. War was a fundamental cause of instability within the empire. Repulsed from the gates of Vienna in 1683, a series of conflicts with Austria and Russia ensued. These conflicts were not decisive but were a persistent threat to the Ottoman state. For example, Belgrade fell to the Austrians in 1688, was restored in 1690, fell again in 1717 and was restored again in 1739. Russia joined with Austria in the 1736-9 war against the Ottomans and became the principal Ottoman adversary in the second half of the eighteenth century. From a commercial viewpoint, the Ottoman conflict with Persia had a more directly disruptive impact as it cut off the supply of Persian silk to Aleppo. The Ottomans sought to capitalize on the political chaos in Persia that marked the end of the Safavid dynasty and the rise of Nadir Shah.[85] There were three separate wars with Persia from 1723-1746. The financial burden of these wars increased the pressure on provincial authorities to deliver higher tax revenues. In the second half of the century, this would lead to serious challenges to the authority of the state from provincial warlords.[86]

Ottoman attitudes towards western trade should not, however, be considered in purely economic terms. Customs duties on imports from the West were certainly welcome but it is important to place the value of this trade in perspective. As Bruce McGowan noted,

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[85] B. Masters, *The Origins of Western Economic Dominance in the Middle East* (New York, 1988), p. 30.

[86] B. McGowan, 'A Perspective on the Eighteenth Century', in H. Inalcik and D. Quataert (eds.), *An Economic and Social History of the Ottoman Empire*, vol. 2 (Cambridge, 1994), pp. 644-5.

'Perhaps the most important single fact about Ottoman trade with the world in this century was that it was still dwarfed by trade within the empire.'[87] Although quantitative estimates are lacking, many Ottoman scholars also believe that eastern trade from the empire was more important than western trade.[88] Trade relationships with western countries were influenced by their diplomatic value to the Ottoman Empire. For example, the granting of most favoured nation trading status to France in the capitulations of 1740 was explicitly linked to the successful mediation of France in negotiating a peace treaty between the Ottomans, Austria and Russia.[89] The relatively small scale of western trade also suggests that there was a large market for consumer goods (principally cloth) within the Ottoman Empire which Western merchants were not exploiting. This was particularly true of the British trade, which remained firmly centred on Aleppo and Smyrna. In part, this reflected a British perception that there was a fixed demand for cloth within the Ottoman Empire but, more importantly, it showed that the main interest of British merchants was in the profit to be made from silk. The big consumer market within the Ottoman Empire, Constantinople, was neglected by the Levant Company. By way of contrast, French traders were established in échelles throughout the empire in the first half of the eighteenth century.

As with the Russian and Ottoman cases, there was an economic basis to Anglo-French competition in North America but it was deeply entangled with diplomatic and military considerations. Britain's economic interests in the North American fur trade were

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[87] B. McGowan, 'The Age of the Ayans, 1699-1812', in H. Inalcik and D. Quataert (eds.), *An Economic and Social History of the Ottoman Empire*, vol. 2 (Cambridge, 1994), p. 724.

[88] E. Eldem, 'Capitulations and Western Trade', in S. Faroqhi (ed.), *The Cambridge History of Turkey*, vol. 3 (Cambridge, 2005), p. 285.

[89] Ibid., pp. 319-20.

insignificant relative to the Russian and Ottoman trades. By the mid-eighteenth century, the value of the HBC's imports to Britain was a little more than 10% of the Levant Company's, even in its diminished state, and only a little more than 5% of the Russia Company's. Nevertheless, developments which started in the North American fur trade in the 1730s were to have momentous consequences. The French expansion westwards by the explorer La Verendrye, which started in 1731, began a process which was to culminate in the conflict in the Ohio valley in 1754 which triggered the Seven Years War. For the French, courting native tribes in their westwards drive was not just a matter of enlisting their help in the fur trade but was an important means of securing their military alliance.[90] As Dale Miquelon put it,

> La Verendrye's deep involvement in the fur trade has led some, then and since, to regard him primarily as a trader. But for him, exploration was consolidating new lands into the King's dominions. He wanted to claim these territories, extend Canada's trade to them, and thereby cut off that of the rival English on Hudson Bay. His discoveries, his attention to Indian relations, his founding of posts and trading in furs and slaves were various aspects of a single unified programme.[91]

It is important to recognize that the HBC was not the only British interest affected by French competition in the North American fur trade. New Yorkers involved in the fur trade were not particularly disturbed by French progress as Albany merchants traded with their French counterparts in Montreal via Lake George, even during the War of the Austrian Succession.[92] However, the expansionist aspirations of the American colonists in Pennsylvania, Maryland and Virginia were directly threatened. The 1744 Treaty of Lancaster which they negotiated with the previously neutral Six Nations confederacy both encouraged

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[90] A.S. Morton, *A History of the Canadian West to 1870-71* (Toronto, 1973), pp. 179-82.

[91] D. Miquelon, *New France, 1701-1744* (Toronto, 1987), p. 181.

[92] F. Anderson, *Crucible of War* (New York, 2000), p. 24

their westward expansion and upset the military balance of power. In England, there was another dimension to the concern with France's expansion and the seeming inactivity of the HBC, and that was frustration that the fabled north-west passage to the orient would either not be found or, even worse, would be discovered by the French. Prior to launching his direct attack on the HBC monopoly in the late 1740s, Arthur Dobbs focussed his efforts on securing parliamentary support for a voyage of exploration to find the north-west passage. These developments in North America meant that the HBC's interests increasingly diverged from other British stakeholders. New York colonists were happy to trade with the French. Pennsylvania, Maryland and Virginia colonists were interested in colonizing the interior of the continent and were prepared to fight the French for it. Entrepreneurs in Britain wanted to see the economic potential of the northern part of North America developed more aggressively. In contrast, the HBC's interest was simply to promote trade through its posts on Hudson's Bay. The HBC was able to mitigate much of the direct financial impact of increased French competition because of buoyant fur prices in London and it was not a supporter of British competition with the French for the interior of North America.

Thus, by the middle of the eighteenth century, the Russia Company was in a position to grow rapidly while the Levant Company and the HBC faced major challenges in their overseas markets which strained relations with their economic stakeholders and were of serious concern to the British state.

Conclusion

The Glorious Revolution triggered a series of political debates about the organization of trade and the role of companies. Although the company debates of the 1690s were diverse, they established some important precedents which framed the political environment in which the companies operated in the eighteenth century. The most important was that Parliament became the ultimate forum for political debate concerning the companies and their charters. The companies would use Parliament to seek legislative changes in their favour such as the changes to the Navigation Acts sought by the Levant Company in 1720 and the Russia Company in 1740. However, by and large, the companies avoided parliamentary debate and established strong contacts at the highest level of government as a means of influencing both the likelihood and the outcome of parliamentary debate. The establishment of the Board of Trade in 1696 also provided an important forum for economic debate in the eighteenth century which, as subsequent chapters will demonstrate, was not confined to colonial matters but included the three companies in this study.

The substance of the debates suggested that the utility of companies in promoting British manufactured exports and securing access to raw materials was recognized. In order to avoid calls for modifications to their charters, the companies had to demonstrate that they were performing economically. The debates of the 1690s resulted in new entrants to the East India and Russian trades and, by 1712, made it easier for interlopers to participate in the African trade. The bias towards trade liberalization did not, however, extend to the two companies which were most directly concerned with French competition – the Levant Company and the HBC. The concern with French competition grew over the first half of the eighteenth century and would give the mid-century parliamentary debates concerning the

Levant Company and the HBC a sense of urgency. In fact, the economic environment of the late 1740s and early 1750s, when Britain was coming to terms with the impact of another major war, was not dissimilar to the late 1690s. Both these post-war periods provided fertile ground for debate about the organization of trade.

The period 1688-1713 saw an alteration in the order of world trade by setting Britain against France as primary commercial rivals and by accelerating British displacement of the Dutch as the interconnector of regional economies. The momentum in the Anglo-French commercial rivalry prior to the Seven Years War was largely with France. Britain's colonial advantage was not yet decisive and France's success in core European markets and the Spanish empire made competition for markets on the periphery of Europe and the colonies particularly important for Britain. To compete with France, chartered companies were particularly useful in markets which relied, to a significant extent, on the diplomatic support of the government. Russia and the Levant were two such markets. Without the existence of a corporate body which could regulate the behaviour of British merchants, the negotiation of commercial treaties with governments unaccustomed to western commercial practices would have been virtually impossible. In markets such as India and Canada, a chartered company was also useful in that it facilitated the coordination of shipping which required naval convoys and the placement of garrisons. In fact, the major non-European markets where Britain did not use chartered companies (the West Indies and America) were colonies with significant British settlement. [93] Commercial success for companies in overseas markets was not just determined by their commercial acumen, but depended on the

[93] Even within the West Indian and American trades, many of the beneficial effects which a chartered company might have provided were realized in the first half of the eighteenth century as there was a consolidation of those trades in the hands of fewer merchants.

support of the government, as well as the ability of both merchants and the government to adjust quickly to changes in those markets. This can be illustrated more directly by studies of the organization and operations of the companies, in chapters 3 and 4, followed by an analysis of the relationship between the government and the companies as well as the parliamentary debates involving the companies, in chapters 5 and 6.

Chapter 3 – Organization and Strategy

This chapter outlines the organizational structures, key members and strategies of the three companies. An understanding of these characteristics of the companies is an essential foundation needed to assess their commercial performance (discussed in the next chapter) as well as their vulnerability to political attack (discussed in chapters 5 and 6). As the following chapter will show, organization was not the only determinant of the performance of the companies, but the ability of the three companies to adapt to changes in their markets depended, to an extent, on both the inherent flexibility of their organizational structures as well as their ability to attract talented individuals. An understanding of the organization of the companies also provides critical context for the parliamentary debates concerning the companies, because the central topic of those debates was whether or not the company organizations should be altered. Critics of the companies argued that the companies were failing to perform in certain respects, and, in order to put these criticisms and the company arguments in perspective, it is essential to understand what the companies were trying to achieve. In order to evaluate whether the company organizations were fit for purpose, it is necessary to develop an understanding of how they were structured, who ran them, and their strategies.

There have been sharp divisions amongst historians regarding the merits of the organizations of the chartered companies. Ann Carlos and Stephen Nicholas challenged the traditional view of the early trading companies as failures and argued that they successfully employed techniques to control overseas managers, such as incentive contracts, which were

to become common in multinationals.[1] Carlos and Nicholas contended that, because of the high volume of their transactions, the 'vertically integrated' structure adopted by the EIC, the RAC and the HBC was optimal.[2] This view was opposed by S.R.H. Jones and Simon P. Ville who viewed the chartered companies as rent-seeking monopolists. Jones and Ville listed a series of allegations concerning the companies – they had persistent problems with their overseas agents, their information was inaccurate and out of date, and they were overburdened with detail.[3] Jones and Ville attributed the survival of the companies to political rather than economic considerations stating that,

> The adoption of the joint stock form enabled royalty, courtiers, and other influential investors to share in monopoly profits. The companies also served as a useful means of projecting state power in an age of mercantilism, initiatives in the form of gifts, letters of goodwill, and the deployment of diplomatic, naval, and military personnel being an integral part of foreign policy.[4]

After some sparring between the two sides in the December 1996 issue of the *Journal of Economic History*, the debate ended inconclusively with Jones and Ville posing the question, 'Why, if the trading companies and their directors were so smart, did they waste resources

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[1] A. Carlos and S. Nicholas, 'Giants of an Earlier Capitalism: The Chartered Companies as Modern Multinationals', *BHR*, vol. 62, no. 3 (autumn, 1988), pp. 398-419.

[2] Ibid., p. 400. The use of the term 'vertically integrated' by Carlos and Nicholas refers to the fact that both the British and overseas operations of these companies were run by employees of the companies. It does not refer to company ownership of their suppliers.

[3] S.R.H. Jones and S.P. Ville, 'Efficient Transactors or Rent-Seeking Monopolists? The Rationale for Early Chartered Trading Companies', *JEH*, vol. 56, no. 4 (Dec. 1996), pp. 904-6.

[4] Ibid., p. 913.

securing and defending their privileges when they supposedly possessed a decisive competitive advantage?'[5]

One of the problems in answering the question posed by Jones and Ville, and in drawing general conclusions about the organizations of the chartered companies, is that the organizations of the chartered companies were diverse. The EIC, the RAC and the HBC were all joint stock companies, but there were vast differences in terms of their size and their financial standing. The capital value of EIC stock in 1720 was £3,194,080 while, for the HBC, it was £103,950.[6] The RAC's capital after its reorganization in 1712 stood at £451,350.[7] The EIC, along with the Bank of England and the South Sea Company, and, to a lesser extent, the marine insurance companies, was considered to be a member of the 'moneyed interest' of major financial institutions in the country. The preferred access which these moneyed interest companies and their managers enjoyed to the profitable business of taking up subscriptions to government loans inspired deep jealousy amongst lesser merchants in the City, and led to calls for an open subscription system.[8] The EIC also provided millions of pounds in loans to the government. There was investment by royalty in the HBC and the RAC, but this interest needs to be put in perspective. For example, the King held only £3,000 worth of HBC and £1,000 worth of RAC stock. Therefore, the financial significance of

[5] S.R.H. Jones and S.P. Ville, 'Theory and Evidence: Understanding Chartered Trading Companies', *JEH*, vol. 56, no. 4 (Dec. 1996), p. 925.

[6] W.R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint Stock Companies to 1720*, volume 2 (Cambridge, 1910), p. 206 for the EIC and p. 237 for the HBC.

[7] Ibid., p. 31.

[8] L. Sutherland, 'The City of London in Eighteenth-Century Politics' in R. Pares and A.J.P. Taylor (eds.), *Essays Presented to Sir Lewis Namier* (London, 1956), p. 56.

the different joint stock companies to the economy, the government and politically influential individuals was not comparable.

The ability to compare chartered company organizations is further complicated by the fact that not all companies were joint stock companies. The Levant Company and the Russia Company were what was known as regulated companies. Regulated companies were essentially associations of merchants. As will be described below, the governance of the regulated companies differed from that of joint stock companies. There were also a number of major differences even between these two regulated companies in terms of the scope of their trading monopoly (the Russia Company monopoly only applied to imports) and the size of their membership (the Russia Company had several times more members), to name but two.

The diversity in terms of the organization structures of the companies does not mean that they had little in common. The companies shared some common challenges and when one looks at key individuals in the companies, linkages between companies are evident which had both commercial and political implications. Leading merchants in the regulated companies appeared on the courts of assistants (effectively the boards of directors) of the moneyed interest companies. The prominence of members of the Russia Company in the Bank of England, in particular, and, to a lesser extent, the involvement of members of the Levant Company in the marine insurance companies, enhanced their political influence. The governor of the HBC from 1712-43, Sir Bibye Lake, was involved in several joint stock companies and was better known in his lifetime for his role as sub-governor of the RAC. Indeed, not only were key members of the companies deeply involved in the emerging world of financial services as directors, but chapter 4 will show that investment in financial

securities was an increasingly important operational tool used by the companies and their members to manage their cash flow. Furthermore, the expansion of British shipping meant that there were interconnections and overlaps between the overseas markets of the companies. To illustrate this point, the case study of a merchant family, the Sperlings, who were members of the Russia Company, major customers of the HBC and competitors of the Levant Company, is discussed below. These interconnections and overlaps had political implications as they made the geographic monopolies of the companies less sustainable.

Despite these interconnections, the historiography of the three companies tends to focus on their individual trades and is unenthusiastic regarding their management in the first half of the eighteenth century. There is a strong suggestion in the historiography that the management of all three companies might have been 'merely useless' to borrow Adam Smith's description of the Russia Company. E.E. Rich's phrase, 'quiet, well ordered and by no means spectacular' to describe the HBC seems to be an acknowledgement that there was more than a grain of truth in Joseph Robson's accusation in 1752 that the HBC had 'for eighty years slept at the edge of a frozen sea'.[9] W.J. Eccles's belief that the HBC was saved by the Seven Years War from being 'driven to the wall' by the French is perhaps the most damning comment of all regarding the HBC. Ralph Davis's view of the Levant Company was that it was largely irrelevant in the eighteenth century. Davis attributed the decline in the Levant trade to reduced demand for Levant goods in the mid-eighteenth century.[10] While he did not regard organization as the root cause of the company's troubles, Davis did not see the company performing any important function other than supporting the British

[9] J. Robson, *An Account of Six Years Residence in Hudson Bay* (1752).

[10] R. Davis, *Aleppo and Devonshire Square* (London, 1967), p. 29.

ambassador and consuls in Turkey.[11] The belief of even an eminent economic historian such as D.C. Coleman that the Russia Company 'petered out' at the end of the seventeenth century, and the lack of a history of the Russia Company in the eighteenth century, speak volumes about the agency which historians have ascribed to the Russia Company in driving the growth of Anglo-Russian trade in the eighteenth century.[12]

The company historiography presents an unjustly harsh view of the management of the companies. The behaviour of the companies and the suitability of their organizations should be considered in light of the environmental challenges which they faced and what they tried to achieve as businesses, that is to say, their strategies. One might reasonably question what business strategy meant in the context of an eighteenth-century enterprise. Business strategy seems like a modern notion. The term strategy does not appear in eighteenth-century business records but business strategies can, however, be inferred from commercial policies. For companies, there are various records which document policy decisions, particularly minutes of meetings. In the case of individual merchants, the task of inferring behavioural intention from correspondence can be quite difficult. However, where accounting records exist for individual merchants, the changes in their strategies can be inferred from changes in their products and markets.

The companies adapted their strategies to the unique circumstance of their markets. In other words, they were not simply bystanders; they were managed. The HBC's status as a joint stock company was fundamental to its strategy. As discussed below, the HBC's key strategy was largely determined by its inability to expand its capital base in the wake of the

[11]Ibid., p. 57.

[12] D.C. Coleman, *The Economy of England 1450-1750* (Oxford, 1977), p. 149.

South Sea Bubble. However, the sustainability of the strategy rested largely upon the ability to offset a decline in market share to French competition in North America by rising prices for beaver fur in London. In the case of the Levant Company, preservation of thin margins in the face of price competition was paramount. I believe that Ralph Davis's negative view of the Levant Company management was coloured by his focus on Aleppo, where the impact of price competition was felt somewhat later than in Smyrna. If one looks more closely at Smyrna, one can see an earlier response to French competition by Levant merchants and the rationale for the company's policies, which were designed to protect margins, is more readily apparent. As for the Russia Company, the effectiveness of the company needs to be evaluated in terms of how successfully it exploited the growth opportunity which it worked for and had been afforded by the 1734 commerce treaty. For all three companies in the study, the strategies which they had initially set in the period 1718-21 were modified in the 1730s in response to changes in their markets.

The ensuing discussion starts by describing the organizational structures of the companies. This description is followed by an overview of some of the key managers who ran those organizations and an analysis of what they were trying to achieve. However, it is important to recognize that the company organizations, their membership and their strategies were not static. Therefore, the chapter concludes with a case study of a merchant family, the Sperlings, which illustrates how individual members of the companies adapted to changes in their markets.

Organizational Structures

The three companies employed different organizational structures. The joint stock HBC, which was only founded in 1670, had by far the smallest business and had the tightest control on its monopoly. The Russia Company (established in 1555 as the Muscovy Company) and the Levant Company (established in 1581) both started as joint stock companies but became regulated companies in the seventeenth century.

There was a commercial logic to establishing new ventures as joint stock companies in order to facilitate the raising of sufficient capital to launch the business. However, once a business had been established and had demonstrated its potential, other merchants wishing to participate in the business inevitably began to agitate for it to become a regulated company. This pattern was repeated in the eighteenth century with campaigns to turn the RAC and the EIC into regulated companies. Businesses with high capital costs relating to shared infrastructure (such as the HBC and RAC forts) were not particularly suited to being regulated companies, but businesses with little physical infrastructure, such as the Russia Company and the Levant Company, could more easily be transformed into regulated companies whose administrative costs could be covered by levies on its members. In the case of the Russia Company, there was an additional motive for its change from a joint stock to a regulated company – the desire to control its factors in Russia. In regulated companies, factors operated in partnership with merchants in England while, in joint stock companies, factors were employees. This gave factors in regulated companies a greater commercial

stake in the business and, as W.R. Scott noted, it required time to enable the joint stock type of organization to learn how to control factors.[13]

The degree of exclusivity and the strength of the monopoly of a regulated company could be directly influenced by the company through a wide variety of measures such as admission requirements, membership fees, control of shipping, restrictions on the use of currency in trade and regulations concerning conduct in foreign markets. There were varying degrees of exclusivity amongst regulated companies and, hence, varying strengths of their regional monopolies. In the early eighteenth century, the Levant Company was still trying to preserve a relatively high degree of exclusivity but was on a slippery slope. The Russia Company had lost its key battle to preserve exclusivity in the late seventeenth century and had become a very permeable monopoly in the eighteenth century. In comparing the organizational structures of the companies, it is important to remember that the companies were founded at different times, had different cost structures, operated in different markets and faced varying degrees of competition.

Of the three companies, it was the HBC which most resembled a modern corporation. As the youngest of the three companies, it is perhaps least surprising that its structure was fit for purpose. HBC shareholders annually reviewed the company's performance and elected its officers. The HBC governor was the equivalent of a modern chairman/CEO. He was assisted by a deputy and seven other committee members. This eight-person span of command under the governor would not be unusual in a modern corporation. The HBC's business was seasonal and in the most active periods in the early spring and late autumn, the committee met at least weekly at the company's premises on Fenchurch Street. There

[13] Scott, *Constitution and Finance*, p. 47.

were only a few members of staff in London but the company had a relatively large number of employees for the size of the business. There were typically more than a hundred men distributed among the four main factories (posts) on Hudson's Bay located at the mouths of rivers emptying into the bay. The three or four ships which were sent annually to Hudson's Bay each had crews of twenty to thirty men.[14] Most employees were not highly paid, particularly the Orkney islanders who formed the bulk of the servants at the factories and typically earned less than £10 per year plus room and board.[15] It was only the men in charge of the factories and the ship captains whose earnings approached those of the committee men in London.[16] The committee in London attempted minute control of all aspects of the company's operation. They approved all salaries and terms of employment, purchased all trade goods and attempted to regulate the terms of trade in detail. The company's standard of trade, which fixed the terms of exchange between trade goods and furs, remained virtually static for two centuries.[17] However, the committee's ability to regulate the behaviour of its employees was constrained by geographical separation and infrequent communication. Instructions to the men on the Bay were only delivered in annual ships and, in practice, barter ratios between trade goods and furs varied depending

[14] There were 132 men at the factories on Hudson's Bay and four ships were sent out with a complement of 108 men in the year prior to the parliamentary enquiry, HBCA A15/10, Grand Journal.

[15] In a letter to the HBC committee in 1731, Richard Norton at Churchill River, who was given the task of building Prince of Wales Fort, indicated that he had hired sixteen servants in the Orkneys. They were hired for a period of five years at a salary of £3 for the first year, rising to £10 in the fifth year, K.G. Davies (ed.), *Letters From Hudson Bay 1703-40* (London, 1965), p. 162.

[16] An ordinary committee man was paid £100 per year, E.E. Rich, *Hudson's Bay Company 1670-1763* (London, 1958), p. 490.

[17] E. Mancke, *A Company of Businessmen* (Winnipeg, 1988), p. 60.

on the intensity of French competition.[18] The remoteness and harsh climate of Hudson's Bay benefitted the HBC in that they prevented British interlopers from intruding on the HBC's monopoly. The HBC owned the ships it used and it was only if its employees were conducting a clandestine private trade via those ships that the HBC suffered from British competition at Hudson's Bay or its hinterland. In the first half of the eighteenth century, the HBC monopoly was relatively well protected. However, the fact that the HBC charter was very vague about its geographical limits would make the company vulnerable to new entrants to the Canadian fur trade following the conquest of Quebec.

Thanks to steady dividends, the HBC's shareholders were happy with the company's performance. Shareholders gave the managers of the company a strong vote of confidence in the 1749 parliamentary review of the company's monopoly. It helped that the HBC shareholder base was controlled by a small group. It is evident from an analysis of the composition of HBC shareholding in ten year snapshots leading up to the 1749 parliamentary enquiry, that the HBC was effectively controlled by current and future committee members, although their domination lessened by the middle of the eighteenth century.[19] In 1718, roughly two-thirds of shares were held by current and future committee members. Nearly a quarter of shares were held by Sir Bibye Lake, his father and father-in-law. From 1720, the governor was required to hold a minimum of £1,800 worth of shares, and voting rights at the General Court were restricted to those who held over £900 of shares. A share expansion scheme in 1720 (discussed further below) diluted the dominance

[18] A. Ray, A. and D. Freeman, *Give Us Good Measure: An Economic Analysis of Relations Between the Indians and the Hudson's Bay Company Before 1763* (Toronto, 1978), pp. 218-22.

[19] HBCA, Grand Journal. For 1718: A15/6, pp. 172,211,212. For 1728: A15/8, pp. 125-6. For 1738: A15/9, pp. 97, 100. For 1748: A15/10, pp. 157-8, 162.

of insiders somewhat but current and future committee members still held a small majority of shares in 1728 and 1738. Sir Bibye Lake personally held over 10% of shares in 1728 and 1738. Looking at the last five years of Lake's governorship (1738-1743), the majority of stock transfers involved current and future committee members and the percentage of shares transferred to others was typically less than 3% annually.[20] By 1748, current and future committee members still held over 40% of shares and would have held close to a majority of shares which were not held either by the King (who owned slightly less than 3% of shares) or were temporarily held by the Chancery as they were the subject of inheritance disputes (roughly 10% of shares). Despite the appearance that the company was being run for the benefit of insiders, in effect as a partnership, other shareholders were not dissatisfied. In the first half of the eighteenth century, there were very few investment opportunities which offered the relatively high and predictable yield of HBC shares.[21]

While the HBC controlled all aspects of their operations in North America as well as the sale of their furs in Britain, the French fur trade employed a more fragmented structure.[22] It was only beaver fur which was subject to the control of a French monopoly. From 1722-1760, this monopoly was held by the Compagnie des Indes, who imported beaver fur from Montreal to La Rochelle in France. The fur merchants in Canada were not members of the company but sold beaver fur to the company at fixed prices. The fur merchants did, however, rely on the French government to maintain fur trading posts as these were

[20] HBCA, A43/4, stock transfer book, pp. 41-67.

[21]The HBC's dividend rate was typically 1-2% higher than the EIC and bond yields were only 3%-4%.

[22] For a discussion of the structure of the French fur trade see E. R. Adair, 'Anglo-French Rivalry in the Fur Trade During the Eighteenth Century' in J. Bumsted, (ed.), *Canadian History Before Confederation* (Georgetown, 1972), pp. 134-53.

typically leased by the government of New France to fur merchants or fur traders. The trade in furs other than beaver, sometimes known as light furs, was not regulated and it is not a coincidence that French competition in North America was keenest for furs such as marten whose sale price was not regulated. The trade in light furs was particularly attractive to the French because of the very long supply lines they needed to reach the interior of the continent.[23]

The Levant Company was structured quite differently from the HBC. A unique feature of the Levant Company was that it was responsible for the maintenance of the British ambassador in Constantinople as well as the consuls in provincial locations in the Ottoman Empire. The ambassador was a royal appointment in the eighteenth century but was not infrequently called upon by the company to intervene with Ottoman authorities in serious commercial disputes. The attempt by the ambassador, James Porter (1746-62), to suggest business strategies to the company was the exception rather than the rule. It would be inaccurate to call the governor of the Levant Company a mere figurehead, but governors tended to be involved in company business principally as lobbyists for the company with the British government. The head of the company in commercial matters was the deputy governor and he was supported by a husband, who had the important task of organizing shipping, a treasurer, responsible for collecting dues, a secretary, responsible for recording minutes, and an eighteen-man court of assistants. In some respects, the Levant Company resembled a club, but it was an active one which met regularly. The company had no premises of its

[23] The HBC enjoyed direct access to its posts on Hudson's Bay by sea and traded with Indians at those posts. French ships had a much longer journey across the Atlantic and up the St. Lawrence River to Montreal. The French encouraged Indians to bring furs to Montreal to trade. However, French access to their main fur trading posts around the Great Lakes, (and even further west after 1731), involved many hundreds of miles travel by canoe.

own and held meetings in the Salters Hall from 1718 until the end of the century. The Sword Blade coffee house at no. 10 Birchin Lane was an important informal meeting place for Levant merchants. In 1738, John Mitford and several other Levant merchants gave the Sword Blade as their address, and by 1777 the Sword Blade appears to have been used exclusively by Levant merchants.[24] In the late eighteenth century and early nineteenth century, John's coffee house on Cornhill, which changed its name to John's and Turkey coffee house in 1796, took the place of the Sword Blade as a gathering place for Levant merchants.[25] In addition to the formal restrictions on membership established by the company such as the requirement that members be freemen of the City of London (thereby excluding Jews), the payment of admission fees (£50 prior to 1753), and the requirement that members be 'mere merchants' not engaged in retail trade, the expert knowledge and contacts required to operate as a Levant merchant were substantial barriers to entry.

The case of Benjamin Boddington is a good illustration of the lengthy training period required of a Levant merchant.[26] Benjamin was born in 1692 and started working in his father George's counting house in 1706. In 1712 he was sent to Aleppo and remained there until 1725. He married the year after he returned from Aleppo. Although he conducted some business on his own account while working as a factor in Aleppo, he was principally there to learn the business and support the trade of his father and brothers. It was only after an effective twenty-year training period that Benjamin became free of the company in London and was able to substantially increase his earnings. Three of Benjamin's brothers

[24] B. Lillywhite, *London Coffee Houses* (London, 1963), entry 1312, pp. 565-6.

[25] Ibid., p. 297.

[26] Guildhall library, Ms 10823, vols. 1 and 2, Boddington papers.

were also sent to the Levant as young men. The privilege of being trained for the business was reflected by apprenticeship fees which could exceed £1,000. Benjamin's father was reported to have collected some £3,700 in apprenticeship fees in his career as a Turkey merchant. The Levant Company factors overseas were trainee merchants as opposed to employees. As Ralph Davis pointed out, two-thirds of all the men who entered the Levant trade between 1714 and 1753 had previously been in the Levant.[27]

At the beginning of the century, Aleppo, Smyrna, Alexandria and Constantinople were the main British trading centres in the Levant, but by mid-century the overwhelming bulk of British trade was through Aleppo. New centres, notably Salonica, were developed after 1753 as membership expanded. There were only thirty to forty active importers in the 1730s although company membership was roughly double that number.[28] The number of factors in the Levant was less than the number of active traders in London. By 1747, there were some twenty factors operating in the Levant.[29] An average of less than two new members were admitted per year in the twenty-five years prior to 1753, after which the average annual admissions rose to seven per year for the rest of the century.[30] Merchants from the outports were permitted to join the company in 1753, but the membership remained overwhelmingly London-based. Few of the post-1753 entrants achieved the prominence of the great Levant merchants of the late seventeenth and early eighteenth centuries.

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[27] Davis, *Aleppo and Devonshire Square*, p. 66.

[28] Ibid., pp. 60-1.

[29] G. Ambrose, 'The Levant Company, 1640-1753' (Unpublished B. Litt. thesis, University of Oxford, 1932), p. 283.

[30] A. Wood, *A History of the Levant Company* (London, 1935), p. 157.

The Levant Company's structure was flexible and had the ability to accommodate significant fluctuations in membership as business prospects changed. Levant Company members typically worked in partnerships both in Britain and overseas. New partnerships could be formed and old ones could be expanded or contracted as business conditions dictated. [31] Levant merchants, such as John Mitford, tended to have a general partner (Charles Frye in Mitford's case) and special partnerships for different centres in the Levant. The Levant Company structure also gave its members operational flexibility. Levant merchants could change where they did business and the products in which they dealt relatively quickly. As the Levant Company was not obligated to produce dividends for shareholders, it did not have to maintain a relatively stable level of earnings. This allowed its members to partially withdraw from trade and pursue other investment opportunities without ruining the business over the long term.

However, the Levant Company in the mid-eighteenth century regarded its powers as inadequate to compete against the full might of the French state. In correspondence with Ambassador James Porter, the company noted the contrast between the absolute powers of the French government and its own position. The company's view was that it had, 'no joint stock nor any essential powers, but that of taxing ourselves for the support of our charges and privileges in Turkey'.[32] In a letter to John Mitford in 1744, the factor Richard Stratton in Aleppo remarked,

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[31] The search for appropriate partners and management of different partnership arrangements was a major concern of eighteenth-century merchants. One of the advantages of company membership was that company policies helped to establish a common *modus operandi*, thereby reducing the complexity of managing multiple partnerships.

[32] National Archives, SP 105/118, pp. 106-9, Levant Company out-letter book, letter to Porter, 7 Jul. 1749.

> I hear from others at this place that the company's charter is in danger of being abolished, a short time will I suppose determine it. Let things go how they will. I can't think it will make any great alteration in this trade, the effects of a war may be more uncertain than any change in the company's affairs.[33]

Porter's view of the French trade was that it was highly regulated by the French government. In his *Observations on the Religion, Law, Government and Manners of the Turks*, Porter noted, amongst other measures, the establishment of the Languedoc cloth manufacturing industry, the imposition of a 20% penalty on all imports from the Levant not channelled through Marseilles, the limitation of the number of French houses in Constantinople, restrictions on the length of stay of French merchants in the Levant, the recording of cloth inventories, and restrictions on the timing of cloth sales.[34] The reality of French regulation of their Levant trade was, however, considerably less rigorous. French trade in the Levant was conducted by a number of independent traders, working under the auspices of the Marseilles Chamber of Commerce, rather than a single trading company. In the 1720s and 1730s, the French ambassador in Constantinople, de Villeneuve, tried to reverse the pattern of decline in the price of French cloth by limiting the quantities to be sold at any one time. In the words of Suraiya Faroqhi, 'enforcement was erratic at best'.[35] Paul Masson's view was that, 'La rivalité des francais et des Anglais dans le Levant au début du XVIIIe siècle doit être regardée comme un exemple typique de la supériorité de l'initiative individuelle sur les anciennes compagnies à monopoles'. Masson credited the entrepreneurial initiative of Marseilles merchants, which could not be contained by ministerial directives, for the spread of French establishments throughout the Levant.

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[33] National Archives, C 113-12, Mitford papers, letter Stratton to Mitford, 15 May 1744.

[34] J. Porter, *Observations on the Religion, Law, Government and Manners of the Turks* (1771), pp. 396-417.

[35] S. Faroqhi, *The Ottoman Empire and the World Around It* (New York, 2004), pp. 146-7.

Masson's view of the British Levant Company was that it was stifling the expansionist ambitions of its merchants. According to Masson, 'C'est le monopole de la compagnie de Londres qui avait empêché les Anglais de s'établir partout dans les échelles à côté des Francais'. [36] Closer inspection reveals that Masson's view of the contrast between British monopoly and French entrepreneurs is exaggerated, as was the Levant Company's view of the degree to which the French trade was regulated. The French did receive more effective state assistance and enjoyed somewhat more marketing latitude in the Levant, at least in part as the result of an inability to effectively administer regulations. However, as discussed in chapter 4, the real key to French success was the ability to undercut British cloth.

The most striking difference between the Russia Company and the other two companies in this study was its size. The mere £5 admission fee to the Russia Company, combined with healthy business prospects, fuelled the growth in membership. In the election for governor of the Russia Company in 1731, 166 votes were cast.[37] Numbers would continue to grow and there was a particularly large influx following the Seven Years War. The company collected £650 in membership fees in 1763-4, representing 130 new admissions.[38] The Russia Company was also much more of a national enterprise than the other two companies. Regional offices were maintained at Bristol, Liverpool, Lyme Regis, Whitehaven, Newcastle, Stockton, Yarmouth, Edinburgh, Hull, Lancaster, Exeter and Dover. The maintenance of an agency at Elsinore helped the Russia Company to keep track of Baltic shipping. The presence of these regional offices helped to reduce the risk that goods would

[36] P. Masson, *Histoire Du Commerce Francais dans le Levant au XVIIIe Siècle* (Paris, 1896), p. 371.

[37] *Daily Journal*, 5 Mar. 1731.

[38] Guildhall library, Ms 11893, vol. 3, Russia Company Treasurer's Account Books.

be smuggled in and thereby avoid company duties, but the nature of the Russia trade also meant that the outports played an important operational role. For example, Newcastle was particularly important in the iron trade. It was the main port used by the Crowleys, whose Durham iron factories were the largest in the country. Early in the century, most of the iron which the Crowleys imported through Newcastle came from Scandinavia, and once the Russian iron trade developed towards the middle of the century, it went through Newcastle as well.[39] Once the contract to supply cloth to the Russian army had been secured, the Yorkshire-manufactured cloth used to fulfill the contract was shipped from the closest port – Hull.[40] In addition to the company's regional offices, Chatham, Deptford, Woolwich, Plymouth and Portsmouth were heavily involved in the company's business as they housed naval dockyards. The Navy Board's hemp and timber contracts, for example, specified different prices for delivery to different dockyards. The bulk of Russia Company members were still based in London but the much broader involvement of outports in its trade was a key point of differentiation between the Russia Company and the London-centred trade of the HBC and the Levant Company. This also helped to insulate the Russia Company from the attacks of provincial merchants and manufacturers which characterized the public debates concerning the HBC and the Levant Company.[41]

However, the sheer size of the Russia Company made its administration unwieldy. The governor was 'assisted' by four consuls (senior members of the court) and a twenty-four

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[39] M.W. Flinn, *Men of Iron: The Crowleys in the Early Iron Industry* (Edinburgh, 1962), pp. 119-21.

[40] Somerset Record Office, DD/HY 16/2/4, Samuel Holden's accounts, entries for August 1740.

[41] In reality, the trade was still dominated by London merchants. During 1749-51, a collection was made to pay for the construction of a church and a house for a minister in St. Petersburg. Of the £1,465 collected, only £280 (less than 20%) came from outports, Guildhall library, Ms 11893, vol. 3, Russia Company Treasurer's Account Books, 13 Feb. 1752.

member Court of Assistants. This large group was not broken up into a number of standing committees, each with their own chairman, as was the case with the Bank of England, the EIC and even the RAC. Ad hoc committees dealing with issues such as convoys and quality inspection of imports were formed as required. The entire court of assistants usually met monthly, but how much real business was transacted at these meetings is debatable. The minutes are certainly less concerned with policy issues than, for example, the factory minutes of the Levant Company. Monthly meetings of the court were held at Ironmongers Hall, Salters Hall and the Royal Exchange. Coffee houses and taverns played a prominent role in hosting formal and informal meetings. Indeed, a prominent Russia merchant, John Thornton, refused the governorship of the company because he disapproved of the drinking and carousing that took place at their business dinners.[42] In 1714-15, the treasurer settled thirty bills from Garraways coffee house and fifteen from the Crown tavern.[43] Waldo and Batson's coffee house served as the company's London headquarters until 1748, when it was moved to the Royal Exchange.[44] In 1744, the Virginia and Maryland coffee house on Threadneedle Street changed its name to the Virginia and Baltic, reflecting its patronage by merchants involved in importing hemp, tallow and other products from the Baltic. By and large, the growth of the Russia Company supported a content community of merchants, but there were exceptions. The remarks of Joseph Chitty, a former director of the company, provide an insight into how the Court of Assistants worked,

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[42] S. Davis, 'The Bank of England and Slavery', *The Old Lady of Threadneedle Street* (March, 2006), p. 28.

[43] Guildhall library, Ms 11893, vol. 1, Russia Company Treasurer's Account Books, calculation of expenses from 17 Feb. 1714 to 10 Feb. 1715.

[44] A. Cross, *By the Banks of the Neva* (Cambridge, 1997), p. 46.

> I would here observe, during the time I sate in the Court of Assistants, that very little pains was taken by the Court to promote the welfare of our corporation, and what was done there, was generally left to a private committee, composed of a few and those mostly not traders. Several other assistants, I suppose, like myself, out of respect to you (Samuel Holden) and the other senior consuls, submitted to what you and they did. Our business was generally over in half an hour or less …[45]

Chitty's somewhat negative remarks need to be considered in light of the fact that he had unsuccessfully challenged Holden for the governorship. However, they do indicate the importance to the company of having very competent senior managers.

The merchants of the Russia Company also relied upon the services of British diplomatic staff. Maintenance of good relations with the Russian state, through the consul, was a vital aspect of the trade. The first British consul in Russia, Thomas Ward, was only appointed in 1728, in the détente period which followed the deaths of George I and Catherine I. The need for a government official with some clout to represent the interests of British merchants to the Russian government was underscored by the petitions of some eighteen members of the British factory to Catherine I two years earlier asking for lower tariffs and complaining of trading abuses by Russian merchants.[46] Charles Davenant highlighted the relationship between ambassadors and regulated companies when he noted, 'No regulated company, without an exclusion and a joint-stock, was ever established here or elsewhere, except for trading to places where the nation's interest and merchants grievances are, or can be conveniently represented and redrest, by ambassadors, or other publick ministers.'[47]

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[45] *Daily Journal,* 24 Mar., 1732.

[46] A.V. Demkin (comp.), *Russko-Britanskie Torgovye Ootnosheniia v XVIII Veke* (Moscow, 1994), pp. 14-21, cited in A.Cross, *By the Banks of the Neva* (Cambridge, 1997), p. 56.

[47] C. Davenant, *Some Objections Against Settling the Trade to Africa, in any of the Open Methods, Proposed by the Separate Traders, and Particularly That of a Regulated Company, Like the Present Russia Company* (1709).

Not only were important branches of the Russian economy in state hands (such as cloth purchasing for the army and monopolies on timber exports), but court members also exerted significant influence over branches of trade where there was no formal monopoly.[48] Perhaps even more importantly, the actions of the Russian state often seemed arbitrary and Russian commercial practices did not conform to western norms.[49] The consul Claudius Rondeau played the key role in the final negotiation of the commerce treaty of 1734, which sought to put Anglo-Russian trade on a more predictable footing. Although not a member of the Russia Company, Rondeau obviously had a close relationship with its key members. The governor, Samuel Holden, looked after some of his estate's financial affairs after Rondeau's death. Following Rondeau, consuls tended to be both experienced in the Russia trade and have enjoyed strong relationships with the Russian Court. For example, after he had been in Russia for eight years, Samuel Swallow was appointed consul in 1762 at the Czar's request.

Compared with the Levant Company, the Russia Company was less concerned about the exclusivity of its club or the conduct of its members. As Jonas Hanway put it, 'The Russia Company is but nominally a body corporate, compared with the Levant traders.'[50] The major differences in management style between the Russia and Levant companies are most apparent in the operations of their overseas factors, where the factors of the Russia Company were much less tightly controlled than were the factors of the Levant Company.

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[48] A case in point is the lengthy dispute involving payments by the Russia Company to Baron von Schomberg, the Director of the Mines, concerning an iron contract which he did not fulfil, D. MacMillan, 'The Russia Company of London in the Eighteenth Century: the Effective Survival of a Regulated Chartered Company', *The Guildhall Miscellany*, vol. 4, no. 4 (April, 1973), p. 229.

[49] Early in his reign, Peter the Great ordered seamen be taken from merchant ships to man Russian warships on several occasions. Merchants also faced the unwelcome prospect of having Russian troops billeted with them.

[50] J. Hanway, *An Historical Account of the British Trade over the Caspian Sea*, vol. 1 (1754), p. 320.

In part, this variance in corporate governance was due to the differences between Russian and Ottoman societies and their respective commercial agreements with Britain. Merchants in St. Petersburg were not usually at risk of being assaulted in public if they ventured outside their designated residential area. They also did not usually risk death by consorting with local women.[51] The establishment of manufacturing enterprises by British merchants, employing local labour, which became common in St. Petersburg in the second half of the eighteenth century, would have been unthinkable in the Levant. Indeed, the range of entrepreneurial opportunities available to the factors in St. Petersburg is reflected in the Russia Company's minutes which refer to the 'wild schemes' of some factors in St. Petersburg.[52] However, another reason why factors in Russia were less tightly controlled than in the Levant was that, unlike Levant merchants who tended to deal with a single factor partnership in each overseas factory, Russia Company members employed different factors to deal in different commodities. For example, after his death, Samuel Holden's estate owed money to six different factor partnerships.[53]

The most frequent problems faced by the Russia Company in enforcing its regulations arose from the one-way nature of the company's monopoly. The company's minutes are full of fines being levied in cases where factors in Russia, who were members of the company, were accused of consigning goods to merchants in England not free of the company. One such example is that of William Heath, a merchant in London who was not a member of the company, and his partner, Alexander Cook, who was a member of the company based in St.

[51] Relations between Levant Company factors and Muslim women were strictly forbidden although relations between factors and Greek women were common.

[52] Guildhall library, Ms 11741, vol. 6, p. 479, Russia Company minutes, 6 Mar.1752.

[53] Somerset Record Office, DD/HY16/2/4, Samuel Holden's Accounts.

Petersburg. Cook was responsible for selling a vast array of consumer goods sent out by Heath.[54] This was perfectly legitimate, but a problem arose when Heath was accused of selling linen in London consigned to him by Cook. Heath was called before the court of the Russia Company and assessed double duty on the shipment. However, given the low level of the company's duties, even double duty on a small consignment was not particularly punitive.[55] These sorts of transgressions were also not particularly threatening to the company, especially as the import side of its business tended to be dominated by larger merchants.

The Russia Company also faced some challenges to its charter within Britain in the eighteenth century but it was not forced to take draconian measures in order to preserve its exclusivity. Like the Levant Company, the Russia Company resisted efforts by Jewish merchants to gain admission to the company until legally forced to do so. In 1728, the governor, Nathaniel Gould, wrote to the company's agencies regarding the company's policy of refusing admission to Jews, and he insisted that, 'no Jews have ever been admitted to the freedom of the company, the City or any corporation therein.'[56] On 7 May 1741, Abraham and Jacob Franco, two Jews, came to the court and desired their freedom. They were given liberty to trade while the opinions of the attorney general and solicitor general were sought. On 30 July, the court received the legal opinions that the Franco brothers

[54] These included: padlocks, clockwork, cabinet ware, fans, ribbon, feathers, lanterns, shoes, silk and woollen goods, hose and hardware, National Archives, C 104/42,Chancery Master Tinney's Exhibits, papers of William Heath, letter from Heath to Alexander Cook, 14 Jun. 1746.

[55] Heath had to pay 8 shillings and sixpence duty on 113 pounds of linen, Guildhall library, Ms 11893, vol. 3, pp. 311-12, Russia Company Treasurer's Account Books, 26 Feb. 1745.

[56] Guildhall library, Ms 11741, vol. 5, p. 264, Russia Company minutes, 12 Jan. 1728.

should be admitted and they were sworn in after paying their £5.[57] This was twelve years before Jews were admitted to the Levant Company. The Russia Company also faced a challenge to its authority over Scottish trade from a William Hogg of Edinburgh in 1735.[58] In his challenge, Hogg questioned the utility of companies in general. The company replied that 'North Britains' were subject to regulation of trade per the 18th article of the treaty of union, and, as to the usefulness of companies in general, pointed to the treaty lately concluded with Russia as proof.[59] The response to Hogg reflects a key attribute of the Russia Company which allowed it to flourish in the eighteenth century – it applied a light touch with its own members but had the political influence with both the British and Russian states needed to promote the growth of trade.

Whereas the organizational structures of the three companies were characterized by diversity, more commonality is evident between the companies and, indeed, with the general body of merchants, when one examines the key members of the companies.

Key Members of the Companies

The members of the three companies shared many of the same attributes as other eighteenth-century merchants. In the first chapter of his *Merchant Enterprise in Britain*,

[57] Guildhall library, Ms 11741, vol. 6, p. 214 and p. 226, Russia Company minutes. Two other Franco brothers, Joseph and Raphael, were factors of Samuel Holden's, who dealt with his exports to Leghorn.

[58] Guildhall library, Ms 11741, vol. 6, p. 21, Russia Company minutes, letter from William Hogg, 1 May 1735.

[59] Guildhall library, Ms 11741, vol. 6, p. 22 and 27, Russia Company minutes, letters from the company to Hogg dated 22 May and 2 July 1735.

Stanley Chapman identified the salient features of eighteenth-century merchant enterprise as the emergence of merchants as an economic and social elite, the major role played by migrants from the Continent and the domination of London in the commerce of Britain, the important role played by Dissenter networks in trade, and the ways in which the high risk of overseas trade made for high turnover of firms and renewal of enterprise.[60] Most of these features describe the members of the three companies in this study. However, in one very important respect, the key members of the three companies were exceptional, and that is their prominent involvement in the emerging world of financial services. The availability of financial securities allowed members of the companies to re-balance their trading and investment activity. Rather than harming the companies, the availability of financial services allowed the companies and members of the companies to be more flexible. One of the major attractions of moving into financial services, particularly in an increasingly competitive environment, was that it could be done progressively without suddenly abandoning the established business.

The companies were controlled by elites but the status of those elites changed during the first half of the eighteenth century. Levant merchants were at the very apex of commercial society in the early eighteenth century and were heavily involved in City politics, but they were less visible in political life as their numbers declined. They were, however, prominent in the new marine insurance companies where they were able to exploit their knowledge of shipping and finance. Russian merchants were very much a vital force in the mid-eighteenth-century world of commerce. Russian merchants increased both in numbers and status. Senior Russian merchants were prominent in the Bank of England and several of

[60] S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), pp. 21-50.

them were noteworthy for their pioneering work in a number of charities. The managers of the HBC were a much smaller group and they tended to keep a lower public profile, but the governors of the company were leading experts in the City in managing joint stock companies. The following discussion examines some of the key members of the companies and illustrates how the management of the companies changed over time in response to changing business conditions.

The dominant figure in the HBC during the first half of the eighteenth century was Sir Bibye Lake (1684-1743) but it was his involvement with the RAC, which earned him most contemporary press coverage. He first appeared on the court of the HBC in 1709 and the RAC in 1720 and remained on both until his death. Like his father, Thomas, Sir Bibye was a lawyer. His father had been the largest holder of HBC stock, was a significant holder of RAC stock, and dabbled in more speculative ventures such as the Hollow Sword-Blade Company.[61] Sir Bibye not only acquired his father's appetite for joint stock companies but also was involved in a number of legal disputes, not related to the HBC, after the War of the Spanish Succession.[62] From the viewpoint of the RAC, which was still a joint stock company in 1720 but under constant attack in Parliament, Lake must have seemed like the ideal recruit – a lawyer not afraid of a fight with experience in a joint stock company. Lake's investments were not, however, confined to financial securities. In 1731, Lake acquired some four and a half acres at Edmonton, about seven miles north of the HBC building on

[61] *A List of the Names of the Members of the Corporation for Making Hollow Sword-Blades in England, Concerned in the Joint-Stock for Purchasing Forfeited Estates in Ireland* (27 September 1705).

[62] Lake became involved with the London Bridge Water Works and the Million Bank. One of his legal disputes was with Thomas Coram over land in America. The legal battle lasted from 1714-31, when it was finally resolved in Lake's favour.

Fenchurch Street. In 1734, he acquired the estate of Hopwell in Derbyshire for £11,000.[63] He was married to Mary Atwell, the daughter of William Atwell, a goldsmith. Two of their sons, Sir Atwell Lake and Bibye Lake would follow in their father's footsteps as governor of the HBC. Lake's sister, Mary, married the Duke of Chandos in 1696. Although Mary died in 1712, Lake's familial connection to Chandos also, indirectly, connected him to both the RAC and the Levant Company. In 1718, Chandos became governor of the Levant Company and, shortly thereafter, he became very active in the restructuring of the RAC.

As the HBC's portfolio of financial securities expanded, they brought in another senior figure with vast experience in the City and the world of stocks - William Baker. As an admiring Duke of Newcastle wrote to Pelham on 1 November 1748, 'Baker would certainly make the best commissioner of trade except (Sir John) Barnard in all England'. [64] Baker was a former alderman and chairman of the EIC. He was the leading Carolina merchant of his day and was brought into Parliament by the administration in the 1740s. His appointment as deputy governor of the HBC in 1750 coincided with the diversification of the company's investment portfolio and, in the ten years of his deputy governorship, that portfolio doubled in size. Baker became governor of the HBC in 1760.

While these dynamic individuals were central to HBC strategy, continuity of management and succession planning were hallmarks of the HBC committee in the eighteenth century and, along with its modest size, gave it the appearance of a family firm. The character of HBC management might have been quite different if Lake's stock expansion plan (discussed

[63] HBCA, A1/122, Committee Minutes, 4 Jul. 1734.

[64] Cited in Shirley Matthews' entry for Baker in R.Sedgwick (ed.), *History of Parliament 1715-54,* vol. 1 (London, 1971).

below) had succeeded in 1720, forcing the HBC to aggressively expand to satisfy its shareholders. However, the salient features of the HBC committee in 1720 were the longevity of their service and the fact that a number of them, who joined at roughly the same time as Bibye Lake, were sea captains. Captain John Merry joined the committee in 1706 and was deputy-governor from 1712-29. Captain Samuel Jones was first elected in 1712 and was still on the committee in the mid-1730s. Captain John Fullartine had served at Hudson's Bay and, after returning to London, was on the committee from 1711-38. Although a few committee members had outside interests, this was a group which was very much focused on the business of the HBC. In the twelve-month period prior to the 1749 parliamentary enquiry, the full committee met forty-eight times.[65]

HBC committee members could be trusted to maintain a strong interest in the company and, therefore, retain a sizeable block of voting shares because of the financial benefits they received. Shareholdings could be used as collateral for other business ventures, and the stock transfer books have numerous transactions between committee members and a company clerk which could have acted effectively to provide short-term loans to committee members. Committee members also directly loaned money to and borrowed money from the company. In the case of Sir Bibye Lake, his loans amounted to some £20,000 by 1740.[66] To put this figure in perspective, it was a hundred times greater than Lake's salary. Although the salaries of its committee men were comparatively modest (£100 annually), access to the company's cash on favourable terms was one of the benefits of being a committee member and a shareholder.

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[65] HBCA, A1/37, pp. 2281-348, Committee minutes.

[66] Rich, 'The Perpetual Governor', *The Beaver* (autumn, 1974), p. 20.

For members of the Levant Company, the key issue was how to adapt to increasingly difficult trading conditions. In his *A Fractured Society*, which covered the period 1688-1715, Gary Stuart de Krey examined the responses of various merchant groups to the changes triggered by the Glorious Revolution. From a position of pre-eminence in the late Stuart City, both in terms of their wealth and leading position in City politics, de Krey observed the leading Levant families withdrawing from the trade in the eighteenth century and exchanging the silk market for the land market. [67] However, the loss of prestige of Levant merchants and the extent of their withdrawal from trade during this period should not be exaggerated. When the new ambassador to the Ottoman Porte, Abraham Stanyan, was appointed in 1717, a delegation of Levant merchants attended His Majesty at Hampton Court to acquaint him that they had 'unanimously chosen' Abraham Stanyan as Ambassador to the Porte.[68] His Majesty took the opportunity to knight six of the committee and directed that they be nobly entertained afterwards.

The Levant Company was in a period of transition by the 1720s, even though its trading difficulties only became serious in the 1730s. Two orders arising from General Court meetings in 1720-1 were signed by twenty separate individuals, representing the senior figures in the company in London.[69] Amongst these twenty, there were some individuals still heavily involved in civic politics. Sir Gerard Conyers, the deputy governor, Sir Randolph Knipe and Sir John Williams were aldermen. Conyers and Williams would both go on to

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[67] G. de Krey, *A Fractured Society* (Oxford, 1985), pp. 141-4.

[68] *Daily Courant*, 29 Oct. 1717. In reality, Stanyan was appointed by the government but the protocol called for him to be chosen by the company. Stanyan became a member of the Kit-Kat club, along with Sir Robert Walpole.

[69] National Archives, SP 105/332, p.99 and p. 101, 8 Dec. 1720 and 27 January 1721, Levant Company Register of Orders.

become Lord Mayor. It is noteworthy that these senior figures who were involved in civic politics tended to be older and their commercial careers would already have been well under way before the turn of the eighteenth century.[70] It is in the pattern of external directorships where change would become most clearly evident. Half of the twenty signatories would, at some point in their careers, become a director of the Royal Exchange Assurance Company, the London Assurance Company or the Bank of England. Four of the signatories were involved in other chartered companies. The trend towards acquisition of external directorships in joint stock companies by Levant Company members continued in the 1730s and 1740s. Of the fourteen signatories to a General Court order on 23 May 1740,[71] eleven were to acquire external directorships and collectively they were to hold thirteen directorships. Most popular were the marine insurance companies, with the London Assurance edging the Royal Exchange Assurance by five directorships to three. Three of the signatories were directors of the South Sea Company and two became directors of the Bank of England. By the 1740s, it was evident that most senior members of the Levant Company were moving into the growing field of financial services.[72]

The involvement of Levant Company members with the two marine insurance companies is particularly noteworthy. In his history of the Royal Exchange Assurance Company, Barry Supple noted that at least eight of the first twenty-seven members of the Court belonged to the Levant Company and that, over the course of the eighteenth century, as many as 20 per

[70] In 1720, Conyers was fifty-nine and Knipe was fifty-four years old..

[71] National Archives, SP 105/332, p. 171, order of 23 May 1740.

[72] The South Sea directorships are not inconsistent with this trend. The South Sea Company was a chartered company but its real business was finance.

cent had some connection with trade to the eastern Mediterranean.[73] For Levant merchants, the marine insurance business would have been very much consistent with their core commercial competencies and would have complemented their trading activity. Many, such as the Radcliffes, had owned partial shares in ships and the general ships used by the company were typically controlled by groups of its merchants.[74] Levant merchants would have been very familiar with the risks involved in shipping and many would also have had experience in investing in a variety of financial instruments. The availability of reasonably priced marine insurance also proved to be a competitive asset to the Levant Company, although it could not entirely compensate for other competitive disadvantages. During the Seven Years War, the high cost of marine insurance deterred French cloth exports to the Levant.[75] The close link between the Levant Company and the insurance business is best illustrated by the career of William Dunster. Dunster was the deputy-governor of the Levant Company from 1722 to 1745. He was also a member of the court of the Royal Exchange Assurance from 1720 to 1756 and served as its governor for twenty-five years.

In 1740, there were still a number of prominent families involved in the company. Three sets of brothers were among the fourteen signatories to a General Court order of 1740 – Henry and John March; Theophilus and Richard Salwey; and Samuel and David Bosanquet. These families all had residences in the City – the Marches in Devonshire Square, the Salweys in Leadenhall Street and the Bosanquets in Fenchurch Street and Crutched Friars.[76] It was also common for Levant merchants to have country properties just outside the City,

[73] B. Supple, *The Royal Exchange Assurance* (Cambridge, 1970), p. 14 and p. 76.

[74] Davis, *Aleppo and Devonshire Square*, p. 187.

[75] National Archives, SP 105/210, p. 52, Thomas Coke's Day Book, register of orders, 14 Nov. 1758.

[76] *Kent's Directory* (1740).

such as the Salweys at Woodford in Essex and the Bosanquets at Leytonstone.[77] The Levant merchants had not abandoned the silk market for the land market by 1740 and, for those involved in financial services, maintenance of physical but not necessarily political ties to the City was important. In line with other merchants of the period, fewer Levant Company members sought senior civic offices by 1740.[78] The trend for long-established families to leave the Levant business accelerated after membership requirements to the company were relaxed in 1753. Admission fees were lowered and even the requirement for Levant Company members to be free of the City, which had been one of the distinguishing features of the company, was dropped. However, it was the severity of French competition, rather than the new entrants to the company, which was most challenging for established Levant merchants. The Levant Company was transformed in 1753 and would face more years of difficult trading conditions, but the flexibility of its structure and its membership ensured its survival.

The ability to attract dynamic leaders was very important to the success of the Russia Company and the company had no problems in attracting such leaders. Personal political connections at the highest level were highly beneficial to the Russia Company and there is no doubt that some of its members were more equal than others due to their political contacts. For instance, Joseph Chitty's challenge to Samuel Holden was notably not supported by the partnership of Shiffner and Wolff in St. Petersburg, with whom Holden conducted a large portion of his business. Holden first met Matthew Shiffner (then known

[77] D. Lysons, *Environs of London*, vol. 4 (London, 1796), pp. 273-87 for Woodford and pp. 158-82 for Leyton.

[78] As Perry Gauci noted, 'access to real power was more likely to come via a connection with the great financial institutions', *Emporium of the World*, p. 188.

as Matthias Schiffner) when they were both in Riga in the first decade of the century. Shiffner's wife, Agnata, had been 'gouvernante' to the Grand Duchess Anna of Courland before she took the throne and his sister-in-law became maid of honour to the Czarina at the winter palace.[79] Jacob Wolff was a prominent merchant in his own right and would become British consul-general in St. Petersburg in 1744. Holden had his own connections with the Russian royal family. During Peter the Great's reign, Holden looked after sometimes troublesome Russian apprentices sent to Britain.[80] It was not surprising, then, when the British regained from the Prussians the contract to supply cloth to the Russian Army that the contract was shared a third each by Holden, Shiffner and Wolff. Holden's contacts were not just confined to Russia though. In his capacities as Governor of the Bank of England from 1727-9 and chairman of the Dissenting Deputies Committee from 1732-6, he shared a range of personal interests with Sir Robert Walpole. A good relationship between the governor and the British government was important for influencing commerce treaties and in requesting convoys to provide protection against privateers. [81]

The complexion of the court of the Russia Company changed significantly in 1699, as the tobacco contractors joined the company and there was a de facto merger with the Eastland Company. Of a group of twenty-nine senior members of the Russia Company in 1720, seven

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[79] J.M. Price, 'Shiffner, Matthew (c. 1690-1756)' and 'Holden, Samuel (1674/5-1740)', *Oxford Dictionary of National Biography*, Oxford University Press, 2004; online edn., May 2011 [http://ezproxy.ouls.ox.ac.uk:2117/view/article/54963 and 47785, accessed 14 Jan 2012].

[80] See, letter from the Czar's secretary Alexei Makaroff to Holden dated 18 Feb. 1724 in which he refers to the trouble Holden had with the apprentices and indicating that his Majesty would make recompense. There is also a translation of a letter from Peter himself reiterating the offer. Somerset Record Office, DD/HY 15/5/1.

[81] See, N.C. Hunt, 'Walpole, Holden and the Dissenting Deputies Committee' in *Two Early Political Associations* (Oxford, 1961), pp. 163-178.

were still originally tobacco contractors.[82] This group of seven stands out for their wealth and contacts. For example, Sir Nathaniel Gould had been involved in the Levant, Eastland and East India companies early in his career, became an MP as early as 1700 and eventually rose to become governor of the Bank of England. Henry Lyell, Josias Wordsworth and William Dawsonne had all been directors of the East India Company. Charles Joy was a director of the South Sea Company and Robert Atwood was a director of the Bank of England. Of the other directors, four had connections with the Levant trade and at least three were to become directors of the South Sea Company.[83] While some of the Russia Company members were involved in financial services in 1720, notably with the Bank of England, their principal interests outside the Russia Company were in other closely-linked trading ventures, especially to the Baltic.[84] The Heathcote and Gould brothers were the most prominent examples of Baltic merchants (and Eastland Company members) who joined the Russia Company. Nonetheless, formal involvement in politics was the exception rather than the norm. The governor in 1720, Sir Benjamin Ayloffe, was a long standing Tory member of Common Council for Aldgate.[85] Samuel Holden was a Whig MP as well as a Bank director.

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[82] The Governor, four consuls and twenty-four assistants for 1720 were elected at a meeting on 1 March 1719, Guildhall library, Ms 11741, vol. 5, pp. 33-4, Russia Company minutes. The list of tobacco contractors is provided in appendix E of Price's *Tobacco Adventure to Russia.*

[83] Exporting Baltic products to the Mediterranean was a common sideline for Russia Company members. The Sperlings, Shiffners and Samuel Holden all had a small trade with the Mediterranean.

[84] Holden, for example, obtained his freedom of the Eastland Company in 1705 and was still its treasurer in 1730, Guildhall library, Ms 11892, p. 110 and p. 122, Eastland Company Treasurer's book.

[85] 'Appendix: the Common Council, 1716', *London Politics 1713-17: Minutes of a Whig Club 1714-1717, London Pollbooks 1713,* H. Horwitz, W.A. Speck, W.A. Gray (eds.) (London, 1981), pp. 47-51.

By 1740, another transformation in the membership of the company was evident. Seven of twenty-three senior members of the company have names which suggest German or Dutch origins: Matthew Shiffner, Peter Muilman, Peter Meyer, Edmund and Charles Boehm, Henry Sperling and John Abram Korten. [86] Muilman, who came from a Dutch banking family, was the first naturalized citizen to be a member of the court and he was quickly followed by Shiffner and Korten, the first naturalized Germans. Thereafter, at least one German or German-Russian was continuously on the court of the Russia Company from 1740 until the 1820s.[87] Another striking statistic is that of the twenty three senior members of the company in 1740, no fewer than nine were, at some point, directors of the Bank of England. Benjamin Longuett would become the governor of the Bank of England. Influence on the court of a major lender to government would provide a Russia merchant with leverage in securing government contracts. The Russia Company's major customer was the British government (for naval stores). The great prize for British exports to Russia was the contract to supply cloth to the Russian army and, as the contract was decided by the Czarina herself, winning the contract required serious political contacts.[88] Furthermore, the requirement to remit funds from Russia in the form of bills of exchange drawn on Amsterdam would have required Russia merchants to develop considerable financial competence.[89] John Thompson, the governor of the Russia Company in 1740, was another of the nine who were

[86] The assistants had been reduced to 18 by 1740. In addition, there were still four consuls and a governor.

[87] M. Schulte Beerbuhl, *Deutsche Kaufleute in London* (Munich, 2007), p. 252.

[88] D.K. Reading, *The Anglo-Russian Commercial Treaty of 1734* (New Haven, 1938), pp. 271-4.

[89] The complexity of the financial arrangements involved in the Russia trade as well as the unpredictable business practices of Russian merchants ultimately caused the HBC to abandon its foray into a direct trade with Russia early in the eighteenth century. For a discussion of this trade see E.E. Rich, 'Russia and the Colonial Fur Trade', *EHR*, new series, vol. 7, no. 3 (1955), pp. 307-28.

to become Bank directors. Unusually for the Russia Company in the middle of the century, Thompson was also prominent in civic politics, having served as Lord Mayor in 1736.

A distinguishing characteristic of the Russia Company was the prominence of Germans as factors in Russia. Thanks to Margrit Schulte Beerbuhl's research, we now have a good understanding of the participation of German merchants in the eighteenth-century Russia Company. Foreigners had to be naturalized as British citizens in order to obtain their freedom of the Russia Company and of the 220 who did so between 1699-1833, some 70% were German.[90] The initial influx of foreigners into the Russia Company was in 1710-13, when 13 naturalized citizens were admitted to the company (including Matthew Shiffner), who took advantage of the Protestant Naturalization Act of 1709. Following this initial influx, the next big surge in naturalized admissions to the Russia Company was in the 1730s, the decade when the commerce treaty expanded Anglo-Russian trade opportunities. Twenty-eight naturalized citizens were admitted to the Russia Company in the 1730s.[91] The evidence suggests that many of these merchants became British citizens specifically in order to join the Russia Company. Of the naturalized citizens who were to join the Russia Company, 34% did so within a year, and 61% did so within five years.[92] By way of contrast, there were no naturalized admissions to the Levant Company prior to 1748.[93] The attraction of German partners to British merchants trading to Russia was strong in a period during which ethnic Germans were very influential at the Russian court and German was the language of commerce in Riga, the second most important Russian centre for foreign trade.

[90]Schulte Beerbuhl, *Deutsche Kaufleute* (Munich, 2007), pp. 233-4.

[91] Ibid., p. 234.

[92] Ibid., p. 238.

[93] Ibid., p. 227.

The two main negotiators for the Russian side in the talks leading to the 1734 commerce treaty, Vice Chancellor Count Andrei Osterman and Count Ernst Johann Biron, were ethnic Germans.[94] The attraction of ethnic Germans to the Russia Company was also strong. It was not just the growth of Anglo-Russian trade which was attractive. This was a period when British trade to Hamburg was increasing and merchants involved in that trade would naturally have had some interest in extending their trade to Russia.[95] Furthermore, membership of the Russia Company and partnership with British merchants gave Germans connections with financial and commercial heavyweights in the Russia Company such as Samuel Holden and the Thorntons, as well as links to important Dutch finance houses prominent in the Russian trade such as Hope and Company.[96]

The prominence of naturalized factors in Russia was an issue to which some Russian merchants were evidently very sensitive. Jonas Hanway devoted a chapter of his *Historical Account of British Trade over the Caspian Sea* (1753) to the issue of foreigners as factors. Hanway observed that Russian merchants would occasionally treat a British merchant with ridicule by asking if he was a 'white-washed Englishman' (meaning a naturalized subject). Hanway attempted to downplay the importance of naturalized factors when he stated, 'The British houses in St. Petersburg have not only a trade to Great Britain and Ireland, but to Holland, Prussia, Sweden, Holstein, and several parts of Germany; also to Portugal, Spain and Italy. This has arisen from the connexions of their extensive commerce, intirely

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[94] M. Bitter, 'Anglo-Russian relations during the 1730s: evidence of the impact of 'Germans' at the court of Anna Ioannovna', *Germano-Slavica*, vol. 16 (January, 2007), p. 1.

[95] Hamburg and Bremen were where most naturalized German entrants to the Russia Company originated from, Schulte Beerbuhl, pp. 234-5.

[96] Ibid., p. 236.

independent of naturalized subjects in Russia'.[97] Although Hanway's words do not acknowledge the usefulness of German connections within Russia, his actions suggest that he recognized their value. Hanway and Robert Dingley operated in partnership with Henry Klencke, born in Bremen, and resident in Russia.

The Russian trade was booming by the middle of the century and Russian merchants were becoming more prominent in City life. In common with other merchants of the period, participation in civic politics was not the route they chose to display their success. Rather, a sign that Russia merchants had risen to the pinnacle of the business establishment in London was their prominence in philanthropic activity. Jonas Hanway, who established the Marine Society and was involved in a host of other charities, was the most famous member of the Russia Company active in philanthropy, but he was by no means alone. The Marine Society, whose initial objective was to help recruit unemployed youth for the Royal Navy at the start of the Seven Years War, is an outstanding example of commercial patriotism. Several members of the Russia Company were on the board of the London Foundling Hospital, and of the original eight-man committee of the Magdalen Hospital, six were members of the Russia Company.[98]

The three companies remained vital during this study period and were able to attract talent appropriate to their businesses. Their recruitment also allowed them to respond to changes in their operating environments within Britain and overseas. Competency in the emerging

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[97] Hanway, *Historical Account*, p. 392.

[98] J.H. Appleby, 'Robert Dingley, F.R.S. (1710-1781), Merchant, Architect and Pioneering Philanthropist', *Notes and Records of the Royal Society of London*, vol. 45, no. 2 (Jul. 1991), p. 147. The Levant Company and HBC were less prominent philanthropists. Morden College, the charity most closely affiliated with the Levant Company, was founded in 1695 to help older merchants who had fallen on hard times.

world of financial services became an increasingly important requirement for company managers. Company mangers needed to be able to manage portfolios of stocks and bonds and the acquisition of directorships in joint stock companies provided valuable business contacts. In addition, members of all three companies had to be sensitive to the challenges of operating in foreign environments where commercial practices were quite alien to the near-European and imperial trades. Furthermore, the close relationship between the three companies and the government required that key members of the companies had the ability to interact constructively with senior members of the government. Far from being anachronisms, the managers of the companies were a dynamic element in the broader business community.

While not a traditional concern of historians outside the field of business history, an analysis of company strategies and how strategies changed over time illustrates the vitality and adaptability of the companies. It is also essential context for the review of the operations of the companies and the political debates concerning the companies.

Strategy

There were two distinct periods during which the companies set strategies. Policy-makers in the companies were particularly active in the period 1718-21. For the Levant Company, concern with indirect forms of competition was paramount. The HBC's strategy was driven principally by developments in London's financial market. The Russia Company's strategy evolved as a response to the opportunities created by Russia's emergence as the major power in the Baltic. French rivalry became more intense in the early 1730s and caused the

companies, merchants in the companies and the government to respond. At a corporate level, there was minimal response from the Levant Company but, at the level of its members, there were significant changes in the importance of particular products and markets which reflected the impact of French competition. The HBC invested in an important new trading facility beyond the reach of its French competitors. The Russia Company and the British government found common ground in an attempt to block the French and put Anglo-Russian commerce on a sounder commercial footing.

The period 1718-21 was very important for the Levant Company and deserves initial attention. The company enacted policies to both regulate the behaviour of its own members as well as limit its exposure to competition. The key policies directed at its own members were the re-institution of the practice of general shipping and the ban on the export of gold and silver.[99] The key policies directed to curb competition were opposition to the importation of Levant silk by 'Italian' merchants and support for the extension of restrictions on the use of calicoes in clothing.[100] Collectively, these measures reflect a strategy of preserving a 'well ordered trade' which protected profit margins by, above all, supporting price levels for British cloth in the Levant and silk in Britain. Margins in the Levant trade were relatively slim and the opportunity to significantly drive down costs was limited. This made the Levant business very vulnerable to price competition and made preservation of margins a strategic priority.

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[99] General shipping required company members to export goods in ships organized by the company.

[100] The Calico Act of 1700 had prohibited the importation of printed calicoes but this did not succeed in preventing the proliferation of calico clothing as it gave rise to a domestic calico printing industry. The Calico Act of 1721 banned the wearing of calico clothing in Britain even if it had been printed domestically.

General shipping was not a new idea. General ships had been the norm in the Levant trade for most of the seventeenth century. However, private shipping had been permitted since 1687.[101] The company's principal rationale for re-introducing general shipping was not that shipping risk had increased, although reference was made to the resumption of hostilities with Spain, but rather that the Levant had been flooded with cloth in 1716-17 and general shipping was needed to control supply.[102] General shipping was supported by forty-three Levant merchants but, significantly, was opposed by seven of the largest Levant merchants who petitioned Parliament. Peter Delme, whose name is listed first amongst the signatories of the petition against general shipping, was said to have imported on 17 June 1720, 'the greatest quantity of Turkey raw silk ever imported by one man at one time in England'.[103] The key objection of the dissenters was that their cloth would be stranded if they had to wait for general ships. Another factor affecting the attitudes of larger merchants was that they tended to be shipowners and, although their ships stood a good chance of being selected as general ships by the company, general shipping still threatened their investment in ships. [104] Testimonials were gathered by the company in support of its case. It is

[101] *An Historical View of the Conduct and Proceedings of the Turkey Company* (1743). Diminishing threat from piracy allowed the use of smaller ships than had been the norm. However, a company order of 1714 reintroduced the earlier requirement that ships be a minimum of 200 tons with 16 guns and 32 men.

[102] *The Case of the Levant Company* (1719).

[103] *London Journal*, 18 June 1720. Delme was a true heavyweight in the City. He had been governor of the Bank of England and would also become Lord Mayor.

[104] A number of larger Levant merchants also opposed the establishment of the new marine insurance companies – the London Assurance Company and the Royal Exchange Assurance Company. The debate concerning the marine insurance companies ran from 1717-20. Larger merchants had the resources to obtain private marine insurance on more reasonable terms than smaller merchants and the establishment of the marine insurance companies might also have appeared to be a threat to their competitive advantage in shipping. Their fears proved to be without foundation as private marine insurance continued to dominate the market and many Levant

significant that there was a much greater degree of support for general shipping in Constantinople and Aleppo than Smyrna, the initial focus of French competition.

However, it is important not to underestimate the importance of Smyrna in the Levant trade early in the eighteenth century. Aleppo would dominate British trade to the Levant by the middle of the century, as the French became dominant in Smyrna, but Smyrna was as important as Aleppo at the beginning of the century. As Paul Masson noted, 'A Smyrne, le commerce anglais l'emportait de beaucoup sur tous les autres en 1715. Il était exercé par vingt maisons et quarante marchands. La compagnie leur envoyait tous les ans quatre gros vaisseaux de 30 à 40 pièces de canons… Avant 1715, le commerce Anglais (at Aleppo) y égalait presque celui de Smyrne'. [105] For the period 1701-9, twelve merchants were given liberty to trade in Smyrna and thirteen in Aleppo.[106] In January 1709, the entire factory at Smyrna wrote to the Levant Company complaining of the large growth in the French cloth trade.[107] General shipping was designed to support prices by controlling supplies, but merchants fighting for market share, such as those in Smyrna, would also have regarded the loss of flexibility in shipping schedules as a competitive disadvantage. The testimonials which the company was able to elicit from Smyrna regarding general shipping were, at best,

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merchants assumed prominent roles in the marine insurance companies, see A.H. John, 'The London Assurance Company and the Marine Insurance market of the Eighteenth Century', *Economica*, new series, vol. 25, no. 98 (May, 1958), p. 127.

[105] P. Masson, *Histoire du Commerce Francais dans le Levant au XVIIIe Siècle* (Paris, 1896), pp. 367-8.

[106]National Archives, SP 105/209, p. 100, Register of Orders of the General Court of the Levant Company, 6 Sept. 1710.

[107] National Archives, SP 105/335, p. 180, Smyrna factory minutes, 14 Jan. 1709.

neutral. General shipping would continue to be a topic of much debate in the company. Even after general shipping was ended in 1744, opinion was still divided on its merits.[108]

The ban on the use of specie in trade, in March 1719, took place at roughly the same time as the introduction of general shipping. Prior to the ban, the use of specie in the Levant trade was not uncommon.[109] The Board of Trade had requested an account of Levant Company exports, including bullion, in 1715 following their inquiry into the state of the Levant trade in March 1711.[110] The company imposed the ban on specie as a means of increasing cloth exports and dampening silk prices in the Levant. This transformed the British trade with the Levant into a barter trade. It also placed British merchants at a competitive disadvantage as the Dutch and French did not impose similar bans on the use of specie. [111] The chronic shortage of coins in the Ottoman Empire meant that there was a constant temptation to circumvent the ban. In particular years, Arab and Armenian merchants resold the cloth they received in barter, often at below the market price, in order to acquire silver specie. [112] One of the means of getting around currency restrictions was to trade for Levant goods at Leghorn in Italy, where there was no ban on the use of currency.

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[108] In his *State of the Turkey Trade* (1771), the former ambassador, Sir James Porter, argued that abolition of general shipping hurt the trade, p. 375.

[109] In 1713, Ralph Radcliffe shipped 2100 Mexican pieces of eight to Scanderoon - Hertfordshire record office, DE/R/B294/8, Radcliffe papers, bill of lading aboard the 'Otter', 8 May 1713.

[110] *BOTJ*, vol. 3, Oct. 1715.

[111] In her *The Commerce of Smyrna in the Eighteenth Century* (Athens, 1992), Elena Frangakis-Syrett notes that, beginning in the seventeenth century, Dutch and French merchants carried on a lucrative trade in foreign currency in Smyrna, p. 79.

[112] T. Dickie, 'Commerce and Experience in the Seventeenth-Century Mediterranean' (Unpublished DPhil thesis, University of Oxford, 1997), p. 366. Dickie's observation is based on his analysis of the correspondence of Thomas Metcalfe, a factor in Aleppo.

The concern about clandestine trade via Italy was not new in 1720. In the Register of Orders of the General Court, there is evidence of growing concern regarding the issue over the previous decade. In August 1712 a penalty of double duty was imposed on company members shipping goods of non-members to London via Italy.[113] In November 1714 a penalty of 2% extra duty was extended to the entire ship containing illegal goods.[114] In June 1715 commanders of British ships from Smyrna were required to deliver two copies of the manifest to the Treasurer and a 20% duty on cloth was imposed on ships going to Turkey which loaded or unloaded in Italy. Venice, Messina and Leghorn were mentioned as ports of particular concern.[115] In December 1717 ship commanders were required to take oaths swearing that they would not load goods on account of foreigners.[116] Finally, in January 1720, the company applied to Parliament seeking to repeal a clause in the Navigation Acts which permitted the importation of Levant silk from Italy.[117]

The dispute between the Levant Company and Italian merchants erupted in the Commons barely a month after the Levant Company and Italian merchants had been arguing together for a ban on the wearing of calicoes.[118] Prior to the parliamentary hearing regarding calicoes, the Levant Company had been consulted by the Board of Trade.[119] The Levant

[113]National Archives, SP105/332, pp. 55-6, Register of orders from the General Court of the Levant Company, 26 Aug. 1712.

[114] Ibid., pp. 69-71, 18 Nov. 1714.

[115] Ibid., pp. 72-3, 22 Jun 1715.

[116] Ibid., pp. 86-7, 17 Dec. 1717.

[117] This dispute is discussed in chapter 5. Importation of Levant silk via Italy was made possible by virtue of a loophole in the Navigation Act of 1660.

[118] *Ludlow Post*, 29 Jan. 1720.

[119] *BOTJ*, vol. 4, Oct. 1719.

Company argued that calicoes were substitutes for silk garments and thus reduced their ability to export cloth.[120] As was the case in its dispute with the Italian merchants, the Levant Company enjoyed the support of its suppliers in its opposition to calicoes. Indeed, the first petition from manufacturers came from the clothiers of Worcester who relied very heavily on the Levant export trade.[121]

The Levant Company's policies during the period 1718-21 indicate that the full impact of French competition was not yet apparent. During this period, there was still a sense of collegiality amongst western merchants in the Ottoman Empire. In 1716, the Levant Company issued a general order forbidding factors in Turkey from paying customs duties for the French as a favour.[122] In Smyrna, where western merchants lived together on 'Frank Street', the factory minutes of April 1717 indicate a desire to cooperate with the Dutch and French to come to an agreement that they would buy silk of only a certain quality standard.[123] From the perspective of 1718-21, before French competition became most acute, a series of measures designed to protect margins in the Levant trade seemed to make strategic sense. The issue which is less clear is whether the company's response to more intense competition in the early 1730s was adequate.

General shipping, controls on the use of currency and a ban on calicoes could not protect the business from aggressive French price competition. One response might have been a broadening of the company's geographic focus to match their competitors. Unlike the

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[120] *Ludlow Post*, 19 Feb. 1720.

[121] *Ludlow Post*, 4 Mar. 1720.

[122] SP 105/209, p. 139, Register of Orders, 17 Jan. 1716.

[123] National Archives, SP 105/335, p. 341, Smyrna factory minutes, 30 Apr. 1717.

French, whose operations extended throughout the Levant and who dominated the coastal trade within the Ottoman Empire, the Levant Company had long adopted a policy of confining its operations to a few major locations. As the Levant Company noted in a letter to Ambassador Porter, their policy was one of 'bringing the trade of Turkey as near to the sea as possible'.[124] The advantages of this policy are obvious in terms of controlling cloth supplies, containing overheads and facilitating the collection of duties. However, the disadvantages in terms of remoteness from customers are also clear. The Levant Company did not aggressively pursue the major consumer market in the Levant, Constantinople, and it was only after 1753, when a large number of new merchants joined the company, that centres such as Salonica were developed. The key to the company's resurgence in the late eighteenth century, however, was the growth of the cotton trade. The cotton trade was not based in a new centre. In fact, it led to the revival of the company's business in Smyrna. In evaluating the adequacy of the Levant Company's strategic response to French competition, it is important to remember that the Levant Company did not require that its members operate in all of its overseas locations or even deal in certain commodities. This gave individual Levant merchants the latitude to make their own strategic choices about where they did business and which products they traded. As chapter 4 will illustrate, this flexibility was the key to the Levant Company's survival in the first half of the eighteenth century. Levant merchants very much focussed their business on the silk trade in Aleppo during the 1740s, where it was still possible to earn reasonable margins.

The Levant Company and the HBC shared a reluctance to expand geographically although their motivations differed. The Levant Company was trying to control the marketing of cloth

[124]National Archives, SP 105/118, p. 138, Levant Company out-letter book, letter book from Aleppo, Levant Company to Porter 23 Mar. 1750.

by its members. The fewer the Levant Company locations, the easier it was to control cloth sales and the easier it was for the company to collect duties from its members. Whether the HBC's failure to expand into the North American interior could be termed a strategic choice prior to 1714 is debatable. After the trade was first established, the dominating factor in the company's early history was armed conflict with the French in Hudson's Bay, in the shape of both French settlers from Canada and regular forces from France. French victory in a naval battle in 1697, which saw the heavily outgunned French flagship defeat two armed company freighters and a Royal Navy frigate, left the French in control of all but one of the company's major posts on Hudson's Bay. The HBC succeeded in recovering all of its posts at Hudson's Bay in the 1713 Treaty of Utrecht, but the imprecise delineation of the HBC's territory meant that there was a persistent threat of further business disruption by the French.[125] After 1714, the HBC resisted geographical expansion because, as chapter 4 will illustrate, it would have required more forts and ships, thereby increasing fixed costs.

The HBC's strategy from 1720 through until 1763 was to manage the operation for cash rather than growth. This means that costs were strictly controlled and the cash proceeds from the business were not re-invested in the business. Rather, cash was distributed to shareholders (in the form of dividends), managers (in the form of 'loans') and invested in a growing portfolio of financial securities. A growth strategy would have involved more re-investment in the infrastructure of the business to provide a platform for accelerated growth. The origin of the HBC strategy of managing the operation for cash rather than growth can be traced to 1720, when an ambitious capital expansion scheme collapsed. The

[125] When Sir Bibye Lake and Colonel Bladen from the Board of Trade went to Paris in 1719 to negotiate the implementation of the terms of the Treaty of Utrecht, they were already complaining about French encroachment on HBC territory, E.E. Rich, *The Hudson's Bay Company*, pp. 484-5.

architect of this strategy was Sir Bibye Lake. The decisive factor which led Lake to pursue a strategy of managing the business for cash was the impact of the South Sea Bubble. The bursting of the bubble in 1720 made significant capital expansion within the framework of a joint stock company, such as the HBC, unrealistic.

Prior to 1720, the evidence suggests that Lake was interested in expansion. In June 1719 an expedition under the command of a former committeeman, James Knight, left Gravesend in search of copper and gold sources which had been reported by Indian informants. The hope was that this expedition would also uncover a northwest passage to Asia. Tragically, Knight, two ships and their entire crew of perhaps fifty men were never seen again. The failure of this expedition was not trivial. Its estimated cost was £8,000.[126] To put this sum in perspective, it was roughly twice the HBC's annual expenditure on trade goods in the first half of the eighteenth century.

While Knight's fate was still uncertain, Lake proposed a scheme to increase the capital stock of the company in August 1720. There were two elements to the scheme. The first was a three for one stock split to bring the capital stock from £31,500 to £94,500, a figure which more accurately reflected the value of the company's assets. The benefit to shareholders of this first element was that their dividends would triple, assuming a constant dividend rate. The second element of the scheme was more ambitious – a rights issue. This would have involved existing shareholders subscribing to a new issue of £283,500 which was to be paid in installments of 10% every three months. This would have been new money for the HBC and would have completely altered the scale of their operation. At the General Court of 23 August 1720, Lake stated that the stock of the company was too small to enlarge the

[126] A.S. Morton, *History of the Canadian West* (Toronto, 1973), p. 141.

trade.[127] The scheme was approved by the General Court a week later. The company undoubtedly required more capital if it was to fund more expeditions, move inland and construct new factories, but it is difficult to conceive of even the most ambitious plans requiring an extra £283,500. Clearly, Lake sought to take advantage of a rampant stock market. If share prices continued to appreciate, Lake and the other shareholders would have been able to sell their new shares at a profit. The staggered payments under the scheme also meant that existing shareholders would have had a significant leverage opportunity. If the market had continued to rise, existing shareholders could have sold their right to acquire new shares at a profit after making only a single 10% payment. Almost coincident with the approval of the scheme, the stock market crashed. The ambitious second element was formally dropped at a General Court meeting on 28 November 1720 where the governor acquainted the Court that the posture of affairs had much altered since last August. The three for one stock split proceeded and a modest amount of new capital had already been subscribed, bringing the capitalization up to £103,950. [128]

Had the South Sea Bubble not burst in the summer and autumn of 1720, Bibye Lake's challenge as governor would have been much altered. Sooner or later, when stock market growth slowed, investors in the HBC would have begun to demand dividend returns on their shares which were not radically out of line with the returns available on alternative investments (such as the 8% dividends which became the norm for the EIC). As the HBC's capital base would have been £378,000 if the scheme had gone ahead, dividends of over

[127] HBCA, A2/1, fol. 36, General Court minutes, 23 Aug. 1720. The RAC had also developed an ambitious plan to expand its capital base a few months previously through the issue of 'engrafted' stock.

[128] HBCA, A2/1, fol. 38, General Court minutes, 28 Nov. 1720.

£30,000 annually would have been required. This would have required a threefold expansion or more in the scale of the company's business. In the absence of entirely new lines of business such as the discovery of metal deposits, the only other option would have been to establish new fur trading posts inland, explore new territory in the west and compete aggressively with the French to the south. This strategic option was not seriously pursued by the HBC until 1774, when Cumberland House was established in what is now the province of Saskatchewan. The failure to increase the capital base to £378,000 was a blessing in disguise. It meant that shareholders had not bought in at grossly inflated prices, and they were benefiting from windfall dividend yields as a result of the three for one stock split.

The South Sea Bubble tarnished the reputation of joint-stock companies as investments and created a liquidity crisis. Even the mighty EIC suffered a fall in its cash reserves and was forced to cut its dividend.[129] After 1720, the HBC needed to fund even modest attempts at expansion through retained earnings, but, as a joint-stock company, the HBC still needed to pay dividends to satisfy shareholders. This made cash management the HBC's top priority. The collapse of the rights issue forced Bibye Lake into a strategy of managing the business for cash.

The sustainability of the HBC's strategy depended on three critical factors: a buoyant market for beaver fur, maintenance of supplies of beaver fur, and control of the HBC's fixed costs. Through good fortune and good management, demand and prices for beaver fur were on the upswing, supplies were only slightly declining and costs were under control.

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[129] K.N. Chaudhuri, *The Trading World of Asia and the English East India Company 1660-1760* (Cambridge, 1978), pp. 447-8.

Despite repeated management encouragement to develop trade in non-beaver products, particularly marten fur, beaver still represented the great majority of company revenues at the end of Bibye Lake's governorship in 1743.[130] Fortunately for the HBC, the drivers of demand for beaver fur were improving in the first quarter of the eighteenth century. One factor was a burgeoning export market for beaver hats. As early as 1695, it was estimated by members of the London hatting trade that 40% of their annual production was for the export market.[131] In 1700, England exported roughly equal quantities of beaver and felt hats (typically made of hare or rabbit) although the value of beaver hats was about three times that of felt hats. By 1720, exports of beaver hats had nearly tripled while felt hat exports remained relatively constant. By far the largest export market for beaver hats was Portugal, followed by Spain.[132] The Methuen Treaty of 1703, which facilitated trade with Portugal, was clearly a contributing factor to this increase. It has been estimated that England exported a total of some twenty-one million beaver hats between 1700 and 1770.[133] In addition to an increase in the export market for hats, there was also an increase in fur re-exports from England. Between 1700 and 1725, the value of this business increased by about a third, with Holland and Germany being the most important markets.[134] This improving demand picture early in the century resulted in significant price increases for beaver fur. Ann Carlos and Frank Lewis have calculated a composite price index for beaver

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[130] *Papers Presented to the Committee Appointed to Inquire into the State and Condition of the Countries Adjoining to Hudson's Bay* (1749), No. XXIV, pp. 29-33.

[131] D. Corner, 'The Tyranny of Fashion', *Textile History*, vol. 22, no. 2 (Autumn, 1991), p. 155.

[132] M. Lawson, *Fur: A Study in English Mercantilism 1700-1775* (Toronto, 1943), appendices G and H.

[133] A. Carlos and F. Lewis, *Commerce by a Frozen Sea* (Philadelphia, 2010), p. 25.

[134] M. Lawson, *Fur: A Study in English Mercantilism 1700-1775* (Toronto, 1943), appendix F.

pelts in London which rose roughly 50% between the early 1720s and the 1740s and then rose by a further 60% between the 1740s and 1750s.[135] The company was able to take advantage of these price increases because it was able to maintain reasonable supplies of beaver fur until the start of the Seven Years War.[136] Supplies of beaver fur showed a pattern of increase in the 1720s, reaching an all-time peak in 1730-1. Supplies declined in the early 1730s to levels similar to the early 1720s. After a spike in the late 1730s and early 1740s, supplies for the remainder of the 1740s were only slightly lower than they had been in the early 1720s.

HBC management resisted expansion of the business which would have increased overheads, but their hand would be forced by French competition. The major initiatives which resulted in cost increases were motivated by concerns regarding the French. Construction of a stone fort near modern Churchill, Manitoba (Prince of Wales Fort) began in 1732, shortly after the start of the expansion of the French fur trade westwards. The French had been competing in the hinterland of Fort Albany on James Bay since 1714 but their move westwards would bring them into the hinterland of York Fort, the main HBC factory, situated 100 kilometres to the southeast of Prince of Wales Fort. Maintenance of the HBC's beaver fur supplies was only made possible by an increase in production from Fort Churchill, which helped to compensate for a decline in returns from York Fort.[137] There was

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[135] Carlos and Lewis, *Commerce by a Frozen Sea*, table 2, p. 31.

[136] Arthur Ray provides a summary of returns from all the HBC's posts expressed in terms of their trade value in his *Give Us Good Measure* (Toronto, 1978), table 18, pp. 168-174. Ann Carlos and Frank Lewis provide totals of beaver skins traded at each post in their *Commerce by a Frozen Sea*, table A. 1, appendix A. Both sets of figures give the same general picture.

[137] The decline in returns at York Fort reflected a combination of French competition and depletion of beaver stocks. Carlos and Lewis have estimated that the French were capturing some 40% of the trade in the York Factory hinterland by the 1750s and beaver stocks in the hinterland of York Fort

a significant jump in HBC overheads between 1743 and 1744 when hostilities broke out with France.[138] Construction of Prince of Wales Fort was accelerated. The walls of Prince of Wales Fort were eventually forty feet thick. York Fort was rebuilt. A new ship, the Prince Rupert, was built and manned, and an existing ship, the Seahorse, was fitted and manned as well. The two ships were to remain in Hudson's Bay to protect Prince of Wales and York forts from attack by sea. The 1750s also saw the company's first tentative steps inland as Anthony Henday embarked on his western exploration.

Unlike the Levant Company and HBC strategies, which were intended to mitigate the financial impact of both direct and indirect competition, the Russia Company's strategy formed part of a joint initiative between the company and the British government to block French competition before it started. One might question the use of the term strategy in describing the actions of the Russia Company. The use of the term strategy in describing the actions of an organization implies a degree of pre-meditation with regard to the formulation of policies, and oversight with regard to the implementation of those policies. In a loosely structured organization such as the Russia Company it is tempting to regard the behaviour of its members as being unsystematic and opportunistic rather than planned. Certainly, Russia Company merchants were not subject to the micro-management of the HBC committee, or even the constant stream of orders from the court of the Levant Company to its factories. For example, in a letter to Lord Carteret concerning the involvement of the Russia Company in the Persian silk trade, the governor at the time, John Thompson, said,

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dropped by half between 1720 and 1750, *Commerce by a Frozen Sea*, pp. 143-4 and table A.1, appendix A.

[138] *Papers Presented to the Committee* (1749), no. XXIII, p. 28. Charges for carrying on the HBC trade rose from £12,772 in 1743 to £20,201 in 1744, an increase of almost 60%.

'The Russia Company does not in a corporate capacity carry on the trade to Persia but divers members of the company associate themselves or trade separate as they please'. [139] However, the Russia Company's members in Russia still needed to act in accordance with a code of conduct negotiated with the Russian government. The relationship between the Russia Company and the British government was also centrally managed by the governor and his assistants.

Although the reality of the Russia Company's business was that it was driven by the bulk import of relatively few raw materials, one of the distinguishing features of the company in the eighteenth century was its attitude towards new opportunities. It is telling that the Russia Company referred to itself as 'The Fellowship of English Merchants for the Discovery of New Trades'. Although forced to do so, the company expanded its membership in 1699 on the strength of a proposal to export American tobacco to Russia. The initiative to open up a silk trade with Persia, which was approved by Parliament in 1740, was another major new venture pursued by the company. [140] The Russia Company's strategy in the eighteenth century was one of diversification and growth. This contrasts with the HBC, whose strategy was to manage its operations for cash, and the Levant Company, whose strategy was tactical consolidation in order to support prices.

Developments in the first quarter of the eighteenth century established an economic foundation for the expansion of Anglo-Russian trade. Russia's victory in the Great Northern

[139]Guildhall library, Ms 11741, vol. 6, p. 287, Russia Company minutes, letter from Thompson to Carteret, 30 Dec. 1743.

[140] M.S. Anderson observed that, 'To many Englishmen, trade with Russia still seemed valuable chiefly because it might open up new channels of commerce with the East', *Britain's Discovery of Russia 1553-1815* (London, 1958), p. 126.

War and the acquisition of Baltic ports such as Riga, which was a significant source of hemp, meant that Russia would naturally gain a larger share of the British naval stores market. Russian dominance in the market created some concern but many members of the Russia Company were very familiar with the Eastland trade and, for them, the Russian acquisition of Baltic ports did not significantly disrupt business.[141] Many British merchants who had been members of the Eastland Company had experience in Riga, the most important port in the eastern Baltic, prior to its acquisition by Russia. The establishment of the Russian capital at St. Petersburg was another opportunity. Archangel had been established as the first Russian seaport under Dutch influence.[142] The diversion of trade from Archangel to St. Petersburg allowed the British to take the lead in establishing new trading relationships, not just with Russian merchants, but also with members of the Russian court. The imbalance of the British trade was attractive to the Russians because it was a major source of foreign currency, which was crucial to the operation of internal as well as foreign trade.[143] Access to the court was crucial to the British because certain products were subject to royal monopolies. Perhaps above all, the British benefitted from a decline in Dutch trade to the Baltic. Grain was the key to the Dutch Baltic trade. The Dutch imported Baltic grain for their home market as well as to re-export throughout Europe. As the Russians had no merchant

[141] According to Jacob Price, about half the tobacco contractors in 1699 were members of the Eastland Company, *Tobacco Adventure to Russia*, p. 38. At the time, the Eastland Company was the more vital of the two companies, having admitted 246 new members between 1670 and 1698, compared to only 37 new admissions to the Russia Company during that period, S. Astrom, *From Cloth and Iron* (Helsingfors, 1963), p. 189. Russian acquisition of ports on the Baltic effectively made the Eastland Company redundant.

[142] See, I. Lubimenko, 'The Struggle of the Dutch with the English for the Russian Market in the Seventeenth Century', *Transactions of the Royal Historical Society*, fourth series, vol. 7 (1924), p. 46.

[143] J. Newman, 'A very delicate experiment: British mercantile strategies for financing trade in Russia 1680-1780', in I. Blanchard, A. Goodman and J. Newman (eds.), *Industry and Finance in Early Modern History* (Stuttgart, 1992), pp. 117-8.

marine, the grain trade allowed the Dutch also to dominate the carrying trade in the Baltic. A number of factors, such as decreases in Baltic grain production due to the outbreak of plague and increased grain production, elsewhere in Europe, acted to reduce demand for Baltic grain in the early eighteenth century.[144] Furthermore, although they were not impermeable, the Navigation Acts prevented the Dutch from using their dominance in the carriage trade to profit from the growing British market for naval stores.[145]

The end of the Great Northern War (1700-21) marked a strategic juncture for the Russia Company because it allowed the company to pursue growth free from the disruption of Swedish privateers and the risk that its seamen would be pressed or lured into Russian naval service. The company estimated losses to Swedish privateers of £70,000 prior to October 1714 and a further £45,000 after October 1714.[146] In March 1717, the Board of Trade asked for input from the Russia Company regarding a potential treaty of commerce with Russia. This was a difficult time for Britain diplomatically. Russian troops occupied Mecklenburg in 1716-17 and Peter the Great supported the claim of the Duke of Holstein to Schleswig, thereby threatening Hanover. In 1717, Peter was in Paris trying to conclude a Russo-French alliance. [147] The treaty was not concluded. However, an indication that Anglo-Russian commercial relations required some fundamental improvement was that the first article in

[144] Ormrod, *The Rise of Commercial Empires*, pp. 209-13.

[145] In 1724, the Russia Company sent a memorial to the King complaining about the importation of Russian hemp via Holland due to cheap freight rates. Guildhall library, Ms 11741, vol. 5, pp. 126-7, Russia Company minutes, 4 Feb. 1724.

[146] Guildhall library, Ms 11741, vol. 4, pp. 437-9, Russia Company minutes, 24 Jan. 1717.

[147] M.S. Anderson, *Europe in the Eighteenth Century 1713-1783*, fourth edition (Harlow, 1991), p. 262.

the list of grievances provided by the Russia Company to the Board of Trade concerned the desertion of its seamen to the Russian navy. [148]

The Russia Company's strategy was unique amongst the three companies in promoting growth. The Russia Company's commitment to the discovery of new trades was not just public posturing – it was a statement of strategic intent. Growing demand for naval stores in Britain was an important component of the company's success, but supplying naval stores was not the whole story of the Russian trade. In Russia, members of the company were trying to develop a market for a broad range of consumer goods.[149] In London, prominent members of the company, such as Henry Sperling, had little to do with naval stores.[150]

The example of the Sperling merchant family illustrates how merchants in the companies had to adapt to a series of economic changes and underlines how the overseas markets of the chartered companies became increasingly interlinked. The Sperlings lessened their reliance on Holland as an entrepôt for exports to Europe, developed trading links to St. Petersburg and participated in the opening of a Persian silk trade via Russia. The Sperlings very much relied on the HBC as a supplier of furs and the Russia Company to open up new trade opportunities through agreements with the Russian government. The Sperling case study also illustrates the linkage between *la guerre économique* and domestic politics. In particular, the Russia Company's Persian silk trade arose from political concern regarding the losses of the Levant Company to French competition.

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[148] *BOTJ*, vol. 3, 29 Mar. 1717.

[149] See, J. Newman, 'A very delicate experiment', p. 121. Alexander Cook kept six to eight rooms in his house for displaying cabinetware, mirrors, wallpaper, china and bric-a-brac.

[150] Sperling imported some hemp and flax and exported furs. He also became very interested in the Persian silk trade when that business was active in the early 1740s.

Merchant Adaptability: A Case Study

Henry Sperling sr. was born in Danzig in 1659 and came to England shortly after marrying Anna Crol in Rotterdam in 1698.[151] Henry was a member of the Russia Company whose place of business in the City was on Laurence Pountney Lane. Upon his death at Chigwell in Essex in January 1739, the *London Evening Post* remarked that he was 'a very considerable Russia merchant and the greatest exporter of furs that ever was in London'.[152] Henry Sperling jr. (b. 1702) purchased his freedom of the Russia Company in January 1730.[153] Ten years later, he was elected to the company's court of assistants.[154] The ledger of Henry jr. and his brother John (b. 1704), who followed their father into the fur business, provides details of their operations for the years 1719-1748.[155] The Sperlings sought to take full advantage of Britain's expanding global trading links. [156] They were not just suppliers of fur to the British market. From their London base, the Sperlings were linked to seven major overseas markets on three continents. To understand the complexity of their business, it is useful to first consider how their trade worked for a single commodity – beaver fur.

Beaver fur was a major line of business for the Sperlings. In the 1740s, they were purchasing about £4,000 annually of beaver fur. Henry sold very little of this beaver fur to

[151] Essex County Record Office, Chelmsford, D/DGd Z32, genealogical notes re Sperling family.

[152] *London Evening Post*, 12 Jan. 1739.

[153] Guildhall library, Ms 11741, vol. 5, p. 320, Russia Company minutes, 15 Jan. 1730.

[154] Guildhall library, Ms 11741, vol. 6, p. 174, Russia Company minutes, 1735-56, 1 Mar. 1740.

[155] Essex County Record Office, D/DQl/1, ledger of Henry and John Sperling.

[156] Involvement in multiple commodities and multiple markets was common for merchants in the Russia Company.

hatmakers in Britain. The two major markets for Henry's beaver fur were Russia and Holland. In the case of Holland, one suspects that a substantial portion of the beaver fur exports was also ultimately re-exported to Russia. This trade pattern was not a new development. In his article, *Russia and the Colonial Fur Trade*,[157] E.E. Rich described how Russia was by far the most important destination for French-Canadian beaver fur in the seventeenth century, with most of it shipped to Russia via Amsterdam. As Rich put it, 'the Canadian fur trade depended ultimately on Dutch access to the Russian market'.[158] The HBC had tried to muscle in on the French trade when it initiated a direct trade to Russia in 1694 but difficulty in securing payment forced them to abandon the effort within a few years and, instead, they relied on furriers in London (such as Sperling) to re-export to Russia. The source of Russian demand for beaver fur in the late seventeenth century lay in their possession of a trade secret – the combing of beaver wool from the undercoat leaving a fine fur suitable for trimming garments. The Russians used some of this processed fur domestically but also exported considerable quantities, notably to Germany. Other countries acquired this trade secret in the eighteenth century but Russian demand for beaver fur remained strong. Eighteenth-century Russian demand for beaver fur was fuelled by a growing re-export business to China. As Arcadius Kahan noted, furs made up about half of Russian exports to China, where demand was strong, impelling the importation of pelts from Western Europe.[159]

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[157] E.E. Rich, 'Russia and the Colonial Fur Trade', *EHR*, new series, vol. 7, no. 3 (1955), pp. 307-28.

[158] Ibid., p. 316.

[159] A. Kahan, *The Plow, The Hammer and the Knout* (Chicago, 1985), p. 235.

Holland's position as an entrepôt for Russian trade was reinforced by the requirement prior to the Anglo-Russian Commercial Treaty of 1734 that Russian duties had to be paid for in reichsdollars. The commerce treaty gave British merchants the right to pay Russian duties in either reichsdollars or Russian currency. However, in practice, Amsterdam remained the financial centre through which much of Russian trade flowed.[160] Fortunately for the Sperlings, they had several relatives active in Holland. Jacobus Crol in Amsterdam was their major Dutch customer for beaver fur, which he presumably re-exported to Russia.[161] Russian bills of exchange also flowed through Jacobus Crol to the Sperlings. Henry and John's sister, Anna Catherine, had married a Theodore Liebenrood of Rotterdam and a Liebenrood was the major supplier of flax to the Sperlings (which he acquired from Russia). The importation of Russian goods to England via Holland (thereby bypassing Russia Company duties on imports) was a long-standing concern of the Russia Company's. In 1724, the Russia Company sent a memorial to the King complaining about the importation of Russian hemp through Holland due to cheap Dutch freight rates.[162] The Sperling Russian trade still relied on the traditional Dutch entrepôt in the first half of the eighteenth century but this reliance was lessening from the 1730s. Archangel was the traditional outlet for Russian commerce with the West. Holland dominated the carrying trade to Archangel. [163]

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[160] It was only after the Seven Years War that Britain minted a silver coin which the Russians accepted in payment of duties.

[161] Crol was likely a Sperling relative on the mother's side.

[162] Guildhall library, Ms 1174, vol. 5, pp. 126-7, Russia Company minutes, 4 Feb. 1724.

[163] In *Anglo-Dutch Commerce and Finance in the Eighteenth Century (*Cambridge, 1941*),* p. 7, Charles Wilson describes the Dutch intermediary trade as being pretty well intact at the beginning of the eighteenth century and describes Archangel as a major terminus of the northern branch of the trade. Wilson saw 1730 as the start of serious decline in the Dutch intermediary trade, Ibid., pp. 16-27.

However, trade volume to Archangel peaked in 1715-16.[164] Archangel quickly dropped to third place amongst Russian ports behind St. Petersburg, following its establishment, and Riga, following its acquisition by Russia in 1709. English merchants were quick to establish themselves in these new centres. Robert Dingley was the main customer of the Sperlings for Russian goods in England and, by the 1740s, once he established a partnership in St. Petersburg, Dingley also became the main conduit for Sperling furs exported to St. Petersburg. The Sperlings maintained a partnership in Archangel where a younger sibling, George Sperling, was based, but the development of St. Petersburg allowed the Sperlings to triple their return from Russia between the early 1730s and the early 1740s.[165] The Sperling experience points to a relative decline in active Dutch participation in the Russia trade but, as David Ormrod observed, some Dutch merchants continued to participate in the trade indirectly as investors in British trading operations.[166]

The major suppliers of beaver fur to the Sperlings were the HBC and Samuel Storke, a London merchant trading to the American colonies. Henry Sperling appeared on behalf of the HBC in the 1749 parliamentary enquiry into the HBC monopoly and in his testimony he stated that 'if beaver had been cheaper he could have disposed of five times as much, especially to Russia'.[167] The close relationship between the Sperlings and the HBC was

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[164] Kahan, *The Plow, the Hammer and the Knout*, p. 255.

[165] Sperling ledger, fol. 91, indicates Returns at Russia increasing from roughly £1,000 per year in the period 1731-6 to £3,000 per year in the period 1738-42.

[166] D. Ormrod, *The Rise of Commercial Empires*, pp. 74-5. Some of these Dutch merchants had re-located to London.

[167] Henry Sperling testimony to Lord Strange, 24 April, 1749 in Sheila Lambert (ed.), *House of Commons Sessional Papers of the Eighteenth Century 1741-50*, vol. 18 (Wilmington, Delaware, 1975), p. 245. This quote was intended as an indication of the potential of the Russian market rather than a criticism of the HBC. Sperling was a witness for the HBC and he provided evidence to counter the

cemented in 1752 with the marriage of Henry's daughter, Anna Maria, to Bibye Lake junior, a future governor of the HBC, whose father and brother had also been HBC governors. Samuel Storke, the other major beaver supplier, obtained his fur from the American colonies, principally New York and Pennsylvania. Storke sold his fur to the Sperlings and, in return, imported Russian hemp and canvas into the American colonies.[168] Storke's position in New York at times put him in conflict with the interests of the HBC. In 1724, Storke signed a petition asking for a repeal of the prohibition of commerce between New York merchants and the French in Canada on the basis that it prevented New York merchants from securing trade with Indians who were positioned between New York merchants and the French.[169] Storke and his son both became members of the Russia Company in 1744.

Beaver fur was not the only commodity in which the Sperlings traded. The beaver trade was less important to the Sperlings than the trade in fancy furs (marten, fox, otter, ermine etc.) used in clothing. Germany (mainly Hamburg and Leipzig) was the most important market for fancy furs which were sold at Michaelmas, Easter and New Year fairs. The Sperlings developed a trade to Leghorn in Italy in the 1740s which involved the export of Russian goods such as hides and caviar. In 1741, the Sperlings also became involved in the importation of Persian silk via Russia. They established a three-way partnership with Robert Dingley and the firm of John and Abraham Korten, who were originally from Hamburg. The business flowed through St. Petersburg and largely involved the trade of cloth for silk.

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criticism that the HBC was missing an opportunity to develop a substantial trade in other products such as deer hides.

[168] W. I. Roberts III, 'Samuel Storke: An Eighteenth-Century London Merchant Trading to the American Colonies', *BHR*, vol. 39, no. 2 (summer, 1965), p. 156.

[169] *Papers Relating to an Act of the Assembly of the Province of New York for Encouragement of the Indian Trade*. *A Petition of the Merchants of London to His Majesty* (New York, 1724).

The Persian silk business is a good illustration of how a territory on the fringes of several regional monopolies was contested between chartered companies. Access to the Persian market was the subject of a parliamentary dispute between the Russia Company and the Levant Company in 1740-1, which is discussed in chapter 5. Prior to the outbreak of war between Persia and the Ottoman Empire in the 1720s, most of the quality silk imported by the Levant Company originated in Persia and was transported by Armenian merchants to either Smyrna or Aleppo. The Levant Company was able to develop alternative sources of silk supply in Anatolia and Syria, but it believed that it continued to have monopoly rights to the Persian trade even after the Persian silk supply to the Ottoman Empire was disrupted. The records of the Russia Company suggest that even though they only formally applied to Parliament for the right to get into the silk trade in 1740, they had seriously considered it as early as 1724.[170] Mounting Levant Company losses to the French led the Board of Trade to suggest to the Russia Company that they enter the Persian business. The Levant Company's privileges in Persia were previously challenged by another chartered company. Prior to the development of the Bengal and Chinese silk markets, the EIC was very interested in obtaining Persian silk which was shipped to Bombay and then on to England. [171] The Levant Company unsuccessfully attempted to block the EIC's Persian trade in Parliament in 1698. The Sperling Persian silk business was active from 1741-5 when the right of the Russia Company to import silk through Russia was stopped by the Czarina Elizabeth. The Czarina

[170] Russia Company minutes of 4 March 1724 contain a draft petition to the Commons asking for the right to import silk from Persia and Armenia, Guildhall library, Ms 11741, vol. 5, pp. 140-1.

[171] Wood, *Levant Company*, pp. 114-18.

had become alarmed at the behaviour of a Captain Elton, who supported the development of the Persian navy on the Caspian Sea despite the protestations of the Russia Company.[172]

The Sperlings were prosperous merchants and the size of their operation was comparable to a reasonably-sized Levant merchant of the period.[173] The Sperling trade involved linkages to Russia, Holland, Italy, China, Persia, Rupert's Land and the American colonies. Within these markets, conflicting interests were evident between the HBC and the American merchant, Samuel Storke, as well as between the Russia Company and the Levant Company. The conflict between the HBC and Storke stemmed from the fact that merchants in New York had no interest in trade restrictions which were intended, in part, to protect the HBC monopoly from French competition. The conflict between the Russia Company and the Levant Company arose for two reasons. The first was that Britain's improved standing in Russia made it viable for the Russia Company to access a market which the Levant Company considered to be theirs. The second was that losses to the French damaged political support for the Levant Company's monopoly in this area.

The Sperling case study shows that merchants in the companies were able to respond quickly to market developments. In the case of the Russia Company, in particular, company membership was a means of accessing new markets and did not constrain the ability of the Sperlings to pursue new opportunities. However, the Sperling case study also shows that

[172] The Elton episode is described by Jonas Hanway in his *An Historical Account of the British Trade Over the Caspian Sea*, vol. 1 (1754), pp. 301-12.

[173] The total capital stock of Henry and John Sperling was £30,176 in 1748. This compares with partnership capital of £34,051 for the Levant merchants, Edward and Arthur Radcliffe, in 1755, after their business had been run down, Davis, *Aleppo and Devonshire Square*, p. 69.

major changes in overseas markets led to linkages between markets which would make existing regional trade monopolies less sustainable.

Conclusion

The different strategies employed by the three companies demonstrate that companies could deal flexibly with different operating environments. There was no single company approach to business. The different strategies set by the companies during the period 1718-21 proved to be reasonably durable thanks in no small part to peace with France. Intensifying French competition was the underlying cause of the strategic changes made by the HBC and forced on the Levant Company. In the case of the HBC, it led to increased spending on forts and ships as well as tentative moves to explore westwards.[174] In the case of the Levant Company, parliamentary challenges led to competition for Persian silk, the end of general shipping, relaxed admission requirements to the company, and geographic expansion. For the Russia Company, the Commerce Treaty of 1734 significantly accelerated the trajectory of growth. Although the government pursued the treaty to block a French alliance with Russia, in the words of N.C. Hunt, 'the government never made a single move without consulting the Russia Company first; and always the government did exactly as advised by the company and the Board of Trade'.[175]

[174] The expense of maintaining forts was a key argument of the RAC in its eighteenth-century parliamentary debates and, as chapter 7 will discuss, was an important consideration in the HBC debates.

[175] Hunt, *The Russia Company and the Government*, p. 53.

The overseas organizations of the companies reflected their strategies. HBC employees in Rupert's Land were typically unskilled and low paid contract labourers whose behaviour was controlled in minute detail. This was consistent with the HBC strategy of managing the operation for cash by tightly controlling costs. The Levant Company representatives overseas were merchants in training. After typically serving seven to ten years as factors in the Levant, factors of established Levant merchants, who were often younger relatives, would return to London where they began trading on their own account. Their conduct overseas was regulated through policies enacted in London, but enforced by local officials. This structure facilitated a strategy which sought to minimize internal price competition while permitting its members flexibility in terms of products and markets. The Russia Company relied less on family ties and employed a large number of foreign-born factors. The Russia Company had relatively few expectations regarding the behaviour of its representatives overseas, other than that they would not annoy the Russian authorities. This was consistent with the Russia Company's growth strategy.

Just as the overseas organizations of the companies were suited to their strategies, so were the skills of their members in London. In particular, the companies were able to attract key managers with the financial skills and political connections which would allow them to adapt to their changing commercial and political environment.

Despite the fact that the HBC and the Levant Company faced French rivals who were, in practice, less regulated than they were, changes to the organizational structures of the companies were not a panacea for their competitive challenges – there were other economic influences at play. Commenting on the prospects for improving the Levant trade in 1757, Malachy Postlethwayt observed,

> That the measures we have taken to restore this trade will effect the end aimed at, a little time will shew. The measures we depend upon for success herein, are laying the trade open, thinking that a competition amongst our traders is the sovereign remedy to make our commodities cheaper, and to supplant our foreign rivals; but I am afraid that our advancement in the Turkey trade will rather depend upon abilities to sell our commodities in general as cheap as France can afford to do, and not upon our traders underselling each other: the only maxim, it seems, we depend upon for outdoing our rivals; a maxim that will prove no less ruinous to the trade, I fear, than a monopoly.[176]

Postlethwayt's remarks highlight the need to go beyond organizational issues in order to understand the performance of the companies. To this end, the next chapter seeks to identify the key operational concerns of company managers by examining how they sought to manage revenues, costs and cash flow.

[176] M. Postlethwayt, *Britain's Commercial Interest Explained and Improved*, vol. 2 (London, 1757), p. 314.

Chapter 4 – Operations and Results

This chapter examines the operations of the companies in some detail and provides an overview of their economic performance. The operational analysis examines how the companies and merchants in the companies generated revenues, controlled costs and managed their cash flow. These are the major determinants of company profitability. The overview of economic performance looks at the companies in terms of growth, profitability and market share. The analysis of the operations of the companies provides new insights into how this important group of London merchants ran their businesses. In the case of the HBC and the Levant Company, it also provides important insights which can help to address long-standing historiographical issues regarding their competitiveness.

The differences between the companies in terms of how they generated revenues and controlled costs are not surprising – the companies were in quite different lines of business and operated in very different overseas markets. However, the companies shared some similarity in terms of their British customer base. Fernand Braudel observed that 'wholesalers dominated every sector of trade in London' and the customer base for the three companies in Britain was mainly comprised of large wholesalers.[1] Wholesale customers helped to make revenues more predictable than retail businesses, which would have been more subject to fashion-induced demand fluctuations. As chapters 5 and 6 will discuss, this focus on large wholesale customers, especially in London, also had political implications. Unlike the RAC, whose main customer base was in the West Indies for most of this study period, parliamentary criticism of the HBC and the Levant Company from London was muted.

[1] F. Braudel, *The Wheels of Commerce*, English translation (London, 1985), p. 96.

This detailed approach also reveals the impact of the development of the financial services industry on merchant enterprise. While there are separate historiographies concerning the commercial and financial revolutions in the late seventeenth and eighteenth centuries, our knowledge of how businesses used financial services to pursue their commercial objectives is limited. Previous merchant studies have tended to emphasize the role of companies, particularly the EIC, in supporting the national debt and the role of credit in the expansion of trade, particularly transatlantic trade. The companies in this study shared a common focus on cash flow management but they differed from other groups of merchants. Credit was a relatively minor concern for the companies in this study, but regulation of their cash flow and financial diversification were critical. In the previous chapter, the involvement of senior members of the companies, particularly the Russia Company, as directors of joint stock companies was noted. This chapter shows how the companies and individual merchants in the companies used portfolios of securities to manage their businesses. Their experience represents an important stage in the evolution of merchant finance. As Stanley Chapman observed, 'eighteenth-century merchants were still primarily concerned in handling the commodities of the import-export trade, while the nineteenth century saw a shift to the provision of services'.[2] The companies in this study and their managers were already showing evidence of a transition to more service-based merchant enterprise in the first half of the eighteenth century. By the nineteenth century, merchants, more generally, would play a key role in the expansion of British manufactured exports through their knowledge of

[2] S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), p. 77.

foreign markets and shipping as well as through investment of surplus capital in manufacturing.[3]

There were also important similarities in the competitive difficulties faced by the HBC and the Levant Company. The shortcomings of British manufactured products were the result of the lack of a distinct advantage in product quality, combined with pricing inflexibility in overseas markets on the part of the companies. In both cases, the French were also physically closer to their overseas customers and more responsive to their needs. For the Levant Company, the inability to match French cloth prices was the critical competitive factor, and the requirement to pay for British diplomatic costs in the Ottoman Empire was a significant constraint upon its pricing flexibility. For the HBC, the lack of competitive British manufactured products was a less acute problem as luxury goods, such as tobacco and alcohol, became more important in the trade, and the HBC's financial reserves increased.

In terms of overall commercial performance, there were some similarities, but also some important differences, between the companies in this study and the other two major chartered companies engaged in overseas trade– the RAC and the EIC.[4] Like the RAC, the HBC and the Levant Company lost significant market share. In the case of the RAC, however, its principal competitors were other British merchants rather than foreign rivals. In addition, while the RAC could not survive without government subsidies, the HBC and the Levant Company demonstrated considerable financial resilience. Even apart from its role as a financial institution, the EIC was expanding as a trading organization. However, the EIC

[3] N.S. Buck, *The Development of the Organisation of Anglo-American Trade, 1800-1850* (New Haven, 1925), pp. 164-5.

[4] Technically, the South Sea Company was also a chartered company but its trading activities were minor compared with its role as a financial institution.

was not the only chartered company to increase its trade. The Russia Company was one of the greatest and least appreciated success stories of eighteenth-century British commerce.

Generating Revenue: Products, Pricing and Customers

With a few exceptions, the products which the three companies brought back to Britain were raw materials for manufacturers. Their imports were sold to relatively few large customers in Britain. Although some of these raw materials were used to manufacture products for the consumer market, it was their wholesale relationships which mattered most to the companies rather than trends in consumer fashion. Revenues also tended to be concentrated in relatively few products although the portfolios of the Levant Company and the Russia Company did show some variation over time. The Levant Company's product portfolio shrank in the face of intense competition while the Russia Company's expanded as the potential for Russia to displace Sweden as a source of raw material for British industry became apparent. The sources of revenue for the HBC remained relatively constant. As the Levant Company and HBC trades were barter trades for most of this study period, revenues were only earned when imported goods were sold in Britain or re-exported. Therefore, this section on the components of revenue only considers the imports of the Levant Company and the HBC. Their exports are considered as costs in the section following revenues. Although the Russia Company monopoly only applied to imports, Russia Company merchants also exported goods to Russia. As the Russian business was only partially done on the basis of barter, Russian merchants could earn revenue on imports as well as exports.

The analysis of revenue starts with the HBC, which, as a corporate enterprise, best demonstrates the insights which can be gained from a detailed operational analysis. Its

relatively small size also makes the HBC business comparable to that of individual merchants. Beaver fur was the HBC's core business. As part of the 1749 parliamentary enquiry into the company's business, the HBC divulged a detailed breakdown of its sales for the preceding ten years.[5] During this period, beaver fur accounted for roughly three-quarters of total revenues which ranged from just under £23,000 to just over £30,000 per annum. The major use of beaver fur was in the production of beaver hats. For most of the eighteenth century, the fashion for men was for three-cornered hats which, depending on the quality of the hat, used some combination of beaver and less expensive furs. Britain had benefited from the influx of Huguenot hatmakers from France following the revocation of the Edict of Nantes and a thriving hatmaking industry developed, centred on Southwark in London. We do not have good data for domestic demand for hats, but the rapid development of the export trade in high value beaver hats was a key feature of the development of the hatting industry in Britain. Between 1720 and 1750, the value of beaver hat exports from England more than tripled.[6] The British hatmaking industry was boosted by the Hat Act of 1732 which forbade the export of hats from the British colonies. Several large hatmakers dominated the export trade, with the largest reported to have exported more than £12,000 worth of hats annually in the 1730s.[7] The contacts required for the export trade and the large amounts of liquid capital required for the purchase of beaver fur at auction led to the dominance of the hatmaking trade by relatively few large merchants.[8]

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[5] *Papers Presented to the Committee Appointed to Inquire into the State and Conditions of the Countries Adjoining to Hudson's Bay, and of the Trade Carried on There* (1749), No. 24, pp. 29-33.

[6] M. Lawson, *Fur: A Study in English Mercantilism 1700-1775* (Toronto, 1943), appendix H.

[7] R. Weinstein, *The History of the Worshipful Company of Feltmakers, 1604-2004* (Chichester, 2004), p. 39.

[8] D. Corner, 'The Tyranny of Fashion', *Textile History*, vol. 22, no. 2 (autumn, 1991), pp. 166-8.

Even more significantly for the HBC, the need for capital and contacts led to a concentration of trade amongst large furriers. In the year immediately preceding the parliamentary enquiry, some 60% of HBC sales involved just four large buyers – Henry Sperling, Herman Berens, Anthony Lutkens and Samuel Robinson.[9] These big buyers were skinners and not feltmakers. They also had close ties to the HBC. Berens and Sperling were shareholders. Sperling's daughter married Sir Bibye Lake's son and two of Berens's descendants became HBC governors in the nineteenth century. A striking characteristic of these large furriers is their strong orientation towards the export market. In 1730, English beaver fur exports amounted to 60% of beaver fur imports.[10] The HBC needed large customers to provide an assured market for their furs because their ability to expand production was limited and supplies of beaver fur were under pressure, as stocks depleted around the major trading posts and French competition intensified. From the HBC's point of view, large customers such as the Sperlings were highly desirable. They were financially stable (roughly a third the size of the HBC itself), paid promptly (usually within weeks of an auction thanks to a 5% discount offered by the HBC), and assumed much of the risk in developing new markets such as Russia.

On the surface, diversification seems to be a strategy which might have offset the impact of declining supplies of beaver but it amounted to little. The company archives are full of references to exotic products such as goose feathers and narwhal tusks but, in practice, the only significant product other than beaver was marten fur, representing 10%-15% of revenues in the 1740s. Perhaps the HBC was reluctant to commit too heavily to martens as

[9] HBCA, A 48/2, pp. 52-63, Fur Sale Book.

[10] Lawson, *Fur: A Study*, appendices C and D.

demand for marten fur, used in clothing, was very dependent on fashion, as Henry Sperling noted in his 1749 testimony to Lord Strange's committee.[11] The core competencies of eighteenth-century merchants were financial management and organization of the myriad logistical requirements of overseas trade, not fashion sense.

The large price increase for its core product, beaver fur, was the fundamental reason why the HBC was able to pay steady dividends and increase retained earnings under Bibye Lake's governorship without substantially expanding its operations. There are a number of potential explanations for the more than doubling of price for beaver fur between the 1720s and 1750s. Elizabeth Mancke has shown that the HBC committee controlled the quantities to be offered at each auction.[12] Of course, the HBC was not the only supplier of beaver fur to the English market. While the French prohibited beaver fur exports to Britain, New York merchants based in Albany were also active in the fur trade. There is some suggestion that furs from Canada were secretly exported to Albany, but the quantities involved seemed to merely compensate for dwindling American fur stocks. New York's share of British beaver fur imports was about a third in the 1720's.[13] New York merchants were not obliged to sell their furs at public auction but the HBC auction in March effectively set the price for New York furs.[14] HBC furs were better quality than New York furs and generally commanded a significant price premium (perhaps 20%-40%). British merchants buying for export could

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[11] Henry Sperling testimony to Lord Strange, 24 April, 1749 in Sheila Lambert (ed.), *House of Commons Sessional Papers of the Eighteenth Century 1741-50*, vol. 18 (Wilmington, Delaware, 1975), p. 246.

[12] E. Mancke, *A Company of Businessmen* (Winnipeg, 1988), pp. 22-41.

[13] Ibid., p. 34.

[14] W. Roberts, 'Samuel Storke: An Eighteenth Century London Merchant Trading to the American Colonies', *Business History Review*, vol. 39, no. 2 (summer, 1965), p. 165.

buy Canadian furs in Amsterdam and this would have had some impact on beaver prices in London but, essentially, price for the British market was set by the HBC auctions. Inventory management by the HBC would, therefore, have influenced the market price for beaver but the underlying explanation for the increase in prices has to be related to increases in demand.

While the HBC's portfolio of imports remained relatively constant, the Levant Company's portfolio narrowed during the first half of the eighteenth century. As Ralph Davis observed, 'the import to England of almost all the principal Levant products reached a peak in the last quarter of the seventeenth century and then began to fall away'.[15] Silk was always the most important import but mohair, galls (used to make dyes) and dried fruit were also significant in the seventeenth century. By 1730, Davis estimated that silk accounted for nearly four-fifths of the import trade.[16] The process of portfolio simplification can be illustrated using the example of John Mitford, a Levant merchant whose journal survives for the years 1730-51.[17]

Mitford's father, also named John, was a Baltic merchant as well as being a member of the Levant Company. Mitford's eldest brother, William, had worked for his father as a factor in Stockholm. [18] John Mitford acted as his father's factor in Smyrna. His first recorded appearance at a meeting in Smyrna was in January 1711 and he returned to England from

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[15] R. Davis, 'English Imports from the Middle East, 1580-1780', in M.A. Cook (ed.), *Studies in the Economic History of the Middle East* (London, 1970), p. 201.

[16] Ibid., p. 195.

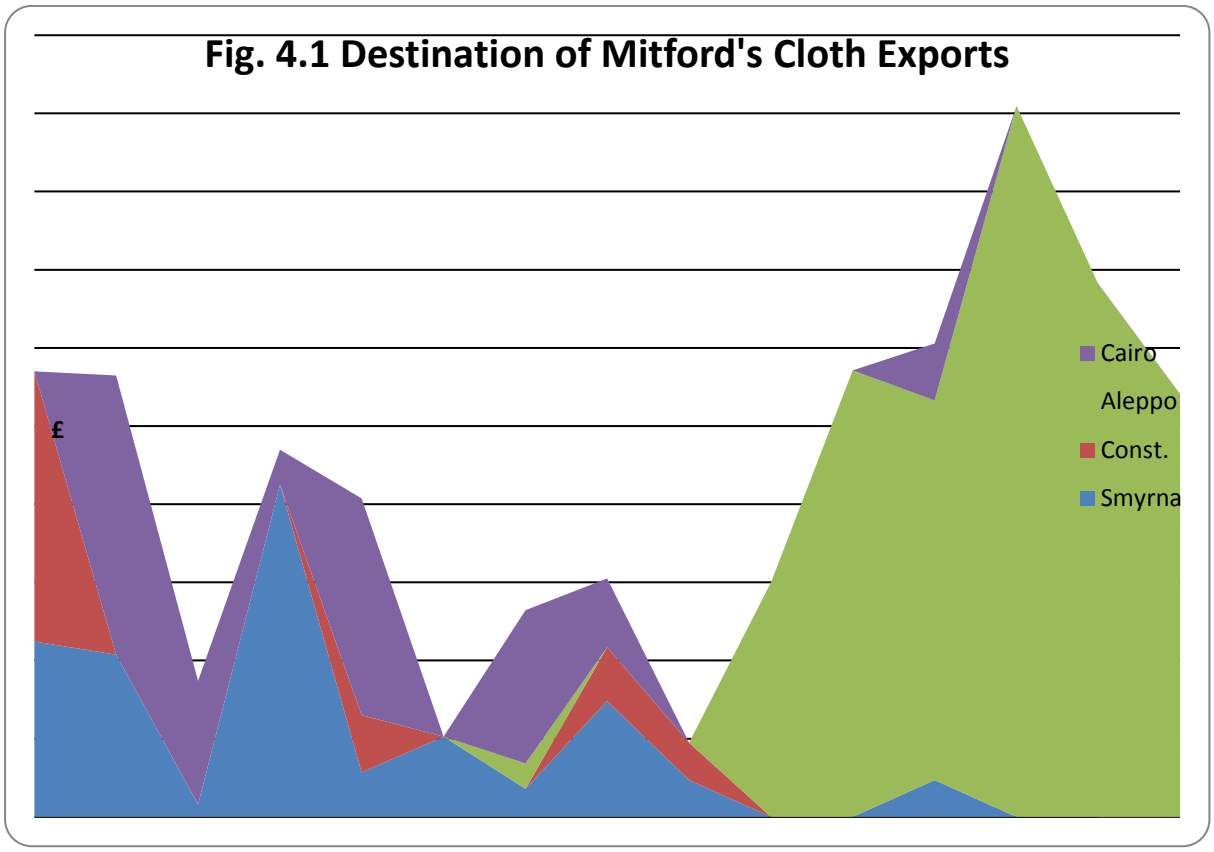
[17] In addition to the journal, there is a large collection of Mitford's correspondence in the National Archives, C113/11-12, Chancery Master Kindersley's Exhibits. The journal is in C113/11, item 59.

[18] J. Price, 'Multilateralism and/or Bilateralism: The Settlement of British Trade Balances with the North c. 1700', *EHR*, new series, vol. 14, no. 2 (1961), p. 271.

Smyrna in 1718. After returning to England, John established a partnership with Charles Frye and Thomas Winton in Smyrna. This partnership was to last for three years, from 1720 until 1723. The partnership was dissolved upon Winton's death in 1723 but Mitford remained in business with Charles Frye for the rest of his life. Charles Frye was already an old hand in the Levant business when Mitford arrived in Smyrna. Frye first arrived in Smyrna in 1702. Frye spent portions of the next three decades in Smyrna and became the Husband for the Levant Company, an important position responsible for organizing shipping. For the period 1737-51, Mitford & Frye's imports to Britain averaged a little more than £5,000 annually.

During the 1730s, Mitford imported a variety of products. Silk was important but so too was mohair (sold mainly to the Irish market). Other products included goatswool, senna, saffranon, cotton, coffee and carpets. Cyprus was an important source for Mitford's silk but Smyrna and Alexandria were the most important trading centres in which he operated. Mitford's business began to change in the mid-1740s. Starting in 1743, Mitford began dealing with a factor in Aleppo called Richard Stratton (a future director of the Bank of England), who also acted as a factor for the Radcliffes. Cyprus silk was displaced by silk from Syria and Anatolia. Following the depression of the war years (at its worst in 1745-6), Mitford increasingly dropped non-silk products from his imports and his business became the importation of silk from Aleppo. As figure 4.1 illustrates, this focus and rising silk prices following the War of the Austrian Succession allowed Mitford's business to grow to record levels. [19]

[19] In figure 4.1, the destination for Egyptian cloth exports is shown as Cairo because this is where Mitford's Egyptian correspondent, John Coke Upton, was based. It is assumed that this was the ultimate destination for the bulk of the cloth sent to Egypt, even though it was landed in Alexandria.



Source: National Archives, C113/11, John Mitford's journal.

There are several factors which contributed to Mitford's shift in focus in the 1740s. Ralph Davis commented that Mitford was on much less intimate terms with his correspondents than were the Radcliffes .[20] This lack of intimacy with his correspondents was not necessarily an indication of lack of business acumen on Mitford's part. Mitford had somewhat different business interests than the Radcliffes prior to the 1740s. In particular, shipping was a bigger part of Mitford's business and his trade patterns prior to the 1740s reflect, to a large extent, the routes taken by the ships in which he had an ownership interest. At the end of 1738, Mitford owned portions of at least five ships. The level of

[20] Davis, *Aleppo and Devonshire Square*, p. xii. The Radcliffe records were the main source used by Davis.

Mitford's trade with Alexandria/Cairo seems unusual and was fraught with difficulty, but the focus on Egypt makes more sense when it is understood that the two ships for which Mitford effectively acted as a managing partner on behalf of other owners, the Halifax and the Ruxley, were engaged in trade to Alexandria.[21] Mitford's correspondence with the captains of these ships is revealing in its detail. Mitford's interests in shipping to and from Alexandria also led him to become involved in the export of linen from Alexandria to Livorno in Italy. In addition, Mitford sold insurance on ships from Smyrna to London in which he did not have a direct ownership interest. Several developments in 1740 are likely to have contributed to Mitford's change in direction. One was that his mother died and left him an inheritance of £10,000.[22] The capitulations negotiated by France in 1740 also gave French merchants preferential customs duties, thus reinforcing their dominance in Smyrna. Mitford, therefore, became less reliant on his shipping investments for income and he could contemplate using his capital to shift his focus to silk, where he had a strong factor working on his behalf, and where the outbreak of war led to rising prices. In 1740, Mitford sold his interest in the Halifax for £3,000.[23]

Mitford sold his silk to private buyers until 1749 when he began to use the services of Burdett, Wyatt and Brown, the same auction house used by the Radcliffes. By the late 1740s, Burdett, Wyatt and Brown were charging commissions of 1% on sales.[24] Private silk

[21] Charles Frye's will of 1767 complained bitterly of his near destitute financial status, which he attributed to debts left to him by Mitford in Egypt. Frye expressed his happiness at being 'released from this troublesome world'- National Archives, PROB 11/934, PCC will of Charles Frye, 16 Dec. 1767.

[22] Mitford journal, p. 252.

[23] National Archives, C113/11, bundle 30, Mitford papers, ships accounts 1737-40.

[24] Hertfordshire Record Office, DE/R/B 381, Radcliffe silk sales.

sales were mainly to silkmen (wholesalers) although some Levant merchants, such as the Bosanquets, also began selling directly to large weavers by the middle of the century.[25] Both raw silk re-exports and manufactured silk exports from Britain were modest.[26] The silk market was basically a domestic British market. However, Ireland was an important market for mohair. The use of brokers to sell other Levant imports was common.[27]

Prices for Levant silk began to rise sharply during the mid to late 1740s, but by then many Levant merchants had dropped out of the trade. In the early 1750s, London prices ranged from 22-26 shillings per pound of 24 ounces compared with prices of 16 shillings or less in the 1730s.[28] For Levant merchants, the 50% price increase for their primary product came 20 years too late to insulate them from French competition. Demand trends were also going against Levant merchants in the 1730s. Evidence of the pressure on silk and mohair demand is the defeated Button and Button Hole Bill of 1738, which was intended to prohibit the manufacture of buttons from cloth, serge and other stuffs.

The composition of Russian imports to Britain changed between the beginning and middle of the century but, unlike the Levant Company, the portfolio was growing rather than shrinking. Whereas hides, hemp and tallow accounted for 85% of the total value of Russian exports at the beginning of the century, a much more balanced export trade had developed

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[25] N. Rothstein, 'The Silk Industry in London 1702-66' (Unpublished M.A. thesis, University of London, 1961), p. 133.

[26] In 1752-4, the value of manufactured silk exports was only £160,000 compared to £248,000 in hat exports – R. Davis, 'English Foreign Trade 1700-1774', *EHR*, 2nd series, vol. 15 (1962), table of exports.

[27] Hertfordshire Record Office, DE/R/B 382, Radcliffe 'other sales'.

[28] Davis, *Aleppo and Devonshire Square*, pp. 164-5.

by the middle of the century.[29] Both grain and linen textile exports to Britain became important. For Britain, hemp was still the single most important import from Russia and hemp imports grew from 59,000 tons in 1710-1719 to 154,000 tons in 1750-1759.[30] However, Russian iron was becoming both economically and strategically vital. Re-export of Russian goods to the Mediterranean was also a sideline for a number of Russian merchants. To illustrate how the business of a large importer worked, the following review is of the business one of the largest and most successful Russia merchants – Samuel Holden.

The Somerset Record Office contains a set of accounts for Holden.[31] These accounts appear to have been produced posthumously. Holden died on 12 June 1740 and the accounts begin that same month. It is likely that these accounts, at least for 1740-1, were maintained by Matthew Shiffner or his son, Henry. Matthew Shiffner was Holden's long-time business partner and the executor of his estate. In the accounts for 1740-1, Henry Shiffner is shown as managing Holden's cash. While the accounts for 1740-1 may reflect some drop-off in the estate's business following Holden's death, the residual volume of business managed by the Shiffners is still impressive. His income in 1740-1 was over £40,000. To put the income figure in perspective, Holden's turnover represented about 10% of the total Russia Company imports and he personally produced almost twice as much income as the HBC.

Holden's main lines of business were cloth exports for the Russian army, potash imports and iron imports. For the two commodities where he enjoyed exclusive rights to trade, army cloth and potash, Holden partnered with Matthew Shiffner and Jacob Wolff. Holden's share

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[29] A. Kahan, *The Plow, the Hammer and the Knout* (Chicago, 1985), pp. 167-72.

[30] B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), p. 347.

[31] Somerset Record Office, Taunton, DD/HY 16/2/4, Samuel Holden's Accounts.

of the cloth partnership was one-third and his share of the potash partnership was one half. In August 1740, 776 bales of cloth were sent from Hull and consigned to Shiffner and Wolff in St. Petersburg. This cloth consignment produced income of some £30,000 for the partnership.[32] Holden's cloth contract is a good illustration of the influence which the government had over commercial affairs. The contract had been held by the Prussians who undercut potential British suppliers. In a letter to the Lords of Trade and Plantations in 1733, the Russia Company suggested that the Russians were leaning towards the British for cloth supply but the problem was that the Prussians were 15%-20% cheaper.[33] The Russia Company's suggestion was that cheap Irish wool could be used to lower the cost of British cloth. Even after the commerce treaty was signed in 1734, it still took several years of negotiation before a deal was struck to secure the cloth contract. In a letter to the Russia Company dated 6 July 1738, the consul in St. Petersburg, Claudius Rondeau, indicated that the Czarina had instructed the College of Commerce to buy no more Prussian cloth for the army.[34] Rondeau sent a translation of a letter from the Czarina which complained about the coarseness of the Prussian cloth and its inability to hold colour. The key point, however, was a complaint that the Prussians did not re-invest their gain from the cloth trade in Russian goods, thereby causing an outflow of currency from Russia. The cloth contract would be awarded to British merchants subject to the requirement that money obtained for

[32] The Russian army cloth contract was worth more than the HBC's entire turnover.

[33] Guildhall library, Ms 11741, vol. 5, p. 436, Russia Company minutes, letter Russia Co. to Lords of Trade, 4 May 1733. This was not a new complaint. In reply to an enquiry from the commissioners for Trade and Plantations regarding the depressed state of its cloth exports, the first reason cited by the Russia Company in January 1716 was that a great quantity of cloth was being made in Silesia and Wallachia, which was cheaper than English cloth, Ms 11741, vol. 4, p. 374.

[34] Guildhall library, Ms 11741, vol. 6, pp. 130-1, Russia Company minutes, letter from Czarina 22 Apr. 1738.

cloth be invested in Russian commodities and not sent out of the country. The five year contract which was secured by Holden, Shiffner and Wolff was, therefore, linked to the potash contract. Potash was a Russian royal monopoly and was exported to Britain from Archangel. Potash was sold in Britain at public sales in April, July, October, and December which generated over £24,000 income for the partnership in 1740-1. As the value of the potash contract was close to the value of the cloth contract, the relatively small net deficit for the Russians on the two contracts was more than offset by Holden's importation of other Russian commodities, especially iron.

In the iron business, Holden held one third of a partnership with John Gore and the firm of Wolff and Pickard. Holden's partnership sold about £25,000 worth of iron in 1740-1. The bulk of the iron sold was Russian but there was also a sale of Stockholm iron (at a slightly higher price than the Russian iron). If Holden's iron was destined for the Navy, it went there indirectly rather than through a Navy Board contract. His major customers for iron included Hugh Norris and Ambrosia Crowley. In addition to their role in Holden's iron business, the firm of Wolff and Pickard in St. Petersburg was also involved with Holden in a number of other transactions. Holden's estate sent them a shipment of lead, a diamond necklace, horses, deer and hounds! Two separate shipments of cash were sent from Holden's account to St. Petersburg in 1740-1. Each shipment was to be converted into 20,000 rubles. One shipment went to Andrew, Pels & Sons and the other went to Jacob Wolff. In sterling, the total value of the two shipments was some £9,700. The two other products of note which Holden imported from Russia were hemp and linen. In addition to his Russian business, Holden had a sideline in trade to the Mediterranean involving the brothers Abraham, John and Raphael Franco. The ship Tuscan Galley stopped at Gallipoli, Messina

and Leghorn. Holden exported to the Mediterranean Russian hides, beeswax, iron and caviar, while he imported Gallipoli oil (olive oil) and cotton.

Holden clearly benefitted from his privileged position with respect to both the Russian and British governments, but the relationship with Holden had reciprocal benefits for both governments as well. The Russian government avoided paying cash for army cloth and the British government benefitted from the high level of customs duties on most Russian imports. During 1739-40, Holden's estate was paying customs duties which ranged from 27% to 35%.[35] In August 1740 Holden's estate paid £495 customs on a shipment of linen for which it had paid £1,393 (35%). In 1739, Holden and his partners Shiffner and Wolff earned £7,288 on potash contracts, on which they paid customs of £2,511 (35%). Customs of £343 were paid on hemp worth £1,258 in October, 1740 (27%). Iron sales which netted £11,439 for Holden and his partners in December 1740, attracted customs duty of £3,347 (30%).

It is not possible to determine from these accounts precisely how profitable Holden's various ventures were. However, typical gross margins on bulk imports must have been well in excess of 30% to cover high customs duties. Holden died a wealthy man. He left an estate of over £80,000 to provide for his wife, two daughters and numerous charities.[36]

While their Russian business was not on the same scale as Holden's, the structure of Henry and John Sperling's business displayed some similarities as well as some key differences

[35] Somerset Record Office, Taunton, DD/HY 16/2/4, Samuel Holden's accounts.

[36] Holden's accounts indicate that almost half of his estate (£36,000) consisted of Bank of England stock.

compared to Holden's.[37] Like Holden, the Sperlings used a number of factors in Russia. Robert Dingley was involved with the Sperlings in several enterprises not dissimilar to Matthew Shiffner's involvement with Holden. In Russia, Dingley's main partner was a naturalized German, Henry Klencke.[38] The Sperlings exported North American fur to Russia while Holden mainly exported cloth. The Sperlings did not have the benefit of Holden's big cloth and potash contracts and were not involved in the iron business. They were, however, involved in importing flax and hemp and participated in the Persian silk business.[39] Like Holden, the Sperlings had a sideline in exporting a number of Russian products such as hides and caviar to Leghorn. A key difference between the Holden and Sperling operations was in the way they were financed. There is no evidence in the Sperling records of the large exports of currency found in Holden's accounts. Rather, the Sperlings settled their Russian business through bills of exchange drawn on Amsterdam. This difference in financing may have been driven by the different personal circumstances of the two operations. The Sperlings had Dutch relatives and also exported furs to Holland, thus making the use of bills of exchange drawn on Amsterdam a natural choice. Holden, on the other hand, did not have any significant Dutch business and it is likely that not all of his currency exports to Russia were for the payment of duties. The key point is that both currency exports and bills

[37] The key source for the Sperling business is the ledger of Henry and John Sperling for the years 1719-48 in the Essex County Record Office, Chelmsford, D/DGd Z32.

[38] Dingley and Klenke also partnered with Jonas Hanway.

[39] The Persian silk business via Russia only started after Holden died.

of exchange drawn on Amsterdam were important means of financing Russian trade prior to 1763.[40]

One of the noteworthy features of the Holden and Sperling operations is that they do not conform to the view of Russia merchants as being principally importers of stores for the Royal Navy. In fact, a salient feature of the contracts issued by the Navy Board was how few merchants were involved. Every year between February and April, the Navy Board would invite tenders for six categories of naval stores: hemp, East Country tar, iron, Danzig plank/Prussia deals, Riga masts and Norway masts. Hemp was by far the most important commodity and attracted the most bidders. In 1735, the year after the commerce treaty, eight of the original eleven bidders were awarded hemp contracts.[41] The contracts were awarded on 26 February for delivery on or before Lady Day, 1736. A total of 2,850 tons of Riga hemp were contracted for with the largest single contract being for 700 tons. The price agreed was £26:10 per ton and the total value of the hemp contracts was £74,000. There were seven bidders for tar but only one contract was awarded worth £2,400. There were four bidders for iron and the contract, worth £3,600, was awarded to Josias Wordsworth (who also won the tar contract). The plank and deals contract was worth £10,000 and was awarded to the only bidder. There were three bidders for Riga masts and one contract was awarded. The four bidders for Norway masts all received some business. It should be noted that this was during peace time but the pattern of relatively few bidders holds for other

[40] The relative importance of bills of exchange and bullion transfers in Baltic trade was argued between Charles Wilson and Eli Hekscher in the *Economic History Review*. Wilson ascribed more importance to bullion than Hekscher. C. Wilson, 'Treasure and Trade Balances: The Mercantilist Problem', *EHR*, new series, vol. 2, no. 2 (1949), pp. 152-61 and 'Treasure and Trade Balances: Further Evidence', *EHR*, new series, vol. 4, no. 2 (1951), pp. 231-42. E. Hekscher, 'Multilateralism, Baltic Trade and the Mercantilists', *EHR*, new series, vol. 3, no. 2 (1950), pp. 219-28.

[41] Data is taken from National Archives, ADM 106/2549, Navy Board minutes, 1735.

years. American naval stores were also purchased throughout the year to augment these purchases.[42] Looking at the six year period from 1734-40, hemp purchases averaged approximately £50,000 per year. [43] In war time, purchases would escalate dramatically. In 1758, the navy purchased more than £150,000 of hemp.[44] Prices could also rise rapidly. Petersburg hemp, for which the navy was paying £24/ton in January 1757, was being sold at £34/ton in October 1762.[45] This was not just a problem for the navy but could also be a problem for contractors if they were obliged to fulfil a contract at a lower price than they could purchase the commodity for in the Baltic.

The British operations of the three companies were not dissimilar to other trades involved in the bulk import of commodities such as tobacco and sugar. There were relatively few importers selling to relatively few wholesale clients.[46] The needs of British consumers were secondary to those of the wholesale market and this suited the companies who were seeking reliable revenue sources. Wholesale demand, of course, was ultimately related to underlying consumer trends such as the fashion for beaver hats. However, many wholesale customers were suppliers to both British and continental European markets, thereby reducing their exposure to temporary demand fluctuations in a single market. By avoiding

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[42] To put the value of colonial naval stores in perspective, J.J. Malone estimated that during the years 1738-65, the Navy Board paid out £123,413 for Stockholm pitch and tar, as compared to an expenditure of £74,300 for all the British colonies combined, 'The British Naval Stores and Forests Policy in New England, 1691-1775' (Unpublished Ph.D. thesis, University of London, 1956), chapter 2, pp. 45-6.

[43] National Archives, ADM 106/3593, Navy Board abstract of contracts, 1734-40.

[44] National Archives, ADM 106/3606, Navy Board abstract of contracts, 1756-61.

[45] See Navy Board records, ADM 106/3605, abstract of contracts, 1756-60 and ADM 49/32, abstract of contracts, 1762-5. Also, B. Pool, *Navy Board Contracts 1660-1832* (London, 1966), pp. 97-101.

[46] See S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), pp. 27-8.

direct participation in the retail market, merchants were able to contain marketing costs in Britain. Even in the wholesale market, merchants were able to simplify their marketing by selling via auction. In overseas markets, the three companies also dealt with middlemen but the crucial difference was that those markets had foreign competitors. As the following section discusses, this exposed a number of competitive weaknesses, particularly in the areas of trade goods and marketing.

Cost Management

It is in the area of trade goods where Britain was weakest competitively. During the period of this study, France essentially supplied the same trade goods as Britain in the Levant and in the North American fur trade, but at lower prices, and sold them more aggressively in more overseas markets. The key trade commodity in the first half of the eighteenth century was still woollen cloth. British manufacturers struggled to produce quality cloth at competitive prices. The merchants in the companies sought to compensate for the deficiencies in British manufactured goods by including re-exported goods in trade (as the French did). However, the cost structures of the companies led them to deliberately constrain their overseas marketing, both in terms of pricing and the distribution of their products.

The cost structures of the three companies varied considerably. The HBC's fixed costs were relatively high given its level of turnover and it had an obligation to pay dividends, unlike the other two companies, but its expenditure on trade goods was very low. Therefore, the HBC committee was principally concerned with controlling fixed costs and the key to controlling

fixed costs was limiting expenditure on new forts in Rupert's Land and on new ships to reach those forts. The HBC governor, Sir Bibye Lake (1712-1743), would have been well aware of the perils of not being able to generate sufficient income to cover expenses related to overseas forts from his experience as sub-governor of the Royal African Company. After 1730, the RAC relied on a parliamentary subsidy to pay for its forts. The Levant Company had some significant infrastructure costs relating to the maintenance of the ambassador in Constantinople and the consuls in the main Levant trading centres, but by far the biggest cost component in the Levant trade was the cost of trade goods and by far the most important trade commodity was woollen cloth. The major focus of Levant merchants was, therefore, to judge the appropriate quantities and types of cloth to export to the Levant in light of anticipated market conditions. The Russia Company's overheads were minimal and the major concern of Russia merchants lay with bad debts in dealing with their Russian clients.

Both the HBC and the Levant Company attempted to control the pricing of their goods overseas. The HBC published a 'standard of trade' which prescribed the amount of trade goods to be exchanged for each type of fur. The rationale for this pricing approach is the subject of some controversy in the historiography of the fur trade. E.E. Rich took the view that Indians did not behave in the same way as Europeans in that their supply of furs appeared to be insensitive to changes in the quantities of trade goods offered.[47] Arthur Ray held that the motivations for Indians to engage in trade were to satisfy their own personal

[47] E.E. Rich, 'Trade Habits and Economic Motivation among the Indians of North America', *Canadian Journal of Economics and Political Science*, 26 (1960), pp. 35-53.

needs for European goods and to acquire status through the redistribution of goods.[48] According to Ray, Indians would supply only enough furs to meet their needs for European goods. Under this theory, an increase in the volume of trade goods offered per fur could paradoxically lower the quantity of furs provided. This view of unorthodox Indian economic behaviour has been challenged by Ann Carlos and Frank Lewis.[49] Carlos and Lewis have argued that where there was competition between the HBC and the French, the quantity of trade goods offered increased and Indians responded by increasing fur supplies. In other words, there was some limited local pricing flexibility. Until the 1750s, the typical practice was for the posts to offer fewer trade goods than prescribed under the official standard, creating what was known as an 'overplus'. The more competition a post faced for its trade, the smaller the typical overplus became. In the 1750s, trading posts even offered slightly more trade goods for furs than specified in the official standard. Carlos and Lewis have argued that Indians increased their consumption of luxury goods, such as liquor and tobacco, as fur prices increased and their needs for basic goods such as guns and kettles were satisfied. The HBC's pricing policy probably reduced the potential for competition between its trading posts, but gave the French, who had a more flexible approach to pricing, an advantage. For example, the HBC's official standard of trade valued one beaver skin as equal to three marten skins despite the French valuing one beaver skin as equal to one or two marten skins. In a letter dated 12 August 1727, Joseph Myatt from Albany Fort on the Bay apologized to the HBC committee for having traded martens at two per beaver and said that if he had not done so, the Indians would have taken the small furs back and traded

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[48] A. Ray and D. Freeman, *Give Us Good Measure: An Economic Analysis of Relations Between the Indians and the Hudson's Bay Company Before 1763* (Toronto, 1978), pp. 241-5.

[49] See A.M. Carlos and F.D. Lewis, *Commerce by a Frozen Sea* (Philadelphia, 2010), chapter 3.

them with the French.[50] The company's inflexibility on trade terms meant that although marten offered by far the highest profit margin of any fur, the French had the bulk of the trade in light furs.[51]

The Levant Company's ban on the use of specie in trade and ban on the extension of credit in the Levant meant that its traders had only a limited scope to sweeten the terms of trade by, for example, including colonial goods such as cochineal in the bargain. The Levant Company's Smyrna factory complained about the policy regarding credit as early as January 1709.[52] The Levant Company was very upset that John Mitford initially refused to take the 'oath against trusting' (agreeing not to extend credit) in 1711.[53] In 1732, the Smyrna factory minutes complained in vain about the 'absolute necessity' of including a certain value of specie in cloth sales.[54] The Levant Company's pricing controls limited the potential for competition amongst its own members but gave the French a significant competitive advantage as the French did not impose similar restrictions. The irony was that, from the 1730s, any surplus cash which Levant Company traders had was typically loaned to their French rivals which, in turn, allowed the French to extend credit to their local customers.[55]

The HBC and Levant companies also shared some similarities as a consequence of their policy of restricting the number of overseas posts which they maintained. This policy meant

[50] K.G. Davies (ed.), *Letters from Hudson Bay 1703-1740* (London, 1965), p. 122.

[51] A. Ray, 'Buying and Selling Hudson's Bay Company Furs', pp. 100-105.

[52] National Archives, SP 105/335, pp. 186-7, Smyrna Factory minutes, letter to Levant Co., 14 Jan. 1709.

[53] National Archives, SP 105/116, Levant Company out-letter book, letter to Smyrna factory, 26 Jul. 1711.

[54] National Archives, SP 105/336, pp. 9-11, Smyrna factory minutes, 9 Jan. 1732.

[55] Davis, *Aleppo and Devonshire Square*, p. 210.

that they dealt with middlemen overseas. The HBC dealt mainly with Cree Indians who obtained furs hundreds of miles inland from the HBC's posts on Hudson's Bay. During the period of this study, relationships between the HBC and native people were not, on the whole, acrimonious. The HBC's imposition on native land was minimal and both sides gained economically from trade. The situation was somewhat more complicated in the Levant, and it is important not to confuse the genuine affinity which some British merchants had for Ottoman culture, with harmonious business relationships. Middlemen were a particular focus of dissatisfaction on the part of Levant merchants. Jewish merchants were prominent as brokers. Armenians dominated the Persian silk trade, although their importance diminished as Persian silk supplies were cut off in the 1720s. Both Armenians and Jews were suspected of carrying on a clandestine trade to Leghorn.[56] The ban against extension of credit by the Levant Company was, at least in part, directed against Jewish merchants. Sonia Anderson observed that, 'In 1672 it emerged that many of the English factors were owed large sums of money by Jewish merchants which they had considerable difficulty in collecting. To guard against a recurrence of this situation, the Company by an order of 20 November prohibited all credit sales in the factories in the future'. [57] The popularity of Jewish merchants was not enhanced by the fact that they also typically collected customs duties for the Ottoman authorities. Lists were kept of 'battulated brokers' whom Levant merchants were prohibited from dealing with. In 1718, the consul at Aleppo proposed that George Radcliffe be fined 1,000 dollars (roughly £200) for employing a battulated broker.[58] James Porter, frustrated at the inability to increase cloth sales in the

[56] National Archives, SP 105/335, p. 332, Smyrna factory minutes, letter of 31 Oct. 1716.

[57] S. Anderson, *An English Consul in Turkey* (Oxford, 1989), p. 205.

[58] Hertfordshire Record Office, DE/R/B 294/23-26, 18 Jan.-7 Mar. 1718, Radcliffe MSS.

Levant, referred to drapers in Turkey as 'animals that have nothing in common with the rest of the human species but their form'.[59] There were also causes for complaint on the Turkish side about the Levant merchants. A particularly vehement complaint was made by the Aga of Scanderoon against John Purnell, the Levant Company's local representative, known as the factor marine, in 1736.[60] The Aga accused Purnell of keeping women, using foul language, meddling in the affairs of the custom house, cursing the Muslim faith, not paying porters enough, arming 30 or 40 persons of infamous character from the mountains to rob and plunder, killing a Greek, and breaking open the custom house prison and releasing its prisoners. Furthermore, Purnell's employee, Malcoon, was described as 'a most vile and profligate fellow' and was accused of private dealing in silk. Significantly, when the matter was brought before the Aleppo factory, the only issue which they chose to pursue was whether or not there had been any private trading. Purnell was cleared in June but lost his job the following March when he was suspected of being behind a series of robberies at the warehouse in Scanderoon. It seems the Aga may have had a point after all.

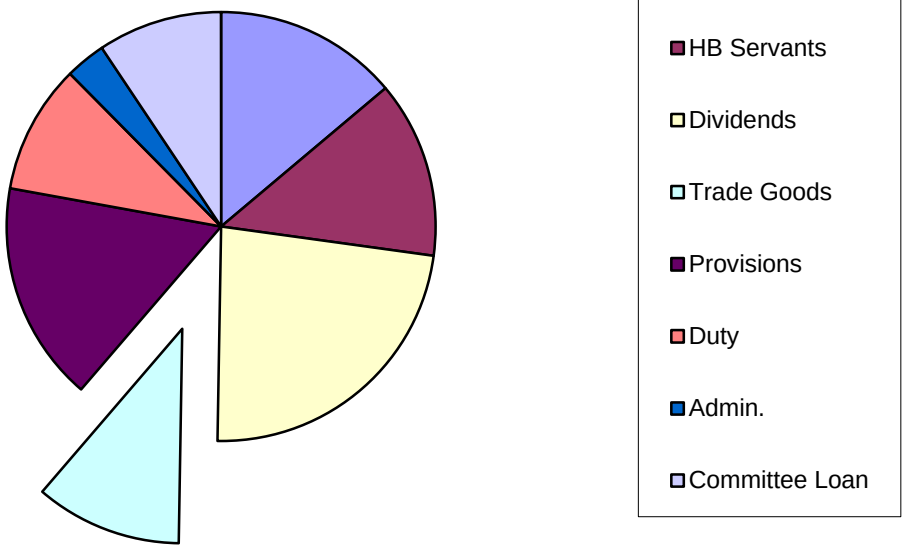
The HBC's cost structure helps to explain some of its management priorities. In the year prior to the 1749 parliamentary enquiry, operating costs were roughly £25,000. The biggest cost item was described as merchandise exported, and amounted to £10,000. This merchandise exported figure contained both trade goods and provisions for employees such as meat, cheese, rope and candles. Trade goods represented about £4,000 of this figure. It should be noted that some trade goods would also have been manufactured at Hudson's Bay but trade goods represented a small proportion of operating costs. Expenses related to

[59] J. Porter, *Observations on the Religion, Law, Government and Manners of the Turks* (1771), p. 375.

[60] National Archives, SP 110/27, p. 70, Aleppo factory letters, 1 May 1736.

shipping and servants in Hudson's Bay were about equal at £5,000 each. Duty charges were £3,500. Re-exporters were entitled to claim a drawback on these duties when furs were sent abroad. Central administrative expenses, including the salaries of committeemen, were about £1,500. This £25,000 of operating expense was set against operating revenue of £31,000 to produce a £6,000 operating profit. The company earned about £1,000 in interest on East India bonds and Bibye Lake's widow, Mary Lake, repaid some £2,000 of her husband's loans. This cash inflow would have been sufficient to pay dividends of £8,000 but the company also paid over £3,000 to committeemen, which may have been for the repayment of loans. Figure 4.2 below, based on the Grand Journal, breaks down the HBC's costs.

Fig. 4.2 HBC Cost Analysis April, 1748 - March, 1749



Source: HBCA 15/10, pp. 154-213, Grand Journal.

From a management viewpoint, attention to overheads was understandable as the bulk of operating expenses related to factories, ships, men and provisions. The company's concern with overheads is reflected in a quite sophisticated attempt to account for individual factories and ships as profit centres.[61] The HBC's low expenditure on trade goods exposed it to accusations of outrageous profit margins. This charge, of course, overlooked overheads and, once total costs are considered, the operating profit margin was about 20%.

The HBC may have been mainly interested in the wholesale business in Britain but they were very interested in the needs of Native American consumers. Despite the relatively small expenditure on trade goods, they were a significant focus of management. The major trade goods manufactured in England were firearms (guns, gunpowder and shot) as well as cloth. The committee sought and received extensive feedback on the quality of trade goods from servants at Hudson's Bay. Thomas McCliesh's letter from Albany fort of 16 July 1716 is a good example.[62] McCliesh requested that the company send him short guns and small kettles as these were preferred by Indians who had to transport them in canoes and use them in the woods. He also indicated that the Indians did not care about the fineness or coarseness of cloth as long as it was thick. The importance of liquor in the trade is a matter of some debate. McCliesh claimed that 'I can have more done towards the encouragement of the trade in small furs for two gallon of brandy than for forty beaver in any other goods in the factory'. The significance of this statement lies in the official trade standard of a gallon of brandy as equal to four beaver. The official value of brandy shipped to Hudson's Bay for

[61] See discussion in H. Grant, 'Bookkeeping in the Eighteenth Century: The Grand Journal and Grand Ledger of the Hudson's Bay Company', *Archivaria* 43 (1993), pp. 149-52.

[62] *Letters from Hudson Bay 1703-40*, pp. 46-50.

trade purposes was substantially less than the value of firearms or cloth, although the quantities of liquor shipped increased significantly between 1720 and 1760.[63] This may not, however, reflect its real value as brandy had an important ceremonial function. Brandy was used by the HBC when welcoming the Indians to trade. French fur traders were also reported to have made liberal presents of brandy to Indians despite official disapproval of the use of brandy in the trade.[64] A vital differentiator for the HBC in competing with the French was Brazil tobacco. As E.E. Rich noted, 'tobacco continued to be the one staple of the trade in which the English, with their trade privileges in Portugal, had the pull over the French'.[65] In a letter from York fort dated 20 July 1739, James Isham described how Indians were extremely grateful for a pipe of tobacco when they came to trade.[66] In the year prior to the parliamentary enquiry, the HBC spent roughly £1,000 on Brazil tobacco in October and November – roughly a quarter the value of trade goods. This is consistent with a pattern of increasing consumption of luxuries by Indians in this period of high beaver prices. This leads to the intriguing conclusion that the consumer revolution which really interested the HBC was in North America, not in Britain.

The great fear of Levant merchants was that the cloth which they sent out to the Levant would remain unsold. Stockpiles of cloth in the Levant were at record levels in 1718 and were the reason given by the company for the re-introduction of general shipping. [67] In a

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[63] The quantity of alcohol shipped to York Fort for trade with native people quadrupled between 1720 and 1760 according to Carlos and Lewis, *Commerce by a Frozen Sea*, p. 92.

[64] E.E. Rich, *The Fur Trade and the Northwest to 1857* (Toronto, 1967), p. 103.

[65] E.E. Rich, *Hudson's Bay Company, 1670-1763* (London, 1958), p. 391.

[66] *Letters from Hudson Bay 1703-40*, p. 282.

[67] National Archives, SP 105/209, pp. 175-6, Levant Company General Court Orders, 23 Apr. 1718.

memorial sent to the Duke of Newcastle in 1739, the company again indicated that it had substantial quantities of unsold cloth in Aleppo, Constantinople and Smyrna.[68] In the memorial, the company stressed the support which French cloth manufacturers received from the French government. The company indicated that the French had twelve cloth manufactories in Languedoc which benefitted from free rent and a government bounty (subsidy) of 5 livres per cloth exported.[69] Ambassador Fawkener wrote to the Duke of Newcastle in 1740 complaining of the proliferation of Languedoc cloth in the past 20 years and pointed to French dominance of the Levant coastal trade.[70] The company acknowledged that the French had a particular advantage in cloth aimed at the mid-market, known as Londres secondes.[71] In addition to being relatively light weight, which made it suitable for the climate of the Middle East, French cloth was dyed in a range of brilliant colours.[72] James Porter noted that the French were strong in middling and coarse cloths which were a particular threat to cloth from Worcestershire.[73] Porter also stressed the benefits of French government assistance such as quality inspection of cloth exports and

[68] National Archives, SP 36/48, p. 19, Levant Company memorial to Newcastle, 28 Jun. 1739.

[69] The company estimated that the French were exporting some 24,000 cloths to the Levant annually at the time. At an exchange rate of roughly 25 livres/£1, the bounty was worth slightly less than £5,000.

[70] National Archives, SP 97/31, pp. 31-7, State papers foreign, Turkey, letter from Fawkener to Newcastle, 17 Apr. 1740.

[71] National Archives, SP 105/118, pp. 106-9, Levant Company out-letter book, letter to James Porter, 7 Jul. 1749.

[72] Ina S. Russell argued that the real French strength was the superiority of their dyes. Ina S. Russell, 'The Later History of the Levant Company, 1753-1825' (Unpublished D. Phil. Thesis, the Victoria University of Manchester, 1935), p. 96.

[73] National Archives, SP 97/34, p. 9 and p. 13, State papers foreign, Turkey, letter from Porter to Bedford, 22 Feb. 1749.

subsidies. The system of inspection introduced by Colbert not only provided French merchants with an assurance of quality but, as Philippe Minard has observed, standards could also be used to constrain suppliers and secure cloth at the best possible price.[74] It was specifically on mid-quality cloth where Porter suggested to Bedford that the British government provide an 8% bounty. The company's response to Porter's suggestion that they attempt to set up a subscription for cloth buying was that it was impractical.[75] Reflecting on the Levant trade after he had returned to England, Porter also implied that the attempts by British cloth makers to develop competitive products had been unsuccessful. As Porter stated,

> Attempts have been made in England to imitate the French cloth from large patterns, and from that of the yarn; but the fineness of the materials, and of the spinning, rendered them abortive. Some, however, has been sent to Turkey of a quality not much inferior, but the price was so enormous that all the drapers were discouraged from buying it. I have been told that it could not be sold for less than ten pence the pike above the French cloth, which, supposing the price to be two dollars and a half, would be near 14 per cent.[76]

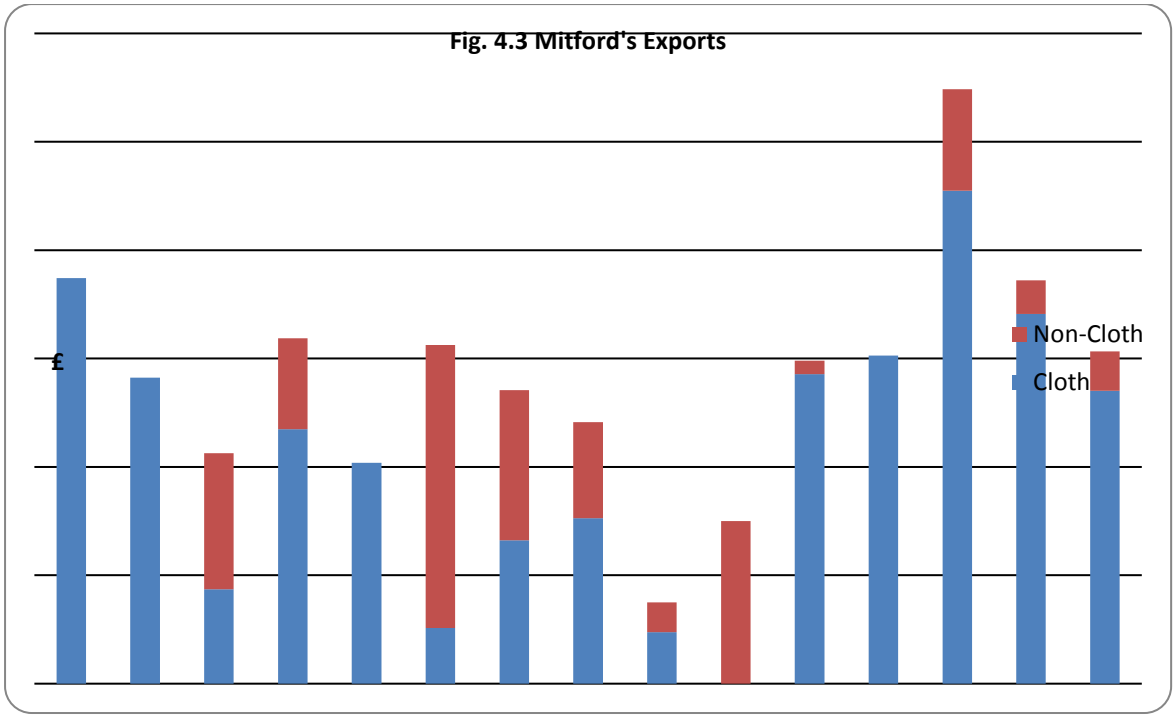
The importance of cloth to the Levant trade is illustrated by figure 4.3 below, which shows the composition of John Mitford's exports. As Mitford pulled out of other markets to focus on Aleppo in the late 1740s, his trade became the barter of cloth for silk. Therefore, having competitively priced cloth was vital for Levant merchants.

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[74] P. Minard, 'Colbertism Continued? The Inspectorate of Manufactures and Strategies of Exchange in Eighteenth-Century France', *French Historical Studies*, vol. 23, no. 3 (summer, 2000), p. 492.

[75] National Archives, SP 105/118, pp. 179-81, Levant Company out-letter book, Levant Company to Porter, 11 Dec. 1750.

[76] Porter, *Observations*, p. 419.



Source: National Archives, C113/11, John Mitford's journal.

Both the Levant Company and the Russia Company sought to cover their administrative expenses by levying duties on their members. However, the level of the administrative expenses in the two companies was quite different. Although the Russia Company maintained agents throughout Britain, its overheads were minimal. In the 1720s, the treasurer kept £500-£600 cash on hand to cover expenses.[77] The duties imposed by the Russia Company on its members were very modest. One member of the Russia Company, Joseph Chitty, indicated that he was paying duties to the company of only an eighth to a half per cent in the late 1720s.[78] This compares with the Levant Company's consulage fees on

[77] Guildhall library, Ms 11893, vol. 2, Russia Company Treasurer's Account Book.

[78] *Daily Journal*, 9 Mar. 1732.

imports to Britain of 2% in 1726, which were raised to 4% in 1729.[79] Like the Levant Company, the Russia Company did not have its own building and did not pay salaries to its Court of Assistants. However, unlike the Levant Company, the Russia Company did not have to pay for the upkeep of the British embassy.

The Treasurer's Account Book for the Levant Company indicates total expenses of close to £60,000 from August 1731 until September 1736, representing approximately £12,000 annually.[80] Jonas Hanway estimated that the burden of supporting the embassy at Constantinople and the consuls in Smyrna and Aleppo cost the company some £8,000 annually from 1733 to 1740.[81] Using Hanway's more conservative figures, roughly 60% of the burden (about £5,000) was related to Constantinople, where the ambassador was located but where the volume of business was relatively small. French Levant merchants, on the other hand, only made a small contribution towards the cost of their ambassador. Paul Masson estimated that the French ambassador in the mid-1750s received some 139,000 livres (roughly £5,500) annually from the King to support himself and his staff.[82] The contribution from the Marseilles chamber of commerce was only 16,000 livres (roughly £600). If one adds the extra cost which British Levant merchants had to pay for the ambassador to the annual value of the French cloth subsidy, British Levant merchants were bearing charges of an extra £10,000 which their French competitors were not required to

[79] National Archives, SP 105/210, pp. 56-7, Thomas Coke's Day Book – Register of Orders, 12 Sept. 1729. In addition, Levant merchants were liable for duties when goods were landed in the Levant.

[80]National Archives, SP 105/164, p. 10, Levant Company Treasurer's Account Book. Most of these expenses would have been related to support of diplomatic staff.

[81] J. Hanway, *An Historical Account of the British Trade Over the Caspian Sea* (1754), p. 319.

[82] P. Masson, *Histoire du Commerce Francais dans le Levant au XVIIIe Siècle* (Paris, 1896), p. 247.

pay. Furthermore, in the capitulations of 1740, the French were absolved of the requirement to pay the *misteria* duty, a value added tax of 1.5%, and they obtained a reduced rate of customs duty.[83] The 1740 capitulations might have added perhaps £2,000 to the cost disadvantage which Levant merchants had to bear. On exports of roughly £200,000 by the middle of the eighteenth century, the total cost disadvantage of some £12,000 represented a 6% cost penalty. These extra costs go some way towards explaining why James Porter suggested that an 8% bounty be placed on English cloth. It also explains why matching French cloth prices, which were typically 10% less than British cloth prices, was not realistic. For the British to have matched French prices would have either required a bounty at a level similar to that suggested by Porter, or would have entirely wiped out the 5%-10% margins which were typical in the Levant trade. [84]

In response to criticism that he was too soft on the Levant Company in his *Travels*, Jonas Hanway offered the following comparison based on his earlier experience in the Portugal trade,

> I have often heard it said in Lisbon, of a certain great Lisbon merchant, that his annual gain did not exceed five per cent and considering all his bad debts, and other contingencies, this might possibly be the real case. The charge of consulage and contribution on freights did not, I imagine, reach to three quarters per cent on the amount of our trade to that city. Nobody doubts that this trade is a great national object: but if instead of three quarters per cent it had been charged with three per cent as I apprehend the turkey trade now is; what might have been the consequence when the gain was but five to the merchant at home? There is the same reason to believe, that

[83] A.Wood, *A History of the Levant Company* (London, 1935), pp. 142-3.

[84] Davis, *Aleppo and Devonshire Square*, pp. 234-5. This is a figure net of customs duty. On raw silk, the 15% nominal customs rate translated into an effective rate of about 5% as the duty was set on the basis of a low notional value for silk and discounts were applied for prompt payment.

> as the one would have drooped by being thus loaded; the other will revive if the burthen is taken off.[85]

As the Levant business shrank, administrative costs became even more burdensome to Levant merchants as they were still left with the fixed cost of supporting diplomatic staff. Consulage fees imposed on Levant merchants rose to 10% in 1761. In 1768, the company received its first grant of £5,000 from the government towards the upkeep of the ambassador and consuls.

The Levant Company's policy against the extension of credit helped to reduce bad debt expense for Levant merchants prior to 1744, but bad debts were a constant risk in the Russian business. Relationships with their Russian clients were often difficult for the merchants of the Russia Company. There were persistent complaints by Russia Company merchants concerning fraudulent practices by their Russian clients in the packaging of hemp.[86] Without the commerce treaty and its extensions, it is highly unlikely that Britain would have dominated Russia's trade with the West by the middle of the century.[87] The key features of the treaty were that contracts and commercial disputes would be handled by the College of Commerce, an inspection system was established for the packaging of hemp, the

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[85] J. Hanway, *An Answer to the Appendix of a Pamphlet Entitled Reflexions Upon Naturalization, Corporations and Companies* (1753), pp. 37-8. Note that, in addition to consulage fees payable in the Levant, Levant merchants were liable to pay 'impositions' on imports to Britain.

[86] For example, see MS11741, vol. 4, p. 374, Russia Company minutes, letter from the company to the commissioners for Trade and Plantations, 13 Jan. 1716, which complained about the false packaging of hemp.

[87] D. Reading, *The Anglo-Russian Commercial Treaty of 1734* (New Haven, 1938), p. 51.

Russia Company was allowed to pay for purchases in Russia in Russian currency and Britain was granted most favoured nation status by reducing tariffs on British imports into Russia.[88]

This section has shown that the three companies had different cost structures and different managerial challenges regarding costs. For the HBC, controlling overheads was paramount. For the Levant Company, the major concern was to avoid having cloth shipments stranded in the Levant. For the Russia Company, avoidance of bad debt was vital. Cost control was vital for the three companies, but their managerial responsibility went beyond simply keeping the absolute level of costs down. The real art of merchant enterprise lay in managing the timing of their various cash inflows and outflows.

Cash Flow

The three companies were middlemen who created regional trade networks by interposing themselves between suppliers and customers, both within Britain and overseas. They did not produce anything and they preferred to keep their marketing responsibilities as simple as possible. Their core skill and the key to their survival was their ability to manage their cash flow. Scholars have emphasized the importance of financial management in merchant enterprise. As Stanley Chapman observed, 'the one thing he (the merchant) could not delegate was the giving of credit and maintenance of his financial liquidity'.[89] For the companies in this study, their major financial concern was liquidity rather than credit. There were some trades, such as the tobacco trade, where merchants did extend large amounts of

[88] N.C. Hunt, 'The Russia Company and the Government, 1730-42', *Oxford Slavonic Papers*, vol. 7 (1957), pp. 30-1.

[89] S. Chapman, *Merchant Enterprise in Britain* (Cambridge, 1992), p. 4.

credit directly. However, for the trades in this study, credit was a relatively minor concern. Rather, the key was management of their working capital or, in other words, the timing of their cash inflows and outflows. In this respect, there were some similarities but even more differences between the companies in this study and the EIC and RAC. For the EIC, the dominant financial concerns were securing the large quantities of silver which it exported on favourable terms, and then negotiating the price of goods in Asia. The goods which the EIC brought back to Britain were largely sold at auction with relatively short credit periods. For the RAC, the African goods sold in Britain were also typically sold at auction in a manner not dissimilar to the auctions used by the HBC, the EIC and, towards the middle of the century, the Levant Company. However, for the more important slave sales in the West Indies, credit management was a major concern.

The HBC and Levant trades were conducted largely on the basis of barter in overseas markets, and the use of auctions minimized the exposure of the companies to credit risk when goods were sold in Britain. In the Russian trade, credit was only a significant consideration on (relatively unimportant) export sales in Russia. The major transactions of Russian merchants in Britain were sales to very large customers such as the Royal Navy, and merchants had limited influence over credit terms (which were stipulated as part of the tender process) or even the payment medium (such as Navy Bills).[90]

The three companies used their capital to link British manufacturers and retailers with their overseas customers and suppliers. Until British manufacturers felt sufficiently confident to

[90] The extension of long-term credit of six months to two years became the norm for export sales to Russia, D. Reading, *The Anglo-Russian Commercial Treaty*, p. 48. For the far more important trade in Russian imports, a wide variety of payment terms were used. Based on Holden's records, a partial cash payment at the time of contract signing, with the balance payable on delivery, was likely common.

risk their own capital in selling overseas, either directly or through commission agents, merchants played an indispensable role in the expansion of British exports. There is some evidence that British linen drapers were cutting out merchant middlemen and importing linen directly from the continent as early as the 1720s and 1730s.[91] However, it took longer for British manufacturers to feel sufficiently confident to cut out the merchant middlemen who were handling their exports, even in near European trades. In the wool textile industry, this is a trend which only started in the 1760s.[92] The more peripheral the region, the longer it would take for manufacturers to take on their own overseas marketing.

The three companies faced different sorts of cash flow challenges. For the HBC, the challenge was that the business was inherently seasonal. For the Levant Company, the problem of potentially stranded cloth in the Levant and the long gap between outflows and inflows has been discussed but, in addition, many Levant merchants faced the challenge of how to diversify their way out of a shrinking business. The example of the Radcliffes is used below to show how one merchant family reduced their dependence on the Levant trade. For the Russia Company, the case study of the Shiffners is used to illustrate the risks of winning a big contract and then not being able to fulfil it at an economical price.

The seasonal nature of the HBC's business can be illustrated by examining the concerns of its directors at different points during the year. The following description is taken from the minutes of the committee and sub-committee meetings over the course of the year immediately prior to the 1749 parliamentary enquiry. April and early May were devoted to

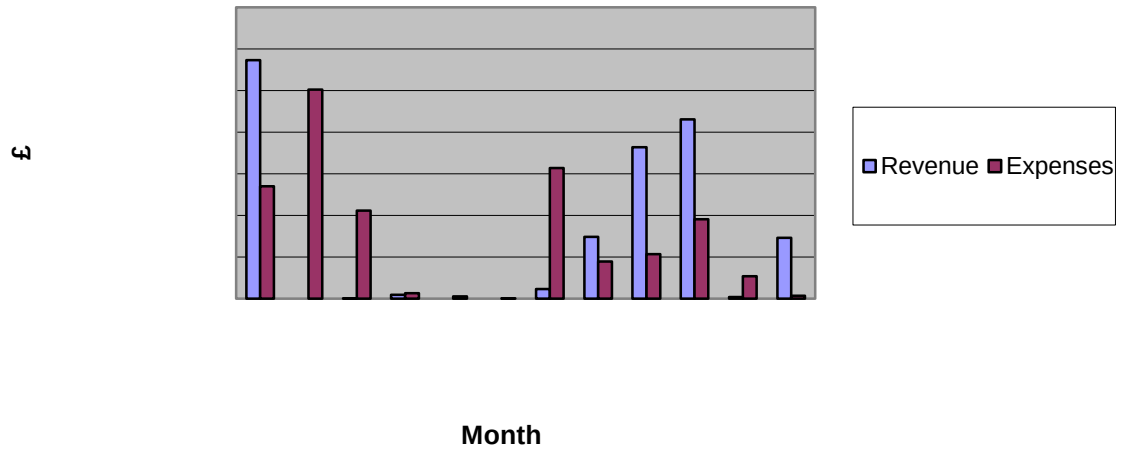
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[91] N.B. Harte, 'Protection and the English Linen Trade' in N.B. Harte and K.G. Ponting (eds.), *Textile History and Economic History* (Manchester, 1973), p. 87.

[92] See J. Smail, *Merchants, Markets and Manufacture* (Basingstoke, 1999), p. 150.

preparation for the departure of ships to Hudson's Bay from Gravesend on 10 May. The Admiralty was requested to provide a convoy for eighty leagues west of the Orkneys on 13 April, rough drafts of general letters to the factories on Hudson's Bay were reviewed on 22 April, and the pay of ship captains was authorized on 4 May. Payment of suppliers was authorized after the ships left and East India bonds were ordered to be cashed in on 25 May. The summer was generally quiet. Correspondence to Lisbon regarding supplies of Brazil tobacco was discussed on 6 July but the real activity started again in October. It was reported that the ships arrived back off Bournemouth on 5 October. East India bonds were cashed on 8 October and the letters from the factories were reviewed. On 11 October, it was decided to hold a public auction on 24 November and advertising arrangements for the sale were discussed. Duty on the imported furs was authorized to be paid on 19 October and seamen's wages were dealt with on 26 October. The quantities of furs to be put up for sale were agreed on 16 November. On 24 November, a General Court was convened in the morning, the fur auction was held in the afternoon, and a Committee of Sales met in the evening to review the results of the auction. Sale proceeds were used to purchase East India bonds and pay returned servants in December. January and February were spent evaluating and selecting suppliers for a wide range of trade goods as well as agreeing staffing requirements in ships and factories for the coming year. A ship was to be sent out to each of four factories. The total complement of men was to be 108 on the ships and 132 at the factories. Early March was spent preparing for the second public auction, which was held on 16 March, and the annual cycle started again. Figure 4.4 translates these activities into seasonal cash flow.

Fig. 4.4 HBC Cash Flow
April, 1748 - March, 1749

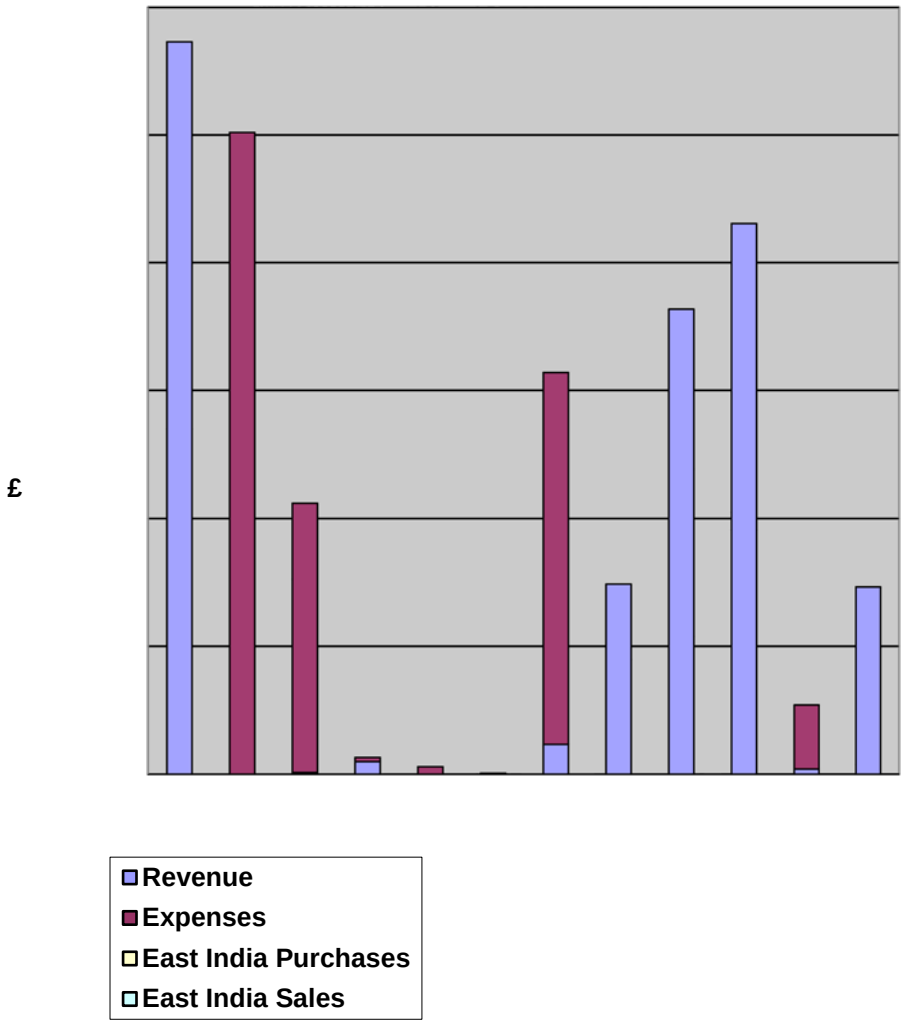


Source: HBCA, 15/10, pp. 154-213, Grand Journal.

What is evident from figure 4.4 is that the company's cash inflows and outflows were mismatched. Revenue came in at the beginning and end of the year while the major outflows were in the middle. This had created frequent liquidity crises in the HBC's early years, forcing the company to rely on expensive short term debt and loans from committee members. The solution to this cash flow problem which the company developed under Sir Bibye Lake was to invest retained earnings in East India bonds. East India bonds were bought in December and January using proceeds from the November auction. Substantial sales of East India bonds took place in the spring to pay dividends and equip ships and in the autumn to pay the bulk of salaries. Total sales of East India bonds for the year were approximately £13,000. A cash payment to committeemen created a need to sell more

bonds than were purchased in this year, but the company had on hand a stock of close to £20,000 in East India bonds in 1748.[93] With this level of liquid assets, the company had no real debt requirement. Figure 4.5 illustrates how the HBC used East India bonds to manage its working capital requirements.

Fig. 4.5 HBC Use of East India Bonds to Manage Cash



Source: HBCA, A 15/10, pp. 154-213, Grand Journal.

[93] HBCA, A18/1, f. 5, balance of HBC books.

Ten years after the parliamentary enquiry, in the year of the conquest of Quebec, the HBC's investment portfolio had doubled and included a broader range of Bank, East India and South Sea securities.[94]

An understanding of how the HBC managed its cash flow can shed light on the historiographical debate concerning the ability of the HBC to withstand French competition. From the viewpoint of HBC shareholders, the fur trade was both profitable and predictable. For the company's managers, the HBC was also generating cash surpluses which could be used as collateral for other business ventures, either in the form of direct loans or short term sales of stock to the company. The HBC was, however, not a large business and its size was intentionally constrained. The decision to manage the business for cash, which resulted in a declining market share, made sense in an environment of rising fur prices but left the company very exposed to a downturn in the London fur market or a reduction in supply. It is unclear how profitable the French gain in market share from their westward expansion was, but the growing population of New France, whose economy was dominated by fur trading, gave the French a strong incentive to continue to develop the fur trade.[95] Would this, in the absence of the Seven Years War, have driven the HBC 'to the wall' as W.J. Eccles suggested? The answer is probably not for some time. The HBC's cost structure gave it considerable flexibility to raise the price offered to Indians for furs without exposing its

[94] Over half of the portfolio was invested in Bank annuities in 1759. HBCA, A18/1, balance of the books, 30 Jun. 1759.

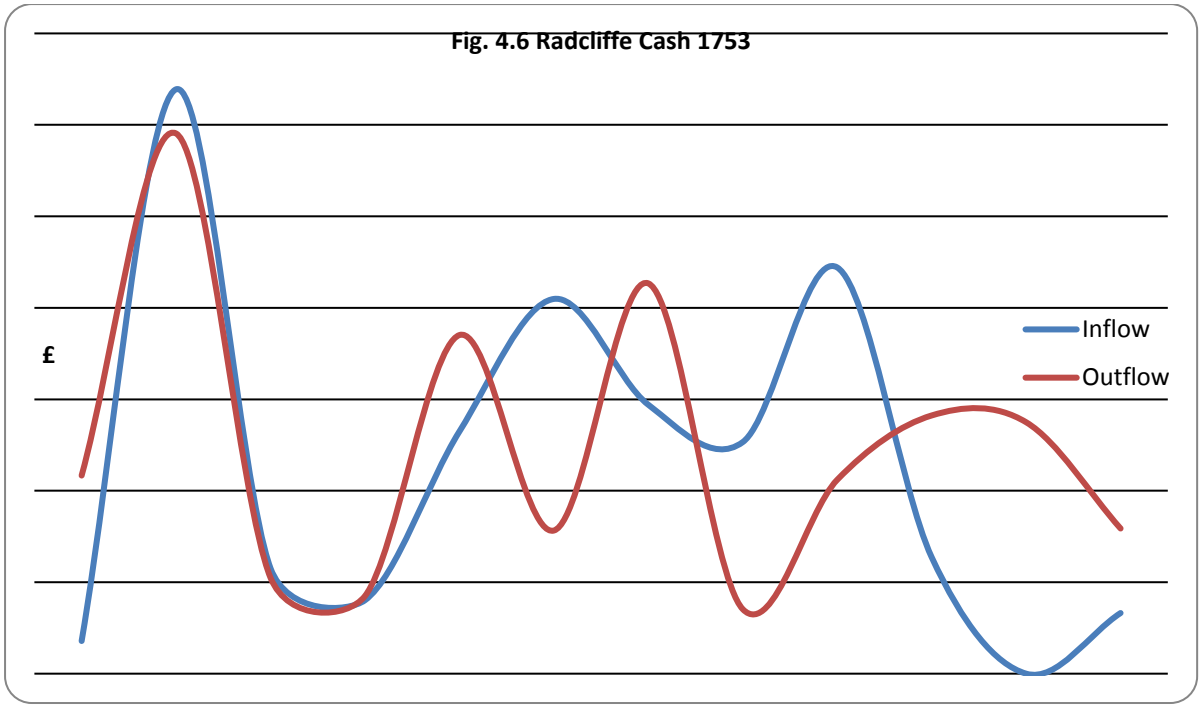
[95] Fur was always the principal export produced by New France and the major source of its revenue, E.R. Adair, 'Anglo-French Rivalry in the Fur Trade During the Eighteenth Century' in J. Bumsted (ed.), *Canadian History Before Confederation* (Georgetown, 1979), p. 134.

proprietors to significant risk. Even a 50% increase in the cost of trade goods would only have cost £2,000 and could have been paid for either by a 2% reduction in the dividend rate or the sale of 5% of the company's 1759 securities portfolio. Committeemen would not, however, have been able to dip into company funds quite as freely.

In regulated companies, apart from the raising of funds to cover central administrative expenses, financial management was the responsibility of the individual members of the companies. The Radcliffes are a good example of how Levant merchants diversified their interests in the face of increasing competition**.** Ralph Davis estimated that Arthur Radcliffe invested some three-quarters of his fortune in the Levant trade in 1737.[96] The cash book of Edward and Arthur Radcliffe, contained in the Hertfordshire county archives, illustrates how, by 1753, their financial interests extended well beyond the Levant business.[97] At most, only half the cash inflow of some £27,000 and outflow of some £29,000 in 1753 can be attributed to the Levant trade. Investment in stocks, bonds and real estate had become at least as important to the Radcliffes as the Levant business. The Radcliffes managed their own finances as well as the affairs of estates with which they had been entrusted. Most notably, they looked after the affairs of a Mary Barnardiston (1730-1760), the daughter of a deceased cousin of the Radcliffes, Arthur Barnardiston, who had also been involved in the Levant business. Mary's assets were substantial. In addition to a country estate, there is a reference in the cash book to interest being paid on £14,000 of Barnardiston investment. Figure 4.6 outlines the Radcliffe's monthly cash flows.

[96] Davis, *Aleppo and Devonshire Square*, p. 70.

[97] Hertfordshire Record Office, DE/R/F 164, Edward and Arthur Radcliffe's Cash Book 1752-6.

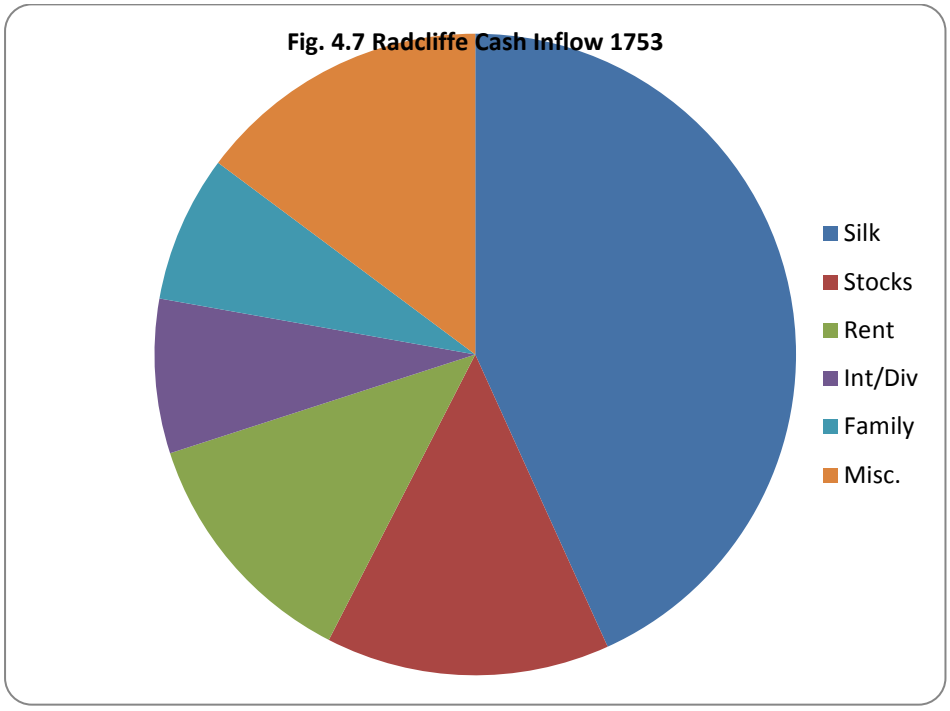


Source: Radcliffe cash book

Looking at cash inflow of £27,000, £12,000 came from sales of silk; £4,000 came from sales of stocks and bonds; £3,000 came from rent and mortgage payments and £2,000 came from dividends and interest.[98] The remaining £6,000 was comprised of various items such as income from administered estates, inheritance and miscellaneous items including collection of tithes on behalf of the Church. Investments included Orphans, South Sea and East India securities but the bulk seems to have been in Bank stock. In 1753, the Radcliffes received Lady Day dividends on over £20,000 in bank stock. The Radcliffes used income from their non-Levant business to provide a reasonably steady cash flow throughout the year. Income from silk sales was concentrated in the summer (June-September). To provide income before June, the heaviest stock sales were in February. This was augmented by rental

[98] The £12,000 silk sales in 1753 contrast with annual Levant imports of £14,000-£15,000, estimated by Ralph Davis for the years 1731-6 - *Aleppo and Devonshire Square*, p. 70.

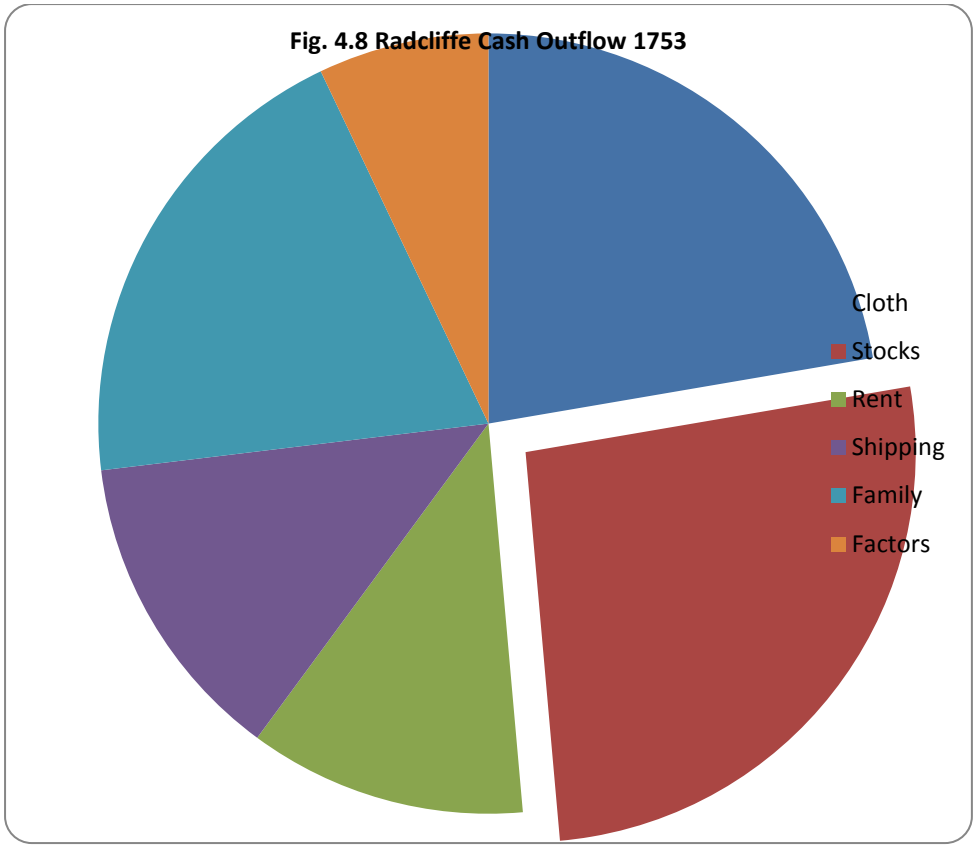
income, which was at its peak in March-April, and, dividends, which were at their peak in May. Interest income was at its peak in October, but October-January was a lean period when the Radcliffes had to draw on their cash reserves. Cash declined from £6,906 on October 1 to £1,505 on February 1.



Source: Radcliffe cash book

Of the cash outflow of £29,000, perhaps £11,000 can be attributed to the Levant business. Cloth related expenses were £5,000. Like John Mitford, the Radcliffes had very much focussed their Levant trade on Aleppo. In 1743, they shipped cloth to Aleppo, Cairo, Constantinople and Smyrna, but, by the early 1750s, they shipped only to Aleppo. A further £800 was spent purchasing cochineal, bringing total expenditure on trade goods up to about £6,000, or 50% of revenues. Shipping-related expenses such as customs, payment to ship captains, insurance and Levant company charges amounted to a little over £3,000.

Payments to factors and legal expenses were less than £2,000. Some of the £3,000 spent on rent and mortgages could probably be attributed to the Levant trade, but the proportion would be small as Edward only paid £18 for a half year's rent on his house in Devonshire Square. The biggest single category of expenditure was financial investment, where £7,000 was spent on stocks, bonds and loans. £4,000 of expenditure can be associated with the administration of estates on behalf of others while a further £4,000 was comprised of miscellaneous expenditures, including withdrawals for personal expenses by Edward and Arthur. In terms of the timing of cash flow, February and July are noteworthy for their heavy outflows, but for reasons unrelated to the Levant trade. February saw a large mortgage payment while July saw the purchase of close to £3,000 in bank stock (which paid 3.5%). Cloth payments were made relatively evenly throughout the year but it is important to remember that this does not necessarily reflect when the cloth was purchased. Indeed, there are several references to payments being made for purchases of the previous year. The two bulk expenses which can be clearly attributed to Levant operations are a customs payment of £1,200 in May (as a ship arrived in London from Aleppo) and a payment of £800 to Richard Stratton, their partner, in November.



Source: Radcliffe cash book

It is difficult to draw conclusions about the profitability of the Radcliffe Levant business on the basis of this one year snapshot, but the data for this year seems to be in line with Ralph Davis's typical profit figure for Levant merchants of 5%-10%, i.e. £12,000 turnover and £11,000 expense.[99] The fact that the Radcliffes were making rather large purchases of stock yielding only 3.5% is also an indication that they would not have expected vastly greater returns in their Levant trade.

A good example of the cash flow considerations and risk inherent in the business of government contracting is that of Henry and John Shiffner, who were involved in supplying

[99] Davis, *Aleppo and Devonshire Square*, pp. 294-5.

naval stores. According to Jacob Price, their father Matthew turned over the commodity side of his business to his sons in the late 1740s while he retained for himself the merchant banking side.[100] Following Matthew's death in December 1756 his sons were on their own, and, despite what appeared to be an initial stroke of good fortune, the partnership of the two brothers ran into trouble. The East Sussex Record Office contains a set of records which relate to the bankruptcy of the partnership in 1761. The reasons for the bankruptcy are not entirely clear but what is apparent is that the brothers were not operating in perfect harmony. Henry had political ambitions. Shortly before his father's death, he pleaded with the Duke of Newcastle to be made MP for Dover and he was eventually returned for Minehead in 1760.[101] Following the bankruptcy, Henry again wrote to Newcastle blaming the 'imprudence or rather the infatuation' of his brother for their financial problems.[102] It was not obvious that the brothers would run into trouble without their father's guiding hand. In fact, only a month after their father's death, they won a massive contract to supply the navy with 4000 tons of hemp worth over £100,000.[103] The firm's records show them still making profits in 1757 and 1758 but losses started in 1759 and rose to over £20,000 in

[100] J. Price, 'Shiffner, Matthew (c. 1690-1756)', *ODNB*, Oxford University Press, 2004; online edn, May 2011 [http://ezproxy.ouls.ox.ac.uk;2117/view/article/54963, accessed 14 Jan 2012].

[101] East Sussex Record Office, Lewes, Shiffner archive, SHR/1738, letters to the Duke of Newcastle, letter from Henry Shiffner to Newcastle, 10 Apr. 1756.

[102] Ibid., letter from Henry Shiffner to Newcastle, 17 Oct. 1761.

[103]National Archives, ADM 106/3605, p. 63, Navy Board abstract of contracts, 1756-60. The contract was awarded on 26 January 1757 with deliveries to be made between August 1757 and Lady Day, 1758.

1761.[104] Their problems may well have been related to the cost of fulfilling their large hemp contract during the war when supplies were in huge demand.[105]

The bankruptcy records provide a good indication of the nature of the Shiffner business. The goods left unsold on their account were mainly hemp but also included some iron, suggesting that these were their main imports from Russia.[106] Unsold hemp was left in Yarmouth, Liverpool and Poole indicating that not all of their hemp was destined for the navy. As for the consignments left abroad, these indicate that the Shiffners were involved in the re-export of colonial products to the Baltic as well as the sale of Baltic products in the Mediterranean.[107] Pepper and sugar were sent to St. Petersburg and Hamburg. Indigo went to Danzig. Linen and pepper went to Cadiz. Wheat went to Lisbon and rye went to Bordeaux. These complex trading arrangements meant that insurance costs were high. At the time of their bankruptcy, the Shiffners owed over £10,000 to the London Assurance Company. The financing arrangements are more difficult to unlock. The firm, Freame, Barclay & Freame, acted as their banker in London, handling bills of exchange drawn on London and selling Navy bills which were received as payment for sales to the navy. However, it is evident that Amsterdam was also an important financial centre for the

[104] Shiffner archive, SHR/2802, account of profit and loss 1754-61.

[105] The outbreak of the Seven Years War also led to increased complaints about losses suffered by merchants due to the inferior quality of hemp, Ms 11741, vol. 7, pp. 21-2 and p. 106, Russia Company minutes, 15 Apr. 1757 and 16 Apr. 1761.

[106] Shiffner archive, SHR/2806, unsold goods.

[107] Shiffner archive, SHR/2805, consignments abroad.

Shiffners. At the time of their bankruptcy, the Shiffners owed some £25,000 to two Amsterdam firms involved in bill broking.[108]

The Shiffner liabilities exceeded their assets by some £35,000.[109] The single largest creditor was the firm of Thornton and Cornwall, who supplied hemp to the Shiffners.[110] A group of five merchants was brought in to examine the Shiffner accounts: John Thornton, Edmund Boehm, George Amyand, Nicholas Linwood and John Barker.[111] These five were amongst the most prominent merchants in London.[112] Thornton, Boehm and Amyand were all directors of the Russia Company. Under the leadership of this august group, the creditors accepted the assignment of the partnership and its effects in full settlement of debts. The merchants who managed the bankruptcy were not only very astute financially but they were well connected politically. There was also no hint of malice in their conduct towards the Shiffners. Remarkably, Henry Shiffner was invited by the group to help run the business (perhaps suggesting that maybe his brother really was to blame for the bankruptcy even though he only held one third of the partnership).[113] The flexibility of the trustees and their

[108] Shiffner archive, SHR/2774, assignment of partnership in trust. The firms were Raymond and Theodore de Smith, and Thomas and Adrian Hope.

[109] Shiffner archive, SHR/2771, minutes of creditors meetings.

[110] Shiffner archive, SHR/2773, minutes of creditors meetings. Thornton and Cornwall were owed close to £30,000.

[111] Shiffner archive, SHR/2771, minutes of creditors meetings.

[112] Thornton left his son £40,000 in addition to numerous charitable bequests. Edmund Boehm was to become governor of the Russia Company and was also a director of the South Sea Company. George Amyand was a director of the East India Company and an MP. Nicholas Linwood held a number of directorships during his career including the East India Company, the South Sea Company and the Sun Fire Office. Like Amyand, Linwood was a government contractor and an MP. John Barker was a London Assurance director.

[113] Shiffner archive, SHR/2771, minutes of creditors meetings.

professionalism reflect one of the major strengths of the Russia Company. A company that wanted to grow needed to take risks and sometimes those risks did not pay off. The Shiffner case shows how the Russia Company and its members were able to respond positively when things did not go right.

For all three companies, cash flow management was vital to their success as businesses. However, the HBC and Radcliffe examples should not be seen as examples of a 'transition to finance'.[114] The HBC and the Radcliffes had not abandoned trade by the middle of the century, although it was clear that their interests had diversified to include substantial investments in financial securities on their own behalf and, in the case of the Radcliffes, also on behalf of others. Financial investments allowed the HBC to avoid liquidity crises and also became an increasingly important and attractive option for merchants in partnerships. The Radcliffe and Shiffner examples underline the relative instability of partnerships compared with corporations. The business of partnerships could be fundamentally disrupted by the death of partners and the failure of partners to produce male heirs. The death of Matthew Shiffner, one of the most prominent Russia merchants of the first half of the eighteenth century, left the business in the hands of his ambitious and quarrelsome sons with disastrous consequences. Edward Radcliffe was sixty-six years old and his brother Arthur was fifty-eight in 1753. Neither produced a male heir and their nephew, John, was the last Radcliffe to enter the Levant business. Developing skills in financial management allowed individuals in partnerships to cope more flexibly with such changes in their commercial environment.

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[114] Charles Wilson used the term to describe the abandonment of trade for finance by Dutch merchants in the eighteenth century in his *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (Cambridge, 1941), chapter III.

Results

It is now important to examine how the major determinants of the profitability of the companies, that is their revenue generation, cost control, and cash flow management, combined to produce overall financial results. Although often regarded as underperforming, the three companies were remarkably robust. In particular, the Russia Company was an outstanding success. The Russia Company's monopoly applied to imports and these grew spectacularly. Total imports into England and Wales almost doubled over the course of this study from £5.9 million in 1714 to £11.2 million in 1763.[115] During the same period, imports from Russia increased by a factor of five. Average annual imports from Russia grew from £163,000 in 1711-1715 to £816,000 in 1761-1765.[116] By the end of the Seven Years War, only Germany and Italy rivalled Russia as a source of European imports into Britain.[117] Imports from Russia were also approaching the level of imports from the East India Company by the 1760s.[118] The growth of Russian imports accelerated

[115] E. B. Schumpeter, *English Overseas Trade Statistics 1697-1808* (Oxford, 1960), table IV, p. 16.

[116] Ibid., table VI, p. 18.

[117] This excludes 'internal' British trade with Ireland. If Irish imports are considered separately, they exceeded those from any European country, including Russia, from the mid-1750s through the end of the eighteenth century.

[118] K.N. Chaudhuri estimated the average annual value of imports from Asia by the EIC at slightly less than £800,000 in the 1750s - see K.N. Chaudhuri, *The Trading World of Asia and the English East India Company 1660-1760* (Cambridge, 1978), appendix 5, table C.2. This is lower than the £1.1 million figure for the East Indies provided by Elizabeth Schumpeter for 1761-5. A possible explanation is that the East Indies was a broader geographic region than that covered by the East India Company monopoly. Schumpeter does not define East Indies but Ralph Davis's summary of eighteenth-century trade statistics in his 'English Foreign Trade, 1700-1774', *EHR,* 2nd series, 15 (1962) defines East India as being 'all lands bordering the Indian and Pacific Oceans'. This would include some territory such as East Africa and parts of the Middle East not covered by the EIC. Chaudhuri's figures represent market values and should be higher than official values (which Schumpeter's statistics are based on) for the end of the study period as the price of Asian textiles was rising. The Russian imports of £816,000 given by Schumpeter for 1761-5 are also likely slightly

further after the Seven Years War. Herbert Kaplan has concluded that Russia became the single most important European source of imports to Britain in the second half of the century. According to Kaplan, Russian imports averaged 8.1% of total British imports in the second half of the century.[119] The growth curve of imports from Russia was not entirely smooth. There were major spikes during the War of the Spanish Succession and the Seven Years War which were fuelled by naval expansion and increased demand for naval stores, but the overall pattern was one of spectacular growth.

The growth of the Russian trade, impressive as it was, does not, however, reflect the full economic power of the merchants who were members of the Russia Company. There was a de facto merger of the Russia and Eastland companies in the early eighteenth century, and East Country imports in, the period 1761-65, averaged £168,000.[120] Furthermore, members of the Russia Company were prominent in trade with Sweden, Denmark and Norway. For example, Finlay, of the firm Jennings and Finlay, the largest Swedish iron exporters in the mid-eighteenth century, was a member of the Russia Company.[121] Henry Muilman, a prominent member of the Russia Company, was appointed Danish consul in 1759.[122] In the period 1761-5, imports from Sweden were £242,000 and imports from Denmark and

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lower than market values based on the tendency of prices for hemp, the most important import from Russia, to rise during war time. The conclusion I draw is that the value of Russian imports at the end of the study period was probably not vastly different than the value of the EIC's imports from Asia.

[119] H. Kaplan, *Russian Overseas Commerce with Great Britain During the Reign of Catherine II* (Philadelphia, 1995), p. 9.

[120] Schumpeter, *English Overseas Trade*, table VI, p. 18. The East Country annual average imports for 1756-60 were £286,000.

[121] H.S.K. Kent, *War and Trade in Northern Seas* (Cambridge, 1973), pp. 33-4.

[122] Ibid., p. 29.

Norway were £82,000.[123] If one adds the Russian imports to those of the East Country, Sweden, Denmark and Norway to arrive at a 'Baltic' total, the average annual figure for the period 1761-5 is £1,308,000. This exceeds Schumpeter's figure for the East Indies and is about half her total for the West Indies.

The Russia Company's success was driven by the dominant position it developed in the trade of the new Russian capital, St. Petersburg. By the end of the Seven Years War, some two-thirds of exports from St. Petersburg were handled by British nationals.[124] Britain would dominate the trade in Baltic commodities such as timber, iron and naval stores. By the second quarter of the century, Britain had displaced the Dutch as Russia's most important trading partner.[125] The Dutch would remain competitive with the Russia Company in Riga, but St. Petersburg was already more than twice as important as Riga as an exporting centre by the end of the Seven Years War.[126]

The success of the Russia Company was not fully appreciated at the time. The imbalance in the overall Russian trade was one of the key factors influencing perceptions of the company in the eighteenth century. Concern about the imbalance in the Russian trade caused Parliament to order quarterly accounts of the quantities of naval stores imported from Russia. [127] Despite repeated official encouragement to develop colonial naval stores, there

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[123] Schumpeter, *English Overseas Trade*, table VI, p. 18.

[124] A. Kahan, *The Plow, the Hammer and the Knout* (Chicago, 1985), pp. 248-51.

[125] Ibid., p. 166.

[126] Ibid., table 4.94, pp. 248-9 and table 4.100, p. 254.

[127] D. Reading, *The Anglo-Russian Commercial Treaty of 1734* (New Haven, 1938), pp. 36-7. Reading described English commercial ambitions as being to make Russia, to all intents and purposes, 'a very profitable satellite' of England's economic system, but he also recognized that English trade was a hugely profitable source of foreign currency for the Russians, pp. 39-41.

were strong economic reasons why Britain would continue to rely on the Baltic as its principal source of naval stores. Shipping costs from New England were three times as high as from the Baltic while American labour costs were six times as high as Russian.[128]

Imports always greatly exceeded exports in the Russian trade. By the middle of the century, even after Britain had captured the contract to supply cloth to the Russian army, imports were estimated at about four times the level of exports and the imbalance would continue to worsen in the second half of the century. It was only from the mid-1760s that exports from Britain to Russia routinely exceeded £100,000 annually. Although the Russia Company's monopoly technically only applied to imports, much of the export trade was conducted either entirely by Russia Company members or through factors in Russia who were members of the Russia Company. The Russian trade was controversial because a substantial portion of the imbalance was paid for through the export of currency. The export of currency to Russia was a similar issue to the export of currency in the East India trade.[129] However, the export totals look a bit healthier when the figures for the East Country, Denmark and Norway are considered. The Swedish trade was structurally similar to the Russian trade with imports vastly exceeding exports, and exports consisting of small quantities of a large number of manufactured goods. The East Country trade was also typically imbalanced, but to a lesser degree than the Russian and Scandinavian trades. For

[128] Ibid., p. 30.

[129] Currency exports had been an issue in the Levant trade early in the century but the Levant Company banned the use of currency in trade in 1719. Imports and exports in the Levant trade were also roughly balanced. The HBC trade was imbalanced but, as it was conducted on a barter basis, did not raise concern regarding export of currency.

the period 1761-5, goods worth £266,000 were exported to the East Country and exports to Denmark and Norway totalled £134,000.[130]

It is very difficult to draw general conclusions about the overall profitability of the Russia Company's business because of the mix of different products involved. However, as discussed in the operational analysis, typical gross margins on imports must have been well in excess of 30%. However, the import business was not without risk. As large contracts for imports were typically made in Britain before goods were purchased in Russia and financial settlement was usually made through Amsterdam, the risk of sudden price increases in Russia and adverse movement in exchange rates was very real. The complex financing arrangements of the Russian trade created opportunities in their own right, and some of the early merchant bankers such as George Amyand and the partnership of Freame, Barclay and Freame (a forerunner of Barclays bank) were heavily involved in financing Russian trade. The export trade to Russia and other Baltic countries was quite different than the import trade. As Sven-Erik Astrom noted for the Baltic trades in general, imports to Britain tended to be concentrated in a relatively small number of large merchants handling a relatively small number of bulk commodities, while exports consisted of a large number of items handled by a large number of smaller merchants.[131] Exports tended to consist of a broad range of manufactured consumer goods and the spread between the cost of buying those goods in Britain and the sale price in Russia would have been much smaller than the gross

[130] Schumpeter, *English Overseas Trade*, table V, p. 67. This was an exceptional period for exports to the East Country due to the Seven Years War. However, figures of over £100,000 annually had been achieved since the 1720s.

[131] S. Astrom, *From Cloth to Iron* (Helsingfors, 1963), pp. 169-72.

margin on imports before customs duty. The real money in the Baltic trade was on the import side, both in terms of volume and margins.

While the Russian trade was growing, the Levant business was contracting. The Russian trade was heavily skewed towards imports, but the Levant trade generally maintained a balance between imports and exports. Although the Levant portion of the business, which was conducted largely on the basis of barter, was not subject to the same risk of exchange rate fluctuations as the Russian business, margins in the Levant trade, at 5%-10%, were much smaller than in the Russian import business and the Levant business was highly sensitive to price fluctuations for silk. Another crucial difference was that the Levant business was subject to direct and intense French competition.

The official values for Levant trade need to be handled with caution. As Ralph Davis noted, the official valuations of cloth exports tended to be below their selling price in the Levant while the official valuations of silk imports tended to be higher than their market value. The official values for the trade to Turkey, therefore, give a false impression of the Levant trade as an imbalanced trade where imports exceeded exports. Davis estimated that, 'Both in 1699-1701 and 1722-4 the exchanges with Turkey must have balanced at around £250,000,and in 1752-4 they probably did so at a little under £200,000'.[132] Using Davis's figures for the Levant trade, it was only in the late 1740s that the total trade (imports + exports) with Russia exceeded the Levant trade.[133] While the Russian business involved progressively more products, the Levant business became increasingly focussed on silk and concentrated in Aleppo. The Levant Company's business was still a substantial business by

[132] R. Davis, *Aleppo and Devonshire Square* (London, 1967), p. 31.

[133] The total value of Baltic trade likely exceeded the Levant trade throughout the study period.

the middle of the century but the decline was evident. It was also evident that the French business with the Levant was booming.

The take-off in the French Levant trade was in the second quarter of the century. French broadcloth exports to the Levant enjoyed a growth burst in the period 1711-15 but remained stagnant until the late 1720s.[134] It was in the late 1720s when French cloth exports to the Levant exceeded English cloth exports for the first time.[135] This was also the period when the first serious cracks appeared in the backing which the Levant Company had hitherto received from its cloth suppliers. Price competition intensified in the early 1730s. The problem started with increasing stocks of French cloth in the Levant in 1729. As Paul Masson observed, 'En 1729, on vit dans les échelles un encombrement extraordinaire des draps. Les ventes étaient laborieuses.'[136] In 1732, French merchants in Smyrna were trying to undersell each other. Prices crashed. French goods were sold at a loss and the French were buying Ottoman goods at above their selling price in France.[137] The minutes of the Levant Company's Smyrna factory complained that the 'prices of our cloth have not advanced'.[138] Elena Frangakis-Syrett indicated that profit for French merchants on sales was about 5%, but that nine of the twenty-three French merchant houses in Smyrna in the years 1736-9 operated at a loss.[139] By 1738, French cloth exports had glutted the Levant market

[134] Plague in Marseilles in 1720 was an important factor which depressed French trade in the early 1720s.

[135] Eldem, *Capitulations*, table 14.1.

[136] P. Masson, *Histoire Du Commerce Francais,* p. 15.

[137] E. Frangakis-Syrett, *The Commerce of Smyrna*, *1700-1820* (Athens, 1992), p. 86.

[138] National Archives, SP 105/336, pp. 9-11, Smyrna factory minutes, 9 Jan. 1732.

[139] Frangakis-Syrett, *The Commerce of Smyrna*, p. 87.

causing the French to impose some temporary export restrictions.[140] For English merchants, who were burdened with diplomatic costs which reduced already slim margins, this price environment was not sustainable. The strategic choice made by a number of Levant Company merchants was to withdraw from markets, such as Smyrna, where price pressure was greatest or to seek creative solutions which bypassed Levant Company restrictions on the export of specie. One solution was to sell tin, lead and pepper for currency. Another was to ship goods via Italy. In 1740, Ambassador Fawkener wrote to the Duke of Newcastle, the secretary of state for the southern department, and indicated that the French Levant trade had advanced 'very near to a monopoly'.[141] In 1749, Fawkener's successor, James Porter, wrote to Newcastle's successor, the Duke of Bedford, and estimated that the French business had increased nine-fold in the previous twenty-five years.[142]

For the port of Marseilles, the Levant trade was enormously important and remained the most important trade for the port during the eighteenth century, even as a trade was developed from Marseilles to the Caribbean. The proximity of Marseilles to the Levant and the employment of generally smaller ships by the French (in contrast to the larger, more heavily armed British ships) certainly helped the French to dominate the coasting trade in the Ottoman Empire.[143] However, the economic impact of this French advantage should not be exaggerated. As Ralph Davis noted, 'peacetime freight rates were trivial in relation

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[140] R. Paris, *Histoire du Commerce de Marseille, V: Le Levant 1660-1789* (Paris, 1957),p. 545, n. 1.

[141] National Archives, SP 97/31, pp. 8-12, State papers, foreign, Turkey, letter from Fawkener to Newcastle, 14 Jan. 1740.

[142] National Archives, SP 97/34, p. 9, State papers, foreign, Turkey, letter from Porter to Bedford, 22 Feb. 1749.

[143] The Smyrna factory noted the nearness of Marseilles as a French advantage as early as 1710. National Archives, SP 105/335, pp. 194-6, Smyrna factory minutes, 24 Apr. 1710.

to the value of cloth and silk'.[144] Smyrna was the most important French trading centre in the Levant but the French had significant volumes of business throughout the region. Silk was by far the most important British import from the Levant in the first half of the eighteenth century but the French had a more varied trade. For the French, cotton was already significantly more important than silk as an import from the Levant by the middle of the century and mohair was almost as important as silk. [145] In market share terms, Edhem Eldem has estimated that, by 1749-50, the French had 65% of the European trade with the Levant.[146] Eldem estimates that England's share had dropped to 15% by the middle of the century, slightly below that attributed to Venice.[147]

Ralph Davis's explanation for the decline in the Levant trade is that the British market lost interest in Levant products as alternative sources of silk supply were developed in Asia and demand for other Levant products decreased in Britain. Looking at the overall Levant trade, Davis stressed the impact of the substitution of Levant silk by Bengal and Chinese silk (imported by the East India Company) on the Levant Company's business.[148] Davis noted that Bengal silk was an effective substitute for the silk from Anatolia and Syria which the Levant Company had sourced to compensate for the loss of Persian silk supply. In addition,

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[144] Davis, *Aleppo and Devonshire Square*, p. 182.

[145] R. Davis, 'English Imports from the Middle East, 1580-1780', in M.A. Cook (ed.), *Studies in the Economic History of the Middle East* (Oxford, 1970), table on p. 204.

[146] E. Eldem, 'Capitulations and Western Trade', in S. Faroqhi (ed.), *The Cambridge History of Turkey*, vol. 3 (Cambridge, 2005), table 14.3.

[147] It is highly likely that the trade attributed to Venice involved a significant portion of clandestine trade ultimately destined for England, conducted by 'Italian' merchants.

[148] Davis, *English Imports From the Middle East*, pp. 198-9. One could also argue that burgeoning opportunities in India and America were simply becoming more attractive to aspiring young merchants than the Levant trade.

tariff discrimination against Chinese silk in was ended in 1750.[149] However, it was only after the Seven Years War when silk imports from Bengal and China became dominant in the British market. The EIC used the grant of the *diwani* to encourage heavy investment in Bengal raw silk in 1766. [150] The theme of diminishing British interest in the Levant is echoed in the work of historians such as Edhem Eldem and Suraiya Faroqhi. There is little doubt that the substitution argument concerning Asian silk is compelling for the latter part of the century. However, its impact in the first half of the eighteenth century was not overwhelming. If one looks at total English raw silk imports over the period 1731-60, the proportion coming from India and China did not substantially increase as shown below:

[149] Chinese silk had traditionally been assessed high import duties (more than three times that of Italian silk). Concern about rising silk prices in London following the War of the Austrian Succession led to a reduction in duty on Chinese silk to the level of Italian silk. The result was a sharp increase in Chinese silk imports in the 1750s, see K.N. Chaudhuri, *The Trading World of Asia and the English East India Company 1660-1760* (Cambridge, 1978), pp. 351-2.

[150] H. Bowen, *The Business of Empire: the East India Company and Imperial Britain, 1756-1833* (Cambridge, 2006), p. 222.

	% of English Raw Silk Imports Coming From[151]	
	India and China	Italy
1731-35	39%	8%
1736-40	41%	6%
1741-45	34%	18%
1746-50	19%	25%
1751-55	39%	25%
1756-60	27%	34%

Silk import statistics do indicate a decline in the relative importance of Levant silk as a component of English raw silk imports between 1730 and 1760, but the big change was a decline in Levant silk and an increase in 'Italian' raw silk imports. Levant raw silk declined from 46% of raw silk imports in 1731-35 to 33% in 1756-60. 'Italian' raw silk increased from only 8% of raw silk imports in 1731-35 to 34% in 1756-60. Given the persistent concern of the Levant Company regarding the illicit trading in Levant silk via Leghorn, one might question whether a significant proportion of this 'Italian' silk was actually rebranded Levant silk.

[151] Derived from Davis, *Aleppo and Devonshire Square*, p. 139.

Davis attributed the fall in British trade at Smyrna early in the eighteenth century to declining English demand for fruit and cotton rather than French competition.[152] However, the journal of the Levant merchant, John Mitford, who traded mainly to Smyrna in the 1730s, shows that there was still British demand for cotton, mohair and Anatolian silk imported from Smyrna.[153] It is true that cotton accounted for the bulk of the growth in French trade with the Levant but there were also large increases in other commodities. For example, French imports of mohair almost tripled in the first half of the eighteenth century.[154] This suggests that the decline in the British Levant trade was not simply a function of waning British interest – they were losing the competitive battle.

As chapter 6 will discuss in more detail, there were a number of other factors contributing to the decline in the Levant trade which were raised in the context of the 1744 and 1753 parliamentary debates concerning the company – the improvement in the quality of French cloth, the inflexibility of the Levant Company's policies, and the strength of the French diplomatic relationship with the Ottoman Empire. The improvement in the quality of French cloth can be traced to the late seventeenth century when the French established a cloth manufacturing industry in Languedoc. The French marketed their cloth more aggressively throughout the Ottoman Empire, particularly in the big consumer markets like Constantinople. The French also showed more flexibility with respect to payment options in the Levant, permitting the use of specie and the extension of credit to local merchants which were not permitted by the Levant Company. France had a major diplomatic

[152] Ibid., p. 37.

[153] Mitford's journal covers the period 1730-51 and is contained in National Archives, C 113/11, item 59, Chancery Master Kindersley's Exhibits.

[154] Eldem, *Capitulations*, table 14.12.

advantage as Britain's traditional ally, Austria, was the mortal enemy of the Ottomans. This preference translated into tangible commercial benefits in the 1740 capitulations which gave French merchants the benefit of lower duties on goods exported to the Levant. While all of these factors had some significance, they are contributory factors rather than the primary cause of decline. The debilitating impact of price competition for cloth exports in the Levant was the essential cause of the decline in the British Levant trade before the Seven Years War.

In terms of turnover, the HBC was not in the same league as either the Russia or Levant companies. The HBC's annual revenue prior to the Seven Years War was typically in the £20,000-£30,000 range. Exports of trade goods were less than £5,000 annually. The HBC was, however, an outstanding financial success. From 1722 until the end of the American War of Independence, there were only two years when dividends fell to 7% rather than the usual 8% or 10%.[155] In fact, the company only failed to pay a dividend in 1783, for the first time since 1718, after a squadron of French ships destroyed the company's two most important trading posts on Hudson's Bay. In addition, the company was able to invest its retained earnings in a rapidly growing portfolio of financial securities. The HBC's operating margins were about 20% after payment of duties but before dividends. This was considerably healthier than the Levant Company's margins.

The HBC's consistent financial results masked a deteriorating competitive situation. The fur trade of New France was always much larger than the HBC's trade. For the period 1718-61, W.J. Eccles estimated that, at a minimum, the French fur trade was two and a half times as

[155] Dividends of 10% were the HBC norm until 1745, fell to 8% until 1762 and were restored to 10% in 1763. Dividends of roughly 8% became the norm for East India Company stock but fell to slightly under 6% during the Seven Years War.

large as the HBC's.[156] These relative proportions are supported by English fur import statistics for 1765 which indicate imports from Canada following its conquest which were about two and a half times greater than those from Hudson's Bay.[157] The French fur trade was also more varied than the HBC's. In the 1740s, beaver fur accounted for three-quarters of the HBC's revenue but it has been estimated that, for the period 1713-61, beaver fur imported into La Rochelle (the port used in the French fur trade) constituted only about 40% of furs imported from New France.[158] The French began to push their fur trade westwards in the 1730s and the impact of this expansion was reflected in their fur imports into France. Comparing statistics for the two ten-year periods of 1718-27 and 1728-37, the value of furs imported by the French into La Rochelle increased by almost 70% in the second period.[159] This contrasted with the decline in HBC beaver fur imports from their 1730-1 peak. However, sharply increasing prices for beaver fur in London allowed the HBC to more than compensate for this loss of market share. HBC management was not insensitive to growing French market share, but they resolutely stuck to their strategy of managing their business for cash rather than growth.

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[156] W.J. Eccles, 'A Belated Review of Harold Adams Innis's The Fur Trade in Canada', *Canadian Historical Review*, vol. 60 (Dec. 1979), p. 72. By the mid-1770s, the HBC's fur imports were less than a fifth of those from Canada. In Britain, the HBC also had to compete with fur imported from the American colonies. The American fur was, however, of a poorer quality and tended to sell at a substantial discount to the HBC's fur.

[157] M. Lawson, *Fur: A Study in English Mercantilism, 1700-1775* (Toronto, 1943), appendix E.

[158] E.R. Adair, 'Anglo-French Rivalry in the Fur Trade', in J.M. Bumsted (ed.), *Canadian History Before Confederation* (Georgetown, 1979), p. 136.

[159] Ibid., pp. 135-6.

Conclusion

The experience of the three companies is revealing in demonstrating how critical cash flow management was to their success. The HBC invested surplus cash in financial securities, and purchases and sales of those securities were timed to solve liquidity problems arising from the seasonal nature of the company's business. For merchants in the Levant Company, investment in securities was an important means of diversification in a declining business. The growth and financial complexity of the Russian business provided particularly fertile ground for the development of competencies in financial management.

In purely commercial terms, there is much to admire about the performance of the companies. The growth of the Russian business speaks for itself. The loss of market share by the HBC and the Levant Company was not surprising. The HBC was confronted with a growing French colony in New France whose major economic interest was the fur trade. The Levant was also a more accessible market for the French than the British, given the proximity of Marseilles and the development of a cloth manufacturing industry in southern France. Furthermore, British manufactured products did not offer the companies a competitive advantage. The key British manufactured product, woollen cloth, struggled to compete with French cloth in the Levant. In the North American fur trade, the product which differentiated British trade goods from French trade goods was Brazil tobacco obtained in trade with Portugal. The HBC chose not to respond to French competition by significantly lowering the prices of its trade goods, but the Levant Company did not even have such an option. The requirement to pay for diplomatic costs in the Ottoman Empire made it unrealistic for Levant merchants to match French cloth prices. The French were also physically closer to their customers and were more responsive to their needs both in the fur

trade and in the Levant. In the face of this, the HBC and the Levant Company did well to preserve their businesses. The HBC's ability to maintain its dividends was a noteworthy achievement. Strong demand for beaver fur was the most important factor in explaining the company's performance, but HBC management also did its part by controlling costs and expanding where needed to maintain fur supplies. While the Levant Company business shrank by some 20%, a core of merchants survived to position the company to take advantage of growth opportunities later in the eighteenth century. Unlike many of their French counterparts, who went bankrupt as a result of over-aggressive pricing, Levant merchants dealt with competitive difficulty by rebalancing their trading and investment activities.

The successes and failures of the companies were closely monitored by others and were the focus of political debate. Despite their commercial achievements, the performance of the HBC and the Levant Company made them politically vulnerable. However sensible managing the business for cash was as a commercial strategy for the HBC, it created, for some critics, an appearance of complacency and inactivity. For the Levant Company, declining exports created real economic hardship for its suppliers. For the Russia Company, its performance led the government to further encourage the expansion of its business. The following two chapters will show that perceptions regarding their economic performance were key determinants of the political treatment of the companies.

Chapter 5 – Working With Government 1714-42

The organization of the companies had inherent political implications as Parliament had the authority to order changes to the company structures and admission requirements. Furthermore, as scholars have argued, the parliamentary debates concerning the companies are an underutilized resource which can provide valuable insight into the discourses of economic debate as well as the forums in which those debates were conducted.[1] The experience of the three companies was that, although they may have operated in a period when there was a 'noisy cult of commerce', as Linda Colley described it, they had clear constituencies which they had to manage. [2] One of those constituencies was the government itself. The operations of the three companies were entwined with foreign policy and there were real economic costs and benefits involved in the relationships between the companies and the government. Personal relationships between company managers and the government were critical, particularly during Walpole's regime when the companies and the government increasingly recognized the seriousness of French competition before the general public. In addition to the government, the companies had a number of key stakeholders with an interest in their economic performance. The key stakeholders varied between companies and the consequences of not keeping stakeholders happy could be that their complaints would be championed by their representatives in Parliament. The best example of this dynamic is the dissatisfaction of Worcester cloth manufacturers with falling exports to the Levant which led to attacks on the Levant

[1] These issues were identified as areas requiring further research in a recent collection on the regulation of the economy, see P. Gauci (ed.), *Regulating the British Economy, 1660-1850* (Farnham, 2011), pp. 22-3. As discussed in chapter 2, studies of the parliamentary debates involving the companies have tended to focus on the debates of the 1690s.

[2] L. Colley, *Britons: Forging the Nation, 1707-1837* (New Haven, 1992), p. 61.

Company in both the Commons and the Lords, driven by politicians from Worcester. This is not to say that the political debates concerning the companies were free of appeals to popular prejudice, on both sides of the debates. However, the debates were not uninformed. Summaries of statistical data and use of expert witnesses were features of the debates, and the Board of Trade, in particular, was far more involved with the three companies than has previously been recognized. Ultimately, the political fate of the companies depended on their economic performance and their ability to keep the government and their economic stakeholders happy.

This chapter and the next will deal with the involvement of the three companies in politics. This chapter covers the period 1714-42 and outlines the relationships between the companies and the government, as well as between the companies and their key economic stakeholders. This was a period characterized by cooperative working relationships between the government and the companies with limited dissent from economic stakeholders. At the end of the chapter, a series of disputes concerning the Levant Company (one of which also involved the Russia Company) is reviewed, which reveals growing concerns regarding the company's performance. Chapter 6 covers the period 1743-63, when both the Levant Company and the HBC monopolies were subject to more serious parliamentary challenges.

The period 1714-42 was politically benign for the three companies. It was only at the end of this period that the government questioned the mandate of one of the three companies when it encouraged the Russia Company to seek the right to trade for silk from Persia, a market which the Levant Company considered to be theirs. The key issue which this chapter will investigate is why there were no other serious challenges to the mandates of the

companies during this period. My contention is that it was the importance of the companies to the foreign and economic policies of the government which was the key to their immunity to political attack. The importance of the companies to the government was, in turn, a function of their economic performance. It was only when the companies showed signs of faltering (mainly in the face of French competition) that political support for them diminished.

Commercial competition with France was not, however, the greatest public concern prior to the 1740s. Relations with Spain were more contentious in the 1720s and 1730s than those with France.[3] While Britain and France were allies from 1716-31, Spain was a persistent concern of British foreign policy during the first half of the eighteenth century for a variety of political and commercial reasons. In Europe, the fear that the Bourbons would unify the French and Spanish crowns led to the War of the Spanish Succession and the Methuen Treaty, which established an Anglo-Portugese commercial alliance. Spanish ambitions in Italy led to a brief war with Britain in 1718. British possession of Gibraltar and Minorca was also a constant source of friction between the two countries. The main problem, however, stemmed from the fact that, as J.H. Elliott put it, 'the economic ties between Spain and its American possessions were being loosened at the very time that economic growth on both sides of the British Atlantic was tightening the relationship between England and its Caribbean and mainland colonies'.[4] The weakening of Spain's empire in the Americas presented an inviting target for British merchants who coveted Spanish silver. The *Asiento* provided a legal means for Britain to participate in Spanish American trade via the South Sea

[3] J. Black, *Trade, Empire and British Foreign Policy, 1689-1815* (Abingdon, 2007), p. 131.

[4] J.H. Elliott, *Empires of the Atlantic World* (New Haven, 2006), p. 228.

Company, but it was the illegal trade of British merchants with the Spanish colonies which created the most serious commercial issues. The Spanish 'depredations' (attempts to use force to prevent smuggling) became a major issue amongst private traders to the West Indies in the late 1720s.

Nicholas Rogers has identified Spanish depredations, along with the excise crisis and jealousy concerning the privileged access enjoyed by the 'moneyed interest' to government financial business, as flashpoints of popular protest.[5] Kathleen Wilson contends that the excise crisis of 1733 'marked the emergence of trade as a patriotic political issue, one that placed commerce at the center of the national interest and highlighted the monopolizing tendencies of the Walpolean state'.[6] Wilson also argues that public enthusiasm for its commercial benefits was a driving force behind British imperial expansion which Walpole resisted. Bob Harris has cautioned against an interpretation of attitudes towards empire based solely on economic considerations, arguing that although there may have been agreement that Britain was a trading nation, there was no consensus on whether the national interest was best advanced by war or peace.[7] Indeed, the economic argument for war only becomes plausible if one considers the war as a means of countering French commercial expansion.

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[5] N. Rogers, *Whigs and Cities: Popular Politics in the Age of Walpole and Pitt* (Oxford, 1989), pp. 395-6.

[6] K. Wilson, *The Sense of the People: Politics, Culture and Imperialism in England, 1715-1785* (Cambridge, 1995), p. 129.

[7] B. Harris, *Politics and the Nation: Britain in the Mid-Eighteenth Century* (Oxford, 2002), p. 8.

Despite the public uproar about the Spanish, the government (and the companies) were aware of the growing and far more commercially serious French threat during the 1730s. As P.G.M. Dickson observed,

> The growth of trade to America did not compensate for the relative stagnation of exports to a protectionist Europe ... The evidence, admittedly equivocal, suggests that Walpole's policies, however much they commanded general assent, were in the longer run inadequate to remove the obstacles to expansion of overseas commerce. First among these was growing French competition in the Mediterranean, India, Africa, the West Indies and the mainland of North America.[8]

Refusal to enter the War of the Polish Succession also left Britain diplomatically isolated and, by 1738, France enjoyed a position of ascendancy on the continent.[9] Brendan Simms described the geopolitical implications of the French acquisition of Lorraine during the war as immense. [10] The Spanish depredations would provide the public pretext for the War of Jenkins' Ear in 1739, but that war was also evidence of deterioration in Anglo-French relations. D.B. Horn noted that, 'It was partly because they believed that France was egging on Spain that the British government finally declared war on Spain in 1739'.[11] Spain and the Spanish empire was a hugely important export market for France, and war with Spain was a means of harming French trade, particularly with the Spanish colonies. [12] Although British

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[8] P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit 1688-1756* (London, 1967), p. 204. A number of European countries were attempting to use tariff barriers to protect the development of their own textile industries in the 1720s and 30s. Sweden, Denmark and Norway, for example, sharply discriminated against British cloth imports - see H.S.K. Kent, *War and Trade in Northern Seas* (Cambridge, 1973), pp. 5-7.

[9] P. Langford, *The Eighteenth Century, 1688-1815* (London, 1976), p. 109.

[10]B. Simms, *Three Victories and a Defeat* (London, 2007), pp. 241-3.

[11] D.B.Horn, *Great Britain and Europe in the Eighteenth Century* (Oxford, 1967), p. 55.

[12]Richard Pares observed of the debates leading to the War Of Jenkins' Ear that, 'The competition of French merchandise in the Spanish market was thought particularly grievous', *War and Trade in the West Indies* (Oxford, 1936), p.62. In 1750, Josiah Tucker remarked that the French 'get more from

trade with Old Spain was important and was jeopardized by war, the British merchants who traded with Spain lacked the political influence of the West Indies merchants. As Jeremy Black observed, 'much of the British trade to Old Spain was handled by merchants whose links with British political circles were poor: Jews, and Irish and English Catholics.'[13]

French competition was principally the concern of the companies and the government prior to the 1740s. The three companies were not in the public eye during the period 1714-42. They did not inspire widespread jealousy amongst merchants in London, and they received very little attention in the press. However, the stakeholder concerns which emerged as significant political issues for the Levant Company and the HBC in the 1740s emanated from the provinces and were directly related to the growth of French market share in their businesses.

The three companies overcame a number of political challenges during the period 1714-42 because they enjoyed the strong support of the government, particularly during Walpole's regime. The companies provided direct economic benefits to the state in terms of customs revenues and, from 1730, were a vehicle for containing French expansion without recourse to war. Very importantly, the company structures also provided a means for the government to influence the conduct of trade through personal relationships with key managers in the companies. Close cooperation between merchants and the state was essential. The companies were linked to the government at various levels. In addition to links with the diplomatic corps, customs officials and the Royal Navy (for escorts in

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the Spaniards than all the trading nations in Europe', *A Brief Essay on the Advantages and Disadvantages which Respectively Attend France and Great Britain, with Regard to Trade* (1750), p. 18.

[13] J. Black, *British Foreign Policy in the Age of Walpole* (Edinburgh, 1985), p. 108.

wartime), the companies had relationships at the highest level with the government during Walpole's regime. Political debates about the companies were initiated by stakeholders with relatively well defined economic interests. Issues were typically handled behind closed doors. The Board of Trade played an important role in analyzing and mediating trade issues involving the companies. Parliament was the ultimate arbiter of trade disputes and was a public forum, but, where possible, the companies worked hard behind the scenes to ensure that the parliamentary process was influenced by negotiation and compromise.

Although new institutions were created in the aftermath of the Glorious Revolution and the style of political management changed under Walpole, at its core the politics of trade concerning the chartered companies had not changed since the 1690s. Government support could help to keep political challenges to the companies out of Parliament, but government support was conditional on the economic performance of the companies. It is not a coincidence that the Levant Company, which suffered from French competition most severely, was subject to the earliest fragmentation of its base of political support.

The next section discusses the relationship between the government and the three companies. The reciprocal nature of the 'deal' between the companies and the government is emphasized as well as Walpole's personal relationships with important individuals. The underappreciated role of the Board of Trade and the influence of Joshua Gee at the Board are also highlighted. The interests of customers, suppliers and other merchants who had a stake in the performance of the old gang companies are then described. Understanding the identity of the stakeholders in the companies is vital in order to understand the economic underpinnings of the parliamentary debates concerning the companies. Finally, three parliamentary issues involving the Levant Company over the period 1720-40 are reviewed

which demonstrate the increasing struggle of the company with French competition and how competitive difficulty began to erode its base of political support.[14]

The Government and the Companies

The chartered companies were not directly managed by the state but their charters formed part of what D.C. Coleman termed the 'deal' between the state and merchants.[15] In exchange for the legal sanction of the trade monopoly, diplomatic assistance and naval protection, the state gained the benefit of control over the collection of customs revenue in a period when smuggling was rampant and, in the case of the East India Company, the state had access to an important source of 'loans'. In addition, the companies flew the flag for Britain during the period of detente with France and helped to inhibit French overseas expansion in this period.

Paul Langford noted that, 'In the eighteenth century, foreign policy was almost always the most important matter before the political nation' and 'diplomacy and commerce were inextricably mingled'.[16] The government permanently assumed the right to directly appoint the ambassador to the Ottoman Empire in 1691.[17] The first British consul-general in Russia was appointed in 1699, following the granting of the tobacco contract, and consuls played a

[14] The three issues are: the dispute with Italian merchants in 1720, a dispute with the clothiers of Worcester in 1729, and the debate concerning the Persian silk trade in 1740-1.

[15] D.C. Coleman, *The Economy of England, 1450-1750* (Oxford, 1977), p. 58.

[16] P. Langford, *The Eighteenth Century 1688-1815* (London, 1976), pp. 12-13 and *A Polite and Commercial People* (Oxford, 1989), p. 176.

[17] A.C. Wood, 'The English Embassy at Constantinople 1600-1762', *English Historical Review*, vol. 40, no. 160 (Oct., 1925), p. 534.

key role in negotiating treaties and smoothing relations with the Russians from the late 1720s onwards. Although it had no such diplomatic representation overseas, diplomacy was very important for the HBC. The Treaty of Ryswick had been a disappointment to the HBC as it called for French possession of the bottom of Hudson's Bay although its terms were never, in fact, implemented. In an effort to avoid a repetition of Ryswick, senior representatives of the HBC were in constant attendance at the conferences which led to the Treaty of Utrecht from 1709-1713.[18] The result was a triumph for the HBC and it had 'restored' to it all of the posts on the Bay. Perry Gauci has noted the mutually beneficial relationship between the companies and the government. Commenting on the continued role for companies in eighteenth-century commerce, Gauci stated,

> Hanoverian ministers continued to rely on the companies as conduits of information, and even former enemies of the incorporated system were happy to take advantage of these connections ... the close relationship of the companies with the Crown highlighted the importance of executive power for the promotion of overseas trade.[19]

The companies were significantly affected by the state of Anglo-French diplomatic relations. Relatively stable Anglo-French relations in the period 1714-30 helped the three companies. The French navy had posed a substantial threat to the normal conduct of trade in both the Nine Years War and the War of the Spanish Succession, but that risk was removed by the Anglo-French alliance engineered by Stanhope in 1716. A relatively stable diplomatic environment allowed the companies to plan with greater certainty but that did not mean that the companies were entirely free of foreign challenges prior to the end of the Anglo-French alliance. The Russia Company had to cope with Swedish privateers during the Great Northern War and the effective suspension of Anglo-Russian diplomatic relations between

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[18] E.E. Rich, *Hudson's Bay Company 1670-1713* (London, 1958), pp. 424-5.

[19] P. Gauci, *The Politics of Trade* (Oxford, 2001), p. 114.

1719 and 1727. The root cause of the Anglo-Russian dispute lay in Hanoverian concerns regarding the growth of Russian power in the Baltic. Stanhope sought to organize a coalition in 1720-1 intended to force Russia to return some of the territory which it had acquired from Sweden. Hanover and Russia were on opposite sides of disputes regarding Mecklenburg, East Friesland, Bremen and Verden and Holstein. [20] Consequently, the threat of Swedish and Russian support for the Jacobites was significant from the accession of George I until the death of Peter the Great.[21] It was only after the deaths of Catherine I and George I in 1727 that Anglo-Russian relations began to thaw.

The early 1730s saw a re-appraisal of the organization of various sectors of trade. In 1730, the EIC fought off a proposal backed by merchants in London, Liverpool and Bristol to turn the company into a regulated company. The EIC obtained a renewal of its charter as a joint stock company by paying the government £200,000.[22] French competition in the East Indies during this period was a concern but lacked the intensity it reached in the western hemisphere. Instead, it was new entrants to the East Indies trade who attracted most concern. In 1731, Britain secured Austrian suspension of the activities of the Ostend Company, which had been established in 1717 to trade with the East Indies, as one of the terms of an Anglo-Austrian alliance. In 1733, the British and French cooperated to jointly seize the cargo of a Swedish East Indiaman.[23] The RAC was granted a £10,000 annual parliamentary subsidy towards its forts in 1730, arguing that the French were confiscating

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[20] J. Black, 'Foreign Policy in the Age of Walpole', in J. Black (ed.), *Britain in the Age of Walpole* (Basingstoke, 1984), p. 146.

[21] Ibid., p. 159.

[22] P. Lawson, *The East India Company: A History* (Harlow, 1987), p. 77.

[23] J. Black, *British Foreign Policy in the Age of Walpole* (Edinburgh, 1985), p. 104.

British ships.[24] Concern about French commerce with British colonies also led to a relaxation of restrictions on Irish trade with the West Indies in 1731.[25]

For the three companies, the demise of the Anglo-French alliance created new political challenges which stemmed from shifting diplomatic relations and French commercial success. The threat that the Baltic countries might enter into an alliance with France was a distinct possibility. Sweden chose the French option and Anglo-Swedish relations took a turn for the worse in the early 1730s as Sweden backed the French candidate for the Polish succession and founded a Swedish East India Company.[26] The potential that Russia would also ally with France would have been disastrous for the Russia Company. The decade after 1731 was not a good time for the Levant Company diplomatically and commercially. The Anglo-Russian Commerce Treaty envisaged an overland trade for Persian silk through Russia which added to the long standing concern of the Levant Company with competition from the EIC for Persian silk. The Levant Company was at a distinct diplomatic disadvantage relative to its French rivals by virtue of British alliance with Austria and a commercial relationship with Russia, the two arch-enemies of the Ottoman Empire in Europe. The 1740 capitulations translated French diplomatic advantage into tangible commercial benefits in the form of lower Ottoman customs duties on French goods. In light of French commercial success, the HBC was subject to criticism that it was not doing enough to fulfil its mandate to explore and develop new territory.

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[24] *The Case of the Royal African Company of England* (1730), p. 24.

[25] The progress of this legislation is described in detail in the diary of the Earl of Egmont who, at the time, was the Viscount Perceval, a leader of the Irish lobby in Parliament. See 'Manuscripts of the Earl of Egmont: Diary of Viscount Perceval, Afterwards First Earl of Egmont', vol. 1: 1730-33, Historical Manuscripts Commission (1720).

[26] Horn, *Great Britain and Europe in the Eighteenth Century*, p. 251.

The deal between the state and the companies involved real costs on both sides. The state provided naval escorts for all three companies during time of war.[27] The Levant Company paid for the upkeep of the British ambassador to the Ottoman Empire.[28] The HBC paid for the construction of forts to defend its trade.[29] The HBC's self-reliance contrasted with the RAC, whose political support was undermined by the fact that it was 'weak and endlessly soliciting ministerial and parliamentary assistance.'[30] All three companies paid customs duties but, as discussed in chapter 4, the level of those duties varied in relation to the assistance which they received from the government. The Russia Company, which received the most valuable government assistance in the form of the Commerce Treaty, paid by far the highest customs duties.[31]

Walpole's favourable disposition towards the chartered companies in general is reflected in his record of support for the chartered companies in Parliament, before and after he became Prime Minister. In his *A Short History of the Parliament* (1713), Walpole was scathing about the proposed French Commerce Bill, referring to it as 'the most fatal blow

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[27] See P. Crowhurst, *The Defence of British Trade* (Folkestone, 1977), p. 52 for the Russia Company, p. 76 for the HBC and p. 80 for the Levant Company.

[28] The annual diplomatic cost borne by the Levant Company was roughly equivalent to the annual subsidy of £10,000 granted to the RAC beginning in 1730.

[29] One estimate of the construction cost of Prince of Wales Fort was £8,000 although this should be regarded as an absolute minimum as the author was seeking to argue that the cost was not large. See *An Account of Six Years Residence in Hudson's Bay* (1752) which is attributed to Joseph Robson but, as Glyn Williams has argued, was likely written, at least in part, by Arthur Dobbs.

[30] J. Black, *British Foreign Policy in the Age of Walpole* (Edinburgh, 1985), p. 105.

[31] In his article 'The Rise of Protection in England 1689-1716', *EHR*, 2nd series, vol. 15 (1962), Ralph Davis singled out timber, hemp and iron as heavily taxed raw materials, p. 315. In the case of iron, Davis observed a nearly fivefold increase in duty between 1688 and 1759.

that was ever attempted' to be given British trade and manufacturing.[32] This put Walpole in the same camp as British cloth manufacturers and the Levant Company. The Calico Act of 1721 hurt the East India Company but helped the Levant Company and domestic manufacturers. However, both the EIC and the RAC received favourable parliamentary treatment in 1730 in the form of a charter renewal and subsidy respectively. The Anglo-Russian Commerce treaty of 1734 contained a provision for the opening up of a trade to Persia via Russia but, significantly, the change in the Navigation Acts required to enable this trade was only approved by Parliament in 1740, after the Levant Company had suffered a decade of intense competition and, after the French had successfully mediated a dispute between the Ottomans and the Russians and Austrians. Therefore, the government's attitude towards the companies was very much influenced by their perception of the commercial prospects of the companies.

As N.C. Hunt noted, the Russia Company had been treated with solicitude by successive British governments since the turn of the century.[33] The Russia Company was asked on several occasions what the government could do for them, not just regarding Russia but also with respect to Sweden and Denmark. The strategic significance of the Baltic trade was that it supplied most of Britain's naval stores. Despite the official support given to the development of colonial supplies of naval stores, Daniel Baugh observed that 'the navy regularly bought Baltic produce in preference to colonial and often did so at higher prices'.[34]

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[32] Walpole published this not long after he was released from the Tower and he was clearly seizing upon the opportunity to discredit the Tory administration which put him there.

[33] N.C. Hunt, 'The Russia Company and the Government, 1730-42', *Oxford Slavonic Papers*, vol. 7, 1957, p. 28.

[34] D. Baugh, *British Naval Administration in the Age of Walpole* (Princeton, 1965), p. 269.

The Baltic was closer and the quality of Baltic goods was high. The colonies did supply some important naval stores like large masts from New England as well as pitch and tar from Carolina and Virginia but they were never able to develop adequate substitutes for two essential products – iron and hemp. The net effect of the legislation encouraging the development of colonial sources of naval stores was, therefore, limited. From 1738 to 1765, the Navy Board paid out £123,413 for Stockholm pitch and tar, compared to an expenditure of £74,300 for the same products from the British colonies.[35] Pitch and tar were also by no means the most important naval stores. Expenditures on hemp dwarfed those on pitch and tar and hemp continued to be sourced overwhelmingly from the Baltic. With the acquisition of Riga in the Great Northern War and the establishment of St. Petersburg, Russia clearly dominated the hemp trade. However, it was Sweden which supplied not just the best quality iron but also provided the bulk of British iron imports prior to the Seven Years War.[36]

Britain worked hard to maintain trade with both Russia and Sweden. The problem with Sweden was that it was more sympathetic to France than Britain after the end of the Anglo-French alliance. H.S.K. Kent noted that Sweden was 'hardly on speaking terms with England' just prior to the Seven Years War.[37] To a large extent, Sweden's preference for France was related to anti-Russian feeling and the hope that France might be able to assist in recovering

[35] J.J. Malone, *The British Naval Stores and Forests Policy in New England, 1691-1775* (Unpublished Ph.D. thesis, University of London, 1956), chapter II, pp. 45-6.

[36] With the exception of hemp, alternative sources of Russian naval stores were available in the former territory covered by the Eastland Company. This explains why many former Eastland merchants joined the Russia Company and many merchants continued to be members of both companies in the eighteenth century.

[37] H.S.K. Kent, *War and Trade in Northern Seas* (Cambridge, 1973), p. 162. Although less important than Sweden as a source of naval stores, Denmark's ostensible neutrality also had a noticeable French leaning from 1742, when it rejected a British offer of a commercial treaty and signed one with France, p. 163.

its lost position in the Baltic.[38] The cultivation of Russia as a trade partner and the encouragement given to the developing Russian iron industry were, therefore, strategically vital to Britain and the Russia Company was the vehicle for establishing trade relations with Russia. It was not just the Royal Navy which depended on the Russia Company's imports. The merchant navy relied on the same sort of stores as the Royal Navy while Russian hemp, flax and iron were used to manufacture products with wide use outside the navy such as ropes, linen shirts and nails. The rapid growth of Russian imports from the 1730s left little room for criticism from the Russia Company's customers.

Walpole's support for the companies demonstrated that overseas trading monopolies still had a role to play in the development of the economy. Walpole did not create the deal between the state and the chartered companies but, as in many other areas of the economy, Walpole managed the government's interest in the chartered companies more effectively than his predecessors. More structured trading organizations offered Walpole greater ability to direct their behaviour through his preferred approach - personal management. [39]

Walpole's personal management of the three companies was particularly evident during the 1730's. Samuel Holden, the governor of the Russia Company from 1728, and a Bank director, was the chairman of the Dissenting Deputies Committee established in 1732.[40]

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[38] Horn, *Great Britain and Europe in the Eighteenth Century*, p. 251.

[39]Patronage was at the heart of Walpole's approach to personal management, E. Cruickshanks, 'The Political Management of Sir Robert Walpole, 1720-42' in J. Black (ed.), *Britain in the Age of Walpole* (Basingstoke, 1984), p. 25

[40] Another important member of the committee was Nathaniel Gould, who was also a Bank director and the nephew of Sir Nathaniel Gould, Holden's predecessor as governor of the Russia Company.

The purpose of the Dissenting Deputies Committee was ostensibly to petition Parliament for the repeal of the Test and Corporation Acts but the lack of vigour with which the committee pursued the issue created 'considerable grounds for suspicion that the committee might have been working closely in league with the government to prevent the dissenters from approaching parliament'.[41] It would be stretching the point to characterize the 1734 Anglo-Russian Commerce Treaty as a quid pro quo for Holden's work on the Dissenting Deputies Committee but, as N.C. Hunt more subtly put it, 'men brought into regular and profitable business contact with each other tend to show one another more mutual respect, forbearance and tolerance in non-business matters than would otherwise be the case'.[42] In addition to his work on the Dissenting Deputies Committee, Holden was the main defender of the Bank in Parliament in 1737 when it was under attack by Sir John Barnard.[43] As discussed in chapter 4, Holden's personal benefit from the Russia Company's improved trading position was substantial.

Although less cosy, government relations with the Levant Company and the HBC were also mediated successfully through individuals. Sir John Eyles, who was described by Eveline Cruickshanks as Walpole's manager for the City, came from a family of prominent Levant merchants.[44] The Duke of Chandos was replaced as Governor of the Levant Company in 1736 by John West, the first Earl De La Warr. Apart from having useful royal connections (he was made treasurer of the household in 1731), De La Warr was a loyal government Whig

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[41] N.C. Hunt, 'Sir Robert Walpole, Samuel Holden, and the Dissenting Deputies' in *Two Early Political Associations* (London, 1961), pp. 163-78.

[42] Ibid., pp. 176-7.

[43] Ibid., p. 170.

[44] Cruickshanks, *The Political Management of Sir Robert Walpole*, p. 37.

who took an active role in attacking the government's opponents.[45] The Levant Company's reliance on the ambassador in Constantinople to sort out commercial issues with Ottoman officials and the requirement that the company had to pay for the ambassador's upkeep gave the government additional leverage over the company. As for the HBC, although not a major consideration, Walpole was aware that the King was a shareholder. The HBC minutes of 9 February 1726 report that Sir Bibye Lake had delivered to Sir Robert Walpole a copy of the King's account of stock in the company likewise an account of cash due him for sundry dividends made thereon to the sum of 1390 pounds ten shillings.[46] Sir Robert promised that he would lay the said account before his Majesty very speedily. More importantly, Walpole was able to exert his influence on HBC affairs through his relationship with the company's chief critic, Arthur Dobbs. Dobbs's biographer, Desmond Clarke, described Walpole as a 'good friend and influential patron' of Dobbs.[47] Dobbs first proposed the idea of launching a voyage of discovery for a northwest passage to Walpole in 1733, but he only succeeded in 1741, when Walpole's position had become precarious.[48] The two ships for the expedition were provided by the Royal Navy, but Dobbs and his merchant backers were responsible for the crew and provisions. Sir Charles Wager, First Lord of the Admiralty, became incensed at

[45] M.E. Clayton, 'West, John, first Earl De La Warr (1693-1766)', *ODNB,* Oxford University Press, 2004; online edn., May 2005 [http://ezproxy.ouls.ox.ac.uk:2117/view/article/29087, accessed 14 March 2012].

[46] HBCA, A 1/20, Committee minutes, 9 Feb. 1726.

[47] D. Clarke, *Arthur Dobbs Esquire, 1689-1765* (London, 1958), p. 51.

[48] Ibid., p. 49.

the reluctance of the HBC to provide aid to the ships but, at this point, the HBC's monopoly was not yet under attack.[49]

Chartered companies were much better suited to the Walpolian management style, which relied upon personal influence, than less structured trades. However, not all economic controversy could be managed personally by Walpole. One means of avoiding public conflict was to direct controversial commercial issues to the Board of Trade, thereby either keeping debates out of Parliament entirely or having the sting taken out of the controversy. The main remit of the Board concerned colonies or trade affecting the colonies. In some cases, colonial issues involved chartered companies. The Board, for example, was heavily involved in the dispute between the RAC and the private traders because of the interest of the West Indian and American colonies in acquiring a reliable supply of slaves.[50] The Board was, however, also involved in issues concerning the three companies in this study even when they did not have a direct bearing on the colonies.

Alison Olson's work has helped to improve the previously poor reputation of the Board of Trade with regard to colonial matters. Olson noted that the Board was commonly agreed to have failed in its three principal tasks: making recommendations on imperial administration, nominating colonial officials and supporting provincial officials in office. Olson countered by arguing that the Board was particularly active prior to 1760 and was

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[49] G. Williams, 'The Hudson's Bay Company and Its Critics in the Eighteenth Century', *Transactions of the Royal Historical Society*, 5th series (1970), pp. 153-4.

[50] Parliament instructed the Board of Trade to enquire into the African trade in 1708 and the Board's report helped to legitimize the cause of the private traders, W. Pettigrew, 'Regulatory Inertia and National Economic Growth' in P. Gauci (ed.), *Regulating the British Economy, 1660-1850* (Farnham, 2011), p. 34.

remarkably successful in accommodating London-American interest groups.[51] Analysis of the three companies in this study suggests that the Board also played an important role in managing government interests concerning non-imperial trade. This role went beyond accommodation of competing interest groups to include economic analysis and recommendations which supported parliamentary debate, legislation and the negotiation of commerce treaties with foreign governments.

In the case of the Levant Company, the role of the Board in the 1720 dispute with Italian merchants, the 1740-1 dispute with the Russia Company and the parliamentary challenges in 1744 and 1753 was to provide the House with copies of materials which it had collected as part of its role in monitoring trade, particularly British exports. In December 1715, the Board asked the Levant Company (along with the Hamburg and Russia companies) to provide data on woollen cloth exports and to provide reasons for the decay in trade. Having received replies in January 1716, the Board then asked Italian merchants to provide three years worth of data on raw silk imports from Italy. In 1727 the Levant Company was again asked to provide data regarding woollen cloth exports. This time, the request was to provide data for the preceding seven years. The purpose of this data collection by the Board

[51] A. Olson, 'The Board of Trade and London-American Interest Groups in the Eighteenth Century' in P. Marshall and G. Williams (eds.),*The British Atlantic Empire Before the American Revolution* (London, 1980), pp. 33-50.

was to inform the making of trade policies.[52] The Board also monitored foreign commerce treaties with the Ottoman Porte.[53]

The Board played a key role in the negotiation of the Anglo-Russian Commerce Treaty of 1734. Drafts of the treaty were considered by the Board at several stages. The consequences for Swedish trade were also considered by the Board before the treaty was concluded. In August 1731 the Board gathered 10 years worth of data on Swedish iron imports which, along with a note on the establishment of the Swedish East India Company, was included in their report on Swedish trade the following March. Samuel Holden, the Governor of the Russia Company, first attended the Board in June 1732 to discuss the treaty and corresponded with the Board on at least three occasions and visited it personally once more before the treaty was concluded. Holden would make two more appearances at the Board in 1736 to discuss a dispute about a rhubarb contract. Prior to the discussion of the Persian silk proposal in Parliament, the Board received letters and heard delegations from both the Levant and Russia companies.

Beyond these headline interventions, a good example of the Board's role in policy making affecting the HBC is the request of the hatmakers in 1721 for lower duties on imports of beaver fur and a reduction in the drawback paid on re-exports. The process started with a petition from the hatmakers to the Lords of the Treasury. Horatio Walpole, as one of the

[52] This data collection tended to precede a parliamentary debate on the issue by a few years. The collection of data on Italian trade in 1715-16 preceded the parliamentary debate of 1720. The collection of data in 1727 preceded a 1729 dispute between the Levant Company and the clothiers of Worcester which is discussed below.

[53] The treaty between Sweden and the Porte was discussed in July 1737; the treaty between the Kingdom of the Two Sicilies and the Porte was discussed in August 1740; and a translation of the new French capitulations was presented in October 1740.

Lords of the Treasury, then referred the matter to the Board. The letter which was referred to the Board contained data on beaver skin imports for the previous five years and argued that a drop in duty would discourage the clandestine trade between New York and Holland, thereby increasing customs revenue by at least a third.[54] The Board recommended to the Lords of the Treasury that fur become an enumerated commodity, thereby preventing its exportation from the American colonies to anywhere but Britain. The bill, which eventually was passed by Parliament, made beaver skin an enumerated commodity and cut import duties as well as drawbacks by more than half.[55]

An indication of the importance of the Board to Walpole is the fact that the office of Surveyor and Auditor General of Plantations, which was held by Horatio Walpole throughout his brother's administration, was added as an *ex officio* member of the Council of Trade and Plantations in 1721.[56] The Board's employment of Joshua Gee as an adviser also indicates that its consideration of economic disputes was informed by a particular view of economic policy. Gee has been described as an arch-protectionist, later to be ridiculed by Adam Smith.[57] However, Gee's influence during the first decade of Walpole's premiership should not be underestimated. He was consulted on virtually every colonial matter of consequence in the 1720s (he died in 1730). The seriousness of the French commercial

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[54] National Archives, CO 388/23 R74, records of Board of Trade, letter from Horatio Walpole to the Board of Trade 4 Dec. 1721.

[55] There is a good discussion of this in M. Lawson, *Fur: A Study in English Mercantilism, 1700-1775* (Toronto, 1943), pp. 16-18.

[56] J.C. Sainty, 'Council of Trade and Plantations 1696-1782', *Office Holders in Modern Britain: Volume 3: Boards of Trade 1660-1870* (1974), pp. 28-37.

[57] P. Groenewegen, 'Gee, Joshua (1667-1730)', *ODNB*, Oxford University Press, 2004; online edn, May 2007 [http://ezproxy.ouls.ox.ac.uk:2117/view/article/63632, accessed 14 Mar 2012].

threat was not lost on Gee. In 1729, Gee was trying to draw lessons for Britain from Colbert's industrial reforms and the protectionist measures of the French government. Gee was very complimentary about the commercial policies of France.[58] Some of these French policies, such as the ban on the wearing of foreign manufactures, were in accord with the existing direction of British policy, but other aspects of French policy which Gee advocated would only find a sympathetic audience with British policy-makers after his death. Gee praised the decision of the French in 1726 to export goods directly from their colonies to the ports of Spain. The legislation passed in 1731, which permitted direct trade between the British colonies in the West Indies and Ireland, for commodities which were not enumerated, involved a similar issue. Gee was particularly concerned about the impact which French superiority in fashion goods such as silk manufactures had on British manufacturing.[59] Gee strongly advocated the development of the commercial potential of the colonies to provide substitutes for imports from other countries whose supplies were more susceptible to disruption. For example, bounties on colonial pitch and tar imports had been introduced as early as 1705, but had lapsed in 1725 and Gee used his influence to secure the reinstatement of colonial bounties in 1729.[60]

On one level, Gee's views appear to be anti-company. His emphasis on development of the economic potential of the colonies would appear to downplay the importance of companies whose business was to trade for commodities outside the empire. However, Gee was not particularly concerned with how trade was organized outside the empire, and he did not

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[58] J. Gee, *The Trade and Navigation of Great Britain Considered* (1729), pp. 6-9.

[59] Ibid., pp. 30-36.

[60] J. Williams, 'English Mercantilism and Carolina Naval Stores, 1705-1776', *The Journal of Southern History*, vol. 1, no. 2 (May, 1935), pp. 169-85.

pass judgement on the effectiveness of the three companies in this study. The implication of Gee's views was that the utility of the companies was an empirical issue. The faster that colonial substitutes for Baltic naval stores and Turkish silk could be developed, the less the need for the Russia and Levant companies. Until adequate colonial substitutes could be developed (which never happened in the case of naval stores), Gee's concern with French competition and advocacy of protection for British manufacturing helped the companies because it reduced the potential for competition from foreign merchants in the British market. The net impact of Gee's influence on the three companies was, therefore, broadly positive.

For the companies, the key political strategy was to keep debate concerning their businesses out of Parliament. The Glorious Revolution had given Parliament the ultimate authority to modify company charters which had been granted by the Crown. Parliament also was required to enact legislation, such as changes to the Navigation Acts, and approve commercial treaties which fundamentally affected the business of chartered companies. In Sir Robert Walpole, the companies found a sympathetic ear and the supreme parliamentary manager. The strength of their diplomatic connections and personal relationships with Walpole in the 1730s made extensive lobbying of MPs by the companies unnecessary. However, the relatively easy access of the public to Parliament via petitions presented by their local MPs meant that the political consequences for the companies of not keeping their stakeholders happy could be severe.[61] Strong government relationships at the highest level were extremely important to the companies but even a favourably disposed Prime Minister would find it difficult to suppress a concerted attack on the companies from

[61] A notable characteristic of lobbying activity following the Revolution was a dramatic increase in petitions from the provinces on mercantile issues, P.Gauci, *The Politics of Trade*, pp.214-15.

influential groups of stakeholders. Political management for the companies, therefore, required keeping their stakeholders happy as well as maintaining good relations with the government.

Stakeholders

The companies were potentially subject to criticism from several sources. The companies each had a range of stakeholders who cared about their performance. In addition to the members of the companies themselves, their investors and the government, three other groups were directly concerned with the performance of the companies: customers, suppliers and other merchants. For the Russia Company, there was no significant impetus for change from external stakeholders. For the Levant Company and the HBC, the key stakeholder issues only began to seriously develop after the Anglo-French alliance effectively ended in 1731 and French commercial competition intensified. For the HBC, the real pressure came from other merchants. For the Levant Company, it was pressure from suppliers which was critical. An understanding of external stakeholder concerns is necessary in order to interpret the parliamentary debates concerning the companies.

Customer relationships within Britain were not a major problem for any of the three companies during the period 1714-63. The HBC had not had good relations with hatmakers in the late seventeenth century. In fact, hatmakers had actively petitioned against the company in Parliament in 1690 and secured the requirement that the HBC sell its beaver fur in London by public auction. In the eighteenth century, however, the focus of attention for the hatmakers was in securing tariff reductions and protective legislation, such as the Hat Act of 1732, which placed strict limits on the manufacture of hats in the colonies. The

company maintained good relations with the large wholesale customers who dominated the company's business. One of their major customers, Henry Sperling, testified on their behalf in the 1749 parliamentary enquiry. The silk industry within Britain was also generally supportive of the Levant Company, although some northern silk manufacturers jumped on the anti-company bandwagon in 1753. Silk manufacturers were very much aligned with the company on the issue of calicoes. The development of alternative sources of raw silk supply for the British market also helped to lessen concern about declining Levant Company imports. The Russia Company enjoyed probably the strongest support of the three companies from its British customers. The Royal Navy preferred Baltic naval stores. The rapidly growing iron industry in Britain also increasingly turned towards Russian supplies and lessened its dependence on Swedish iron.

Supplier relationships were not a serious problem for the Russia Company and the HBC, but they were critical for the Levant Company. In the case of the Russia Company, the monopoly technically did not cover British exports. There were also many more merchants involved in exporting a range of consumer goods to Russia than were involved in securing big import contracts. Therefore, the inhibition of exports through the restriction of merchant numbers was not an issue in the case of the Russian trade. For the HBC, the manufacturers who joined in the attack on the company in 1749 were not the company's suppliers of trade goods but rather manufacturers who hoped to supply a prospective colony. By contrast, the suppliers of the Levant Company were the key stakeholders concerned with the company's performance. The problem of declining cloth sales to the Levant was exacerbated by the fact that the Levant Company's cloth suppliers were concentrated in the West Country (Gloucestershire and Worcestershire). Early in the

seventeenth century, most cloth exported to the Levant came from Suffolk but by 1675, some 90% of Levant cloth exports came from the West Country, and Worcester was almost entirely dependent on the Levant trade.[62] The decline in cloth exports to the Levant was felt first in Worcester where the number of clothiers and looms was estimated to have fallen by three-quarters by the late 1720s. It is likely that a large portion of this reduction in the 1720s was due to competition from Gloucestershire, but, in the 1740s and 1750s, Gloucestershire was also suffering a rise in bankruptcies as Levant exports fell.[63] As chapter 6 will discuss, the political attack on the Levant Company in 1744 was led by politicians from Worcester. The Levant Company's need to prop up prices to preserve the rather slim margins on which its merchants operated left it open to the accusation, from dissatisfied cloth suppliers, that it was not doing enough to stimulate exports.

The dissatisfaction of merchants outside the companies only became a serious issue for the HBC. Merchant opposition had been an issue for the Russia Company in 1698/99, but the reduction in the admission fees to the company and its presence in regional locations throughout Britain meant that there was no real cause for grievance on the part of merchants who felt excluded. Merchants outside the Levant Company did petition against the company in 1744 and 1753, but, as discussed above, it was unhappy manufacturers who provided the driving force behind the challenge to the Levant Company. In fact, the potential admission of Jewish merchants to the company helped the Levant Company resist calls for relaxed admission requirements. The fear that Jewish members of the Levant Company would collude with Jewish merchants in the Levant to dominate the trade was

[62] J. de la Mann, *The Cloth Industry in the West of England from 1640 to 1880* (Oxford, 1971), p. 20.

[63] Ibid., p. 42.

skilfully exploited by the Levant Company's supporters in 1744. The complaints that the Levant Company unjustly excluded merchants outside London because of its requirement that Levant Company members be freemen of the City of London turned out to be somewhat of a red herring. When admission fees to the Levant Company were lowered in 1753, the vast majority of new admissions were from London. Liverpool and Bristol merchants were, however, very much at the centre of the challenge to the HBC in 1749. Their involvement in the slave trade led them to deploy some of the same arguments which they were using against the RAC. Fortunately for the HBC, their challenge was not based on any real understanding of either Rupert's Land or the fur trade.

There was no single group which was creating pressure on the three companies to change. The three companies had different stakeholder issues because of the different nature of their businesses, the different geographies they operated in, and their varying financial performance. Both the HBC and the Levant Company began to feel some pressure in the 1730s. As noted above, Arthur Dobbs first complained about the company privately to his patron, Sir Robert Walpole, in 1733. The Levant Company's cloth suppliers became increasingly dissatisfied as the French dropped the price of their cloth in the early 1730s and the Levant Company's exports fell. The HBC and the Levant Company shared a common catalyst for change, French competition, which affected their economic performance and energized the key stakeholders in their businesses. However, it was the Levant Company which suffered most dramatically from French competition and felt the earliest political repercussions in Parliament. It was the economic impact of French competition on its cloth suppliers which brought the Levant Company monopoly into question rather than a general prejudice against companies.

The Levant Company Debates to 1742

From 1714-21, the Levant Company was concerned with erecting and enforcing laws and tariffs which would protect the company from a variety of competitors, including the French. Broadly speaking, this was a period during which the company was on the political offensive. It enjoyed strong support from its key stakeholders in these debates. In the late 1720s, the first chink in the company's political armour appeared when the cloth manufacturers of Worcester began to turn against the company. However, the company still enjoyed the support of other suppliers, and the parliamentary debate at that time (which the Levant Company won) was largely confined to the company and its suppliers. By 1740, the Levant Company was very much on the defensive although its monopoly was still far from being a populist issue. The Russia Company's victory over the Levant Company in its 1740 bid to enter the Persian silk trade was actively encouraged by the Board of Trade. The Persian silk question was basically a debate involving the two companies and the government. Later in the 1740s, an increasingly broad spectrum of political opposition would be arrayed against the Levant Company.

The timing of the dispute between the Levant Company and the Italian merchants is significant. It was the last of a series of initiatives designed to counter indirect forms of competition, discussed in chapter 3, which included the re-introduction of general shipping, a ban on the use of specie in trade and the movement to ban the wearing of calicoes in 1719/20. With respect to calicoes, the Levant Company argued that calicoes impaired their ability to export cloth as calicoes were substitutes for garments made from silk which was obtained in exchange for cloth exports. In this debate, the Levant Company allied with a united front of cloth and silk manufacturers. The Levant Company and the Italian merchants

were on the same side of the calico debate. On 26 January 1720 a Commons Grand Committee heard two representatives each of the Levant Company and the Italian merchants complaining about calicoes.[64] A month later, the Commons heard petitions regarding the dispute between the Levant Company and the Italian merchants.[65]

The key argument of the Levant Company was that the Italian merchants, based at Leghorn, were purchasing Turkish raw silk with French cloth, thereby harming the potential to export English cloth.[66] The Italian merchants denied this allegation and urged Parliament to end the Levant Company's monopoly.[67] The Levant Company was seeking to repeal a clause in the Navigation Act of 1660 which permitted the importation of Turkish goods into England via Italy. The two groups of merchants were supported in this debate by their respective suppliers. The Levant Company received the support of its cloth suppliers in Gloucester and Worcester. The cause of the Italian merchants received supporting petitions from its fish suppliers in Devon and Great Yarmouth as well as merchants in Bristol and Exeter involved in the Italian trade. The only petition from London opposing the Levant Company came from importers of drugs.

The Levant Company won its argument regarding the change in the Navigation Acts with respect to the importation of silk and mohair. However, the practical impact of this victory was questionable because Turkish silk could still be sent to England from Italy under

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[64] *JHC,* xix, p. 238, 26 Jan. 1720. Also, *Ludlow Post,* 29 Jan. 1720.

[65] *JHC*, xix, p. 283, 26 Feb. 1720. Also, *Ludlow Post*, 4 Mar. 1720.

[66] There is a considerable body of pamphlet literature on this dispute. For a good summary of the company's position, see *An Answer to the False Suggestions of the Italian Merchants Proving that the Turky Raw Silk Imported from Italy, is the Return of French, and not of English Manufactures* (1720).

[67] *The Case of the Italian Merchants, Importing Goods of the Growth of Asia, by Way of Italy* (1720).

pretence that it was Italian silk.[68] A subtext to this debate was the suspicion that Jewish merchants were prominent in the smuggling trade via Italy. A General Court order of 18 October 1716 which imposed a 20% fine on smuggled goods, referred to the 'clandestine trade being carried on by Armenians, Jews and others from Italy'.[69] Jewish firms did, in fact, dominate the trade between Smyrna and Leghorn. Eliezer Bashan noted that, in a record of consulate fees on goods imported from Leghorn to Smyrna dated 18 March 1724, sixteen of twenty-two firms were Jewish. [70] Concern about the activities of Jewish merchants would re-surface as a major issue in the 1744 parliamentary debate concerning the Levant Company.

The Levant Company hoped that the protective measures which it had obtained would help it deal with French competition, but they were insufficient. The company's major cloth suppliers had supported the company in its dispute with the Italian merchants in 1720 but, as the impact of French competition increased, divisions appeared. Worcestershire cloth producers began to turn against the company in the late 1720s. On the 26th of February 1729, Parliament received petitions from the Company of Clothiers of the city of Worcester as well as the Weavers, Walkers and Fullers of the Clothing Trade in the City of Worcester.[71] The mayor, justices and grand jury of Worcester would also submit a petition. These petitions complained of the steady decay in trade since the bill against the Italian merchants

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[68] A.C. Wood, *A History of the Levant Company* (Oxford, 1935), p. 140. Cottons, drugs and dyes were also exempted from the changes and could still be imported via Italy.

[69] National Archives, SP 105/209, pp. 159-60, Levant Company General Court Orders, 18 Oct. 1716.

[70] E. Bashan, 'Contacts between Jews in Smyrna and the Levant Company of London in the seventeenth and eighteenth centuries', *Transacations of the Jewish Historical Society of England*, volume 29 (1988), p. 57.

[71] *JHC, xxi,* p. 240.

was passed. The clothiers made the specific allegation that the Turkey Company exported cloth, under the name of Worcesters, which was made elsewhere and was of less value and quality. The remedy sought was a reversal of the decision against the Italian merchants. On the 24th of March, several clothiers and weavers were questioned in Parliament.[72] Joseph Turner claimed that the Turkey Company was now selling good cloth at 11*s* per yard which it had formerly sold at 17*s* per Yard. John Poole testified that Worcester had lost 300 looms. Each loom had employed 40 to 50 people. William Drew and John Jenkins, weavers, said that seven or eight years ago, they used to get 7*s* or 8*s* a week each with more ease than they get 4*d* a day now.[73] A number of witnesses complained about how much they had to pay to support the poor, the customary way of appealing to backbenchers.

On the 10th of April, the clothiers of the county of Gloucester submitted their petition.[74] The Gloucester clothiers opposed the Worcester petitions and, instead, claimed that the change in the Navigation Acts in 1720 had led the Turkey Company to export more cloth in lieu of the £70,000-£80,000 sterling which it had exported prior to 1720 (the Gloucester clothiers neglected to mention that the Levant Company banned sterling exports by its members in 1719). A pamphlet entitled *A Copy of Some Reasons Formerly Offered by the Gloucestershire Clothiers, to Shew the True Cause of the Decay of the Worcester Trade*,

[72]*JHC*, *xxi*, pp. 291-2.

[73] Weavers, who were at the bottom of the cloth supply chain, felt the impact of competition on their income most acutely. In 1739, the weavers of Wiltshire rioted in protest against the squeeze being put on them by clothiers.

[74]*JHC, xxi,* p. 313.

elaborated on the decline of the Worcester trade.[75] The pamphlet pointed out the reasons why Worcester cloth was not competitive. Worcester cloth was at a disadvantage because, unlike Gloucester cloth, it was not dressed before being sent to London. While the Worcester clothiers complained that the French were producing 'mock Worcesters', the Gloucestershire clothiers argued that they had responded to the requests of the Turkey merchants in stating,

> The Worcester clothiers say, in their printed papers, upon disbanding the army in Flanders, the French got many of our workmen, and improved in their skill, and made cloth called mock Worcesters, and of late years sent them to Turkey: the Turkey merchants finding this to be the case, they applied to the Gloucestershire clothiers to make the like sort of cloths, and they did it to that perfection, that they have outdone the French.

The Gloucester clothiers also argued that trade shifting from one place to another was common and should not be a concern as long as the overall trade of the kingdom was maintained. The Gloucester trade held up better against French competition than Worcester's but it too began to suffer in the 1730s. There were no more claims of having outdone the French by the 1740s.

Politically, the cloth industry was of greater concern to the Levant Company than the silk industry which it supplied, despite the fact that the British silk industry was at a greater competitive disadvantage than the cloth industry in the first half of the eighteenth century. Britain could not compete on the basis of design or quality with the garments produced by the very much larger French silk industry based in Lyons. Gee in 1729 and Defoe in 1739, for example, complained about English women diverting their expenditure from British goods

[75] The date of the pamphlet is given as 1743 but I suspect that it was originally produced in the context of the 1729 dispute. The title refers to 'reasons *formerly* offered'. It may have been re-issued by the Levant Company in the context of the 1744 parliamentary debate.

to French luxuries.[76] Smuggling of French silk goods was a persistent problem. The British silk industry also found it difficult to compete with substitute products such as garments made of calicoes or linen, and buttons made of cloth or metal. Furthermore, Britain was largely excluded from the high value silk-throwing sector of the industry, which was dominated by Italian imports. It was only as the industry shifted to the north and silk throwing became mechanized in the second half of the century that Britain began to develop a sustainable competitive basis for the industry.[77] The availability of cheap Bengal and Chinese silk helped to mitigate the reduction in silk imports from the Levant, but the higher duties on silk imports from India and China made them imperfect substitutes for Levant silk. The saving grace for the Levant Company was that the nature and severity of the British silk industry's problems meant that they could appeal to government protection for solutions rather than seek a re-organization of the silk import industry.[78]

Serious concerns began to be raised in government regarding French competition for the Levant trade in the late 1730s. In a memorial which the company sent to the Duke of Newcastle in June 1739, the company provided some figures on English and French cloth exports to the major centres in the Levant.[79] While the company was still on relatively

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[76] G. Hertz, 'The English Silk Industry in the Eighteenth Century', *The English Historical Review*, vol. 24, no. 96 (Oct. 1909), pp. 712-15.

[77] By the 1750s, the majority of Levant silk was used in the northern silk industry, centred in Macclesfield, rather than in its traditional base in Spitalfields.

[78] The only example of a demand for protection by the silk industry going unheeded during this period was the defeat of the Button Bill of 1738. The Button Bill sought to legally require the use of silk in the manufacture of buttons and pitted cloth against silk interests.

[79] National Archives, SP 36/48, fo. 19, Levant Company memorial to the Duke of Newcastle, 28 Jun. 1739. The timing of this memorial was likely influenced by several factors. One was several years of deteriorating trade, but there were other considerations which would have raised concern such as the possibility of war with France at a time when the French diplomatic position in the Ottoman

equal terms with the French in Aleppo, they sent less than half the French quantity to Smyrna, and only a third of the French total to Constantinople. By way of explanation, the company stressed the support which the French government had given the Languedoc cloth manufacturing industry. The Board of Trade requested sight of the data which had been sent to the Duke of Newcastle, and in October 1740 they approached the Russia Company and encouraged them to pursue the Persian silk trade.[80] The Russia Company's relationship with the Board of Trade was particularly strong. As N.C. Hunt observed, when the Russia Company's governor, Samuel Holden, who was also a senior director of the Bank of England, met with the Commissioners for Trade, 'it was sometimes like a meeting between a Director and some of his shareholders – four of the eight Commissioners of Trade being at some time or other substantial holders of Bank stock. In contrast, the Levant Company had nothing like the same frequent contacts with the Board of Trade between 1729 and 1739'.[81]

The decline of the Levant Company's trade was one of the key arguments deployed by the Russia Company in support of their bid.[82] The Russia Company's memorial stated, 'The French now chiefly supply Turkey with woollen goods and they gain upon us in that trade every day and probably do and may through them supply a great part of Persia'.[83] The Russia Company also argued that a benefit of opening up an overland trade through Russia was that it was less susceptible to disruption by French or Spanish naval action in the

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Empire had recently been strengthened as they had brokered a peace treaty between the Ottomans and their Austro-Russian enemies.

[80]Hunt, *The Russia Company and the Government*, p. 59.

[81]Ibid., pp. 62-3.

[82] *An Answer to the Reasons Alledged Against the Repealing a Clause in the Act of Navigation in Favour of the Russia Company* (1741).

[83]Guildhall library, Ms 11741, vol. 6, p. 195, Russia Company minutes, 30 Oct. 1740.

Mediterranean in time of war. Some of the Levant Company's cloth suppliers petitioned Parliament objecting to the Russia Company's proposal. [84] However, these cloth producers were not defending the Levant Company's monopoly but rather were asking that Persian silk be obtained through barter for English cloth. Indeed, this became a condition of the Russia Company's participation in the Persian silk trade. In contrast, one of the key reasons why the Russia Company was far more insulated from political attack in the eighteenth century than the Levant Company was that the Russia Company enjoyed the unequivocal support of its customers and suppliers.

Conclusion

During the period 1714-42 the three companies played an important role in the government's economic and foreign policies. Stimulation of trade was vital to support manufacturing jobs and to generate customs revenue, and ministers increasingly recognized that commercial success against foreign rivals was the key to stimulating trade outside the empire. The companies were the vehicle to promote Britain's commercial interests in three important non-imperial markets and this made them an integral component of a joint enterprise with the state.

The end of the Anglo-French alliance was a watershed for the companies and its fundamental seriousness was recognized by the government in the early 1730s, alongside the public agitation concerning Spain. Fortunately for the Russia Company, it led to the commerce treaty and economic prosperity. It also ensured that the company remained vital

[84] *JHC*, xxiii, p. 658, 23 Feb. 1741.

to British foreign policy in the unstable Baltic region. The political ramifications for the HBC and the Levant Company of their loss in market share to the French in the 1730s differed because, although criticism of both companies was strongest in the provinces rather than London, the key stakeholder groups concerned with the two companies differed. For the HBC, it was provincial merchants in Liverpool and Bristol who were most critical. For the Levant Company, it was their cloth suppliers, largely based in the West Country, who were the key stakeholder group.

The political challenges for the HBC and the Levant Company broadened and became more serious following Walpole's demise. This was not the result of a radical shift in ideology, or even a change in the structure of the relationship between commercial organizations and the government. The growing political problems for the companies were principally the result of the increasing economic impact of French commercial success. The outbreak of war in the 1740s exacerbated the trend of commercial decline already evident in the 1730s and brought the issue of French competition more into the public eye.

Chapter 6 – A Very Great Outcry against Companies of All Kinds

In contrast with the politically benign treatment of the three companies during Walpole's regime, the decade after 1744 saw two major parliamentary challenges to the Levant Company and one to the HBC. However, the only clear defeat which the companies suffered was in the 1753 debate concerning the Levant Company. What motivated the attacks and what determined the outcome of the debates? Those are the key questions with which this chapter is concerned. Not only does this enquiry cast light on company policy, but, on a wider plane, the answers to these questions provide valuable insight into the relationship between economics and politics in the middle of the eighteenth century.

The companies were clearly on the defensive in the 1740s and 1750s. The Duke of Bedford, in his defence of the Levant Company in the Lords in 1744, acknowledged that there was a 'very great outcry against companies of all kinds' and he noted 'how general the opinion is that trade ought to be free'.[1] In 1747, Arthur Dobbs commented that the Privy Seal at the Board of Trade (Baron Gower) would assist him in his bid to acquire a charter to trade in competition with the HBC, but 'his only objection is the spirit of the times against all charters'.[2] This antipathy towards companies arose after the South Sea Bubble and gathered force in the 1730s. As Paul Langford noted, scandals which concerned the Charitable Corporation and the York Buildings Company deepened the popular prejudice.[3] This general prejudice against companies informed the political debates about the Levant

[1] There is a transcript of the 1744 debate in the Lords regarding the Levant Company in W. Cobbett (ed.), *Parliamentary History of England*, vol. 13 (London, 1806-20), pp. 895-963.

[2] Public Record Office of Northern Ireland, D 2092/1/6/142 (Ward papers), letter from Arthur Dobbs to Judge Ward of 26 December 1747 reproduced in W. Barr and G. Williams eds., *Voyages in Search of a Northwest Passage, 1741-1747*, vol. 2 (London, 1995), pp. 322-3.

[3] P. Langford, *A Polite and Commercial People: England 1727-83* (Oxford, 1989), p. 178.

Company and the HBC, but it is important to understand the nature of this prejudice because it both harmed and helped the companies.

By the 1740s, there was a perception that the great companies were run by a small group of governors and directors who not only manipulated their own stock but enjoyed privileged access to the profitable business of subscription to government loans. Ministers, particularly Walpole, were seen to be in league with this elite group of money men.[4] When contemporary sources complained about monopolies, it was the monopolization of companies by privileged elites which they were attacking, rather than the geographic monopolies of the chartered companies. In other words, as the parliamentary debates concerning the chartered companies illustrate, the real issue was who could join the companies rather than where they were permitted to operate. Critics of the EIC wanted to turn it into a regulated company, while critics of the regulated companies wanted to see a reduction in their admission fees.[5] While the three companies in this study were not initially associated with the 'moneyed interest', the growing involvement of their members with joint stock companies such as the Bank of England and the marine insurance companies made the distinction between their operations and those of the big joint stock companies less obvious. Moreover, another dimension in the debate concerning the companies was anti-Semitism. Some of the most vituperative attacks against the moneyed interest were directed against Jewish financiers and, as discussed below, the threat that the

[4] L. Sutherland, 'The City of London in Eighteenth-Century Politics', in R. Pares and A.J.P. Taylor (eds.), *Essays Presented to Sir Lewis Namier* (London, 1956), p. 56.

[5] The EIC had countered moves to turn it into a regulated company in the 1690s and in 1730.

Levant trade would be dominated by Jewish merchants was a successful argument deployed by supporters of the Levant Company in 1744.[6]

However, the popular prejudice against companies did not mean that economic decisions were dictated by an ideological view regarding the optimal form of corporate organization. For example, one of the more important initiatives introduced to promote British commerce after the War of the Austrian Succession was the establishment of the Society of the Free British Fishery in 1750.[7] The Society, which was intended to promote the white herring and cod industries, was formed as a joint stock company.[8] The structure of thirty directors, four committees and provision for 'chambers' representing local fishing communities (only three of which were ever established) was a hybrid which contained features familiar in other companies. The joint stock structure was like the Bank of England and the HBC, the large number of directors was similar to the Russia Company, the standing committees were akin to the Bank and the East India Company and the local agencies resembled the Russia Company. Companies evidently still had something to offer in the mid-century economy, and company structures were adapted to suit the particular nature of their businesses. As chapter 4 has indicated, the different structures of the three companies in this study were suited to their particular business strategies. Indeed, historians have tended not to focus on

[6] Samson Gideon, the most prominent Jewish financier, withdrew from membership of the Portugese Jewish Synagogue in 1753 as he was singled out by critics of Jewish naturalization, L. Sutherland, 'Samson Gideon: Eighteenth-Century Jewish Financier', paper read before the Jewish Historical Society of England on 25 April, 1949, contained in *Politics and Finance in the Eighteenth Century* (London, 1984), p. 393.

[7] See, B. Harris, 'Patriotic Commerce and National Revival: The Free British Fishery Society and British Politics (c. 1749-58)', *English Historical Review*, 114 (1999), pp. 285-313.

[8] See, R. Pearson, *The History of the Company; The Development of the Business Corporation 1700-1914,* vol.2 (London, 2006), introduction to 'Considerations Upon the White Herring and Cod Fisheries'.

the performance of the companies as a motive for the parliamentary debates of the eighteenth century.

Historians from the 1950s through the 1970s argued that provincial jealousy of London-based chartered companies was a long-standing issue which had not abated by the middle of the eighteenth century. Lipson described provincial jealousy of London as the driving force behind the seventeenth-century attacks on the Merchant Adventurers.[9] The expansion of Atlantic trade in the eighteenth century led to rapid growth of western ports such as Bristol, Liverpool, Whitehaven and Glasgow, and W.A. Speck observed that the attacks on the chartered companies came from merchants in those ports.[10] Charles Wilson provided a more nuanced view of the provincial attacks on chartered companies when he argued,

> These pressures towards greater liberty in trade were important; but their object was 'freer trade' and not, as has often been suggested, 'free trade' in its later doctrinal sense...In England especially, monopoly was still associated in the popular mind with the danger that London mercantile cliques might acquire a dangerous hold over government. The most striking consequence of the movement for freer trade was the ending of the dominion of London and the rise of the west coast ports.[11]

Provincial jealousy has featured prominently in the discussion of the political debates concerning the HBC. Glyn Williams noted the very strong overlap between the campaigns directed against the RAC and the HBC in 1749. Williams observed that it was the 'well-tried

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[9] E. Lipson, *The Economic History of England*, vol. 2, sixth edition (London, 1956), p. 249. The attacks on the Eastland Company in the early seventeenth century were also driven by merchants from its provincial locations. West Country clothiers were prominent in attacks on both the Merchant Adventurers and the RAC.

[10] W. Speck, *Stability and Strife* (London, 1977), p. 275.

[11] C. Wilson, *England's Apprenticeship, 1603-1763* (London, 1965), p. 271. Wilson was referring to challenges to chartered companies from 1673 until 1753.

alliance of Liverpool and Bristol' which led the attack against the RAC and 'fifteen of the eighteen petitions which reached the Commons in 1750 on the African trade were from places which had petitioned the year before in favour of an open trade to Hudson Bay'.[12] As discussed below, the criticism of the Levant Company also came from outside London. Whereas the locus of criticism of the HBC was in the northwest, the fiercest critics of the Levant Company were in the West Country. Conversely, the popular support in the City for attacks on the two companies was muted.

More recent historical studies have focussed on the impact of war in causing a re-examination of economic policies, including the role of chartered companies. War in the 1740s is seen as a major influence on the company debates and it affected the companies in two ways. Its general impact was to sharpen the political focus on trade, particularly concerns about Britain's competitiveness. Jeremy Black explained the significance of war with Spain in 1739, 'The outbreak of the war revealed not so much the importance of commercial considerations in the conduct of foreign policy, as the strength of defending trade as a political issue'.[13] Bob Harris has noted the significance of the War of the Austrian Succession in focussing Anglo-French rivalry more clearly on trade and empire and he has described a broad range of legislation introduced after the war aimed at promoting or protecting British trade and manufactures in the light of growing concerns about French competition.[14] While forcefully putting the case for the centrality of maintaining a

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[12] G. Williams, 'The Hudson's Bay Company and its Critics in the Eighteenth Century', *Transactions of the Royal Historical Society*, 5th series, vol. 20 (1970), p. 159.

[13] J. Black, *Trade, Empire and British Foreign Policy, 1689-1815* (Abingdon, 2007), p. 137.

[14] B. Harris, *Politics and the Nation: Britain in the Mid-Eighteenth Century* (Oxford, 2002), p. 119 and p. 248. Although he is sceptical about the transformative impact of specific events, Perry Gauci has noted that cycles of regulatory activity were sparked by crises, P. Gauci (ed.), *Regulating the British*

European balance of power in British foreign policy, Brendan Simms has noted that, after the war, British statesmen looked west across the Atlantic to make good the leverage which had been lost in Europe.[15] Marie Peters has observed of the 1749 HBC parliamentary enquiry:

> This campaign and its climax might seem peripheral to the main concerns of commerce and empire in the aftermath of the Treaty of Aix-la-Chapelle of 1748. Yet they can sharply illuminate metropolitan attitudes, showing both a strong enthusiasm for imperial expansion that could bring impressive influence to bear on the state and, briefly at the end, an even more powerful scepticism that finally doused a tenacious campaign. The affair thus provides a revealing study of growing concerns about rivalry with France. [16]

As will be seen for the Levant Company, war also had significant negative economic impacts on its key stakeholders that contributed directly to the parliamentary attacks on the company in 1744 and 1753. The outbreak of war depressed cloth exports while its end raised silk prices and effectively lowered the price of cloth exports.

Marie Peters' work on the HBC also raises the issue of the influence of political networks and patronage on the debates concerning the companies. In particular, Peters argues that the HBC attack was actively supported by the parliamentary opposition while the company was, at least indirectly, supported by the administration. While there are problems with Peters' interpretation of the HBC debate, which are discussed below, it is important to

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Economy, 1660-1850 (Farnham, 2011), p. 18. In the case of the three old gang companies, two such crises were the Glorious Revolution and the renewal of war with France in the 1740s, both of which led to parliamentary reviews of company charters.

[15] B. Simms, *Three Victories and a Defeat* (London, 2007), p. 354. As Simms points out, the Treaty of Aix-la-Chapelle involved the British return of Louisbourg in exchange for French withdrawal from Flanders.

[16] M. Peters, 'State, Parliament and Empire in the Mid-18th Century: Hudson's Bay and the Parliamentary Enquiry of 1749', *Parliamentary History*, vol. 29, pt. 2 (2010), p. 172.

understand what influence political divisions had on the mid-century debates concerning the companies. Considering Walpole's strong support for chartered companies, discussed in the previous chapter, it could be argued that the timing of the attacks on the companies was simply a result of regime change.[17] While Walpole's fall emboldened critics of the companies, an interpretation of the attacks on the companies in terms of political parties or court versus country divisions is fraught with difficulty. The first major post-Walpole challenge was the 1744 attack on the Levant Company, which was launched while Carteret was still in office. Former supporters as well as opponents of Walpole attacked the company. The main defender of the Levant Company in the Lords was the Duke of Bedford, who sided with Pelham in his challenge to Carteret. The company was supported in the Commons by Sir John Barnard, a strong supporter of Carteret's. Barnard was also the main defender of the HBC in the Commons in 1749. While the companies were challenged in Parliament under Pelham, this should not be interpreted as the government becoming anti-company. Rather, it is noteworthy that the outcome of the parliamentary debates was in line with the government's economic priorities. The HBC's parliamentary victory in 1749 and, indeed, the defeat of the RAC in 1750, were consistent with Pelham's focus on reducing debt following the War of the Austrian Succession.[18] An enlarged membership was also not an obvious threat to the ability of the Levant Company to continue to pay for diplomatic costs. Personalities were important in the parliamentary debates but I will argue that the positions taken by politicians were largely determined by the stakeholder groups and

[17] As discussed below, this was an argument made by the former ambassador to the Ottoman Empire, James Porter, in explaining the 1744 attack on the Levant Company.

[18] The HBC was self-funding but the Royal African Company had received an annual subsidy of £10,000 for its forts from 1730-1747, after which it was intensively debated in Parliament. Public debt, which was £50 million in 1720, had declined slowly in the 1720s and 1730s but rose to £76 million by 1748, J. Brewer, *The Sinews of Power* (London, 1989), p.114.

economic interests which they represented, rather than their affiliation with a particular political faction. Furthermore, political divisions did not neatly align with stakeholder groups.

While the mid-eighteenth century parliamentary debates concerning the chartered companies have tended not to be interpreted in ideological terms to the same extent as the debates of the 1690s, the growing influence of political economists has been raised by several historians, and their impact on the debates concerning the companies needs to be considered. Bob Harris has asserted that the views of writers such as Malachy Postlethwayt, Josiah Tucker and others formed 'an essential part of the context for the promotion of initiatives in the later 1740s and 1750s to support British commerce and maritime strength'.[19] Referring to a slightly later period, Nancy Koehn went further than Harris in her emphasis on the influence of political economists. Koehn argued that the Seven Years War crystallized the promotion of manufacturing and public solvency as political objectives.[20] Koehn was of the view that 'numerous ministers' took up the recommendations inherent in the work of thinkers such as Josiah Tucker in the late 1750s and 1760s, and she argued that 'government officials in the Treasury, the Board of Trade, and other departments took their policy cues from commercial writers'.[21]

Political economists may have provided some of the context for the debates involving the HBC and the Levant Company, but their influence on the debates themselves was minimal. Tucker and Postlethwayt were certainly both deeply concerned by the French commercial

[19] B. Harris, *Politics and the Nation*, p. 247.

[20] N. Koehn, *The Power of Commerce* (Ithaca, 1994), p. 9.

[21] Ibid., pp. 19-20.

threat. In 1749, Tucker was urging fundamental reforms such as changes in voting qualification, the union of Britain and Ireland, the establishment of new manufacturing industries and the encouragement of immigration to counter French advantages in trade.[22] The sixth of Tucker's sixteen recommendations was to 'lay open and extend our narrow and restrained companies, beginning with the Turky and Hudson-bay companies, which hurt the trade of Great Britain more essentially with respect to France, than any other company can do.' Tucker was the only major economist to become involved in a parliamentary debate concerning the companies (the Levant Company in 1753), and, as discussed below, his intervention was noteworthy, but his voice was but one of many opposed to the company at that point. In 1756, Postlethwayt was making an explicit link between France's success in trade and her maritime power.[23] The implication of Postlethwayt's analysis was that France's maritime strength was a military as well as a commercial threat. In his preface, Postlethwayt stated that he submitted his papers 'not to raise false alarms, but to put the nation on its guard, let either peace or war take place.' Malachy Postlethwayt was hardly a fierce critic of companies. In fact, Postlethwayt was in the RAC's employ in 1744 and 1745.

The parliamentary debates and the criteria used to evaluate the debates were based on the economic specifics of individual trades. The degree to which it supported domestic manufacturing industries was the key issue in the eighteenth-century debates concerning the Levant Company. However, it was only when its major suppliers and customers were virtually unanimously arrayed against it that Parliament ordered a relaxation of admission requirements to the Levant Company. In the case of the HBC, supportive government tariffs

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[22] J. Tucker, *An Essay on the Advantages and Disadvantages which Respectively Attend France and Great Britain with Regard to Trade* (1749), pp. vi-vii.

[23] M. Postlethwayt, *A Short State of the Progress of the French Trade and Navigation* (1756).

and legislation had mollified the hat-makers who had been unhappy with the company in the 1690s. The threat that public funds would be required to subsidize a new venture in Rupert's Land, similar to the very controversial subsidy provided to the RAC, was decisive in Parliament's support of the HBC, which was self-supporting. A feature of these parliamentary debates was that they were relatively well informed and were not determined by popular politics. Statistics on Levant exports and imports were produced for the 1744 and 1753 parliamentary challenges. The HBC was required to produce ten years' worth of detailed operating data in 1749 including disaggregated revenue, cost and profitability figures. The testimony of expert witnesses was an important supplement to statistical data and the quality of information available to parliamentary decision-makers improved during the eighteenth century. There was certainly rhetoric in the debates but there was a lot of economic data as well.

Historians have been reluctant to attribute the political survival of the companies to the persuasiveness of their economic arguments. More commonly, historians have pointed to the peculiar political and military environments in which the companies operated. Indeed, this is an argument which was deployed by company supporters in the mid-eighteenth century in the face of a general presumption that companies were not desirable. Supporters of companies felt compelled to specify the particular circumstances under which they felt it was appropriate to make an exception and allow companies to operate. Commenting on the Dutch and British trades with Russia in 1753, Jonas Hanway stated,

> Do not imagine upon the whole that I am a professed advocate for companies without distinction; but only that as some few branches of our commerce, particularly our oriental trade, are in fact carried on by companies, those branches

> being so apparently under peculiar circumstances, we should proceed with great caution, and not make any violent changes in them at once.[24]

Historians have followed suit. Paul Langford noted the 'useful diplomatic and managerial services' provided by the Russia Company 'in a market where completely independent enterprise would hardly have flourished'.[25] Charles Wilson had a similar view of the Russian trade as Langford and cited the 'caprices of a succession of Grand Viziers at Constantinople and the depredations of Mediterranean pirates' as reasons for the survival of the Levant Company.[26] Wilfrid Prest attributed the survival of the HBC and the Levant Company to the distant and dangerous nature of their trades which required 'expensive convoys of heavily armoured ships and fortified trading posts'.[27]

While acknowledging the force of these arguments, my contention is that the factor which best explains the political treatment of the companies is their economic performance. In the case of the Levant Company and the HBC, their economic performance was increasingly determined by their ability to compete with their French rivals. When the companies performed competitively, they were largely immune from parliamentary attack. When their performance flagged, they were subject to attack from their key stakeholders. When the challenges came in the 1740s, the fundamental issues of how best to stimulate exports and develop new trade opportunities echoed the debates of the 1690s. War in the 1740s heightened concerns about the economic performance of the Levant Company and the HBC,

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[24] J. Hanway, *An Answer to the Appendix of a Pamphlet Entitled Reflexions Upon Naturalization, Corporations and Companies* (1753), pp. 28-9.

[25] Langford, *Polite and Commercial People*, pp. 178-9.

[26] Wilson, *England's Apprenticeship*, p. 270.

[27] W. Prest, *Albion Ascendant: English History, 1660-1815* (Oxford, 1998), p. 94.

who had been losing market share for over a decade, and led to a re-assessment of trade policies in light of Britain's rivalry with France.

In the case of the Russia Company, which was not attacked, demand for and prices of their naval stores soared in the 1740s. The value of Russian imports in the second half of the 1740s was 30% higher than it had been the previous decade.[28] Between 1734-8, the Russia Company admitted seven new members from Hull, four from Newcastle and two from Bristol.[29] The Liverpool merchant, John Hardman, who was well known for his campaigning against the RAC and testified against the HBC in 1749, was made free of the Russia Company in 1741 and served as the Russia Company's agent in Liverpool from 1742-55.[30] The Russia Company was not only an economic success but was politically astute as well.

In order to highlight these perspectives, the chapter will start by looking at Sir John Barnard. Barnard's advocacy for the Levant Company and the HBC can uniquely provide insight into the forces shaping the debates, particularly the role of politicians in representing the interests of stakeholders in the companies. Following the discussion of Barnard's participation will be a closer examination of the parliamentary challenges involving the Levant Company in 1744 and 1753 and the challenge to the HBC in 1749. The Levant Company won a pyrrhic victory in 1744 but lost the substantive argument regarding trade organization. By 1753, the Levant Company's defeat was decisive although its monopoly was not rescinded. The HBC was able to win its major debate in 1749 and easily rebuffed what was essentially an appeal of the decision in 1752.

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[28] E. B. Schumpeter, *English Overseas Trade Statistics, 1697-1808* (Oxford, 1960), table VI, p. 18.

[29] Guildhall library, Ms 11741, vol. 6, pp. 160-1, Russia Company minutes, 18 Jan. 1740

[30]Guildhall library, Ms 11741, vol. 6, p. 205 and p. 239, Russia Company minutes, 20 Feb. 1741 and 1 Mar. 1742.

The mid-century debates concerning the companies were not harbingers of free trade and resulted in only a marginally freer Levant trade. The traditional role of chartered companies in preserving a well ordered trade, balancing their own interests with those of suppliers, customers and the government, while not appearing to be profiteering, became extremely difficult to maintain as competition increased. However, politicians were not insensitive to the economic realities faced by the companies, and altering the regulatory system was not seen as the key to improving Britain's competitiveness. It would take substantial improvement in the quality and price of British manufacturing as well as a significant expansion of protected imperial markets to change fundamental attitudes towards the regulation of trade.

Sir John Barnard – London's Champion

Sir John Barnard exemplifies the difficulty of attempting to explain the attacks on the companies in terms of political factions. Barnard is commonly viewed as the leader of the 'country' opposition to Walpole in the City.[31] Barnard consistently opposed Walpole's policies, most notably playing a leading role in the opposition to the proposed excise taxes on wine and tobacco in 1733. Barnard led the charge against the East India Company in 1730, and he sided with West Indian merchants in their criticism of Walpole's inaction regarding 'Spanish depredations' in 1739. Barnard's advocacy of these causes gave him the reputation of a champion of those politically disenfranchised by the City Elections Act and economically disenfranchised by the favouritism shown by the government towards the

[31] N. Rogers, *Whigs and Cities: Popular Politics in the Age of Walpole and Pitt* (Oxford, 1989), p. 141.

moneyed interest. In D.W. Hayton's words, 'on economic questions he represented the interests of small merchants and manufacturers'.[32] However, Barnard did not take on these causes for entirely altruistic reasons. He started his career as a wine merchant and then moved into marine insurance. His advocacy positions were consistent with his business interests.[33] As Jacob Price noted of the excise crisis, opposition to Walpole started with the merchants who would have been most directly affected: wine and tobacco merchants.[34] Barnard was also in the forefront of opposition to the establishment of the marine insurance companies in 1720. Barnard's public veneration led to a statue being erected in his honour outside the Royal Exchange in 1747 and his popularity only waned after Pelham adopted his scheme to reduce interest on the national debt in 1749.[35] Why then did Barnard support the Levant Company in 1744 and the HBC in 1749 in an apparent reversal of his previous championing of small merchants against the entrenched economic interests of companies and his opposition to old Whig economic policy? Was it simply a case of Barnard changing his position or 'selling out' once Walpole was out of power?

There certainly was a personal element to Barnard's opposition to Walpole and his support of the Levant Company. Barnard's brother-in-law, Sir Robert Godschall, himself a wine merchant, had his election as Lord Mayor repeatedly blocked by aldermen under Walpole's control. Through Godschall, Barnard had some personal links with the Levant Company.

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[32] D.W. Hayton, 'Barnard, Sir John (c. 1685-1764)', *ODNB*, Oxford University Press, 2004 [http://ezproxy.ouls.ox.ac.uk;2117/view/article/1456, accessed 18 March 2012].

[33] Note that wine merchants were at the forefront of the 1730 attack on the East India Company.

[34] J. Price, 'The Excise Affair Revisited', in S. Baxter (ed.), *England's Rise to Greatness, 1660-1763* (London, 1983), pp. 295-8. The new excise taxes proposed in 1733 were on wine and tobacco.

[35] Hayton, *Barnard, Sir John*.

Godschall's father, Barnard's father-in-law, was a Levant merchant. However, personal issues are insufficient to explain his stance in the 1740s. Barnard's support of the Levant Company and the HBC is best explained by his desire to protect what he saw as the commercial interests of London.

The Levant Company was exclusively comprised of freemen of London, directed all of its shipping through London, sold most of its silk to brokers based in London and bought cloth largely through Blackwell Hall packers and factors. The attacks on the Levant Company in 1744 were led by West Country cloth merchants dissatisfied with the decline of cloth exports to the Levant. The parliamentary case against the Levant Company was led by Thomas Winnington in the Commons and Samuel Sandys in the Lords. Winnington and Sandys were both from Worcester. Similarly, Barnard's support of the HBC in 1749 can be construed as an attempt to protect commercial interests within London. The HBC was a London-based company which supplied London-based furriers and a hat making industry centred in Southwark. Barnard, in fact, took the petition to the Lords arguing for the prohibition of hat exports from the colonies which was to result in the Hat Act of 1732. The main opponent of the HBC was an Irish politician with petition support from provincial merchants.

In the arguments he used in favour of the Levant Company, Barnard deployed anti-Semitic rhetoric which was associated with populist opposition to government positions and which he had resorted to on previous occasions. Discrimination against Jews was a long-standing practice in the City with broad popular support amongst merchants who feared the loss of economic opportunity if Jews were granted full political rights. Samson Gideon, the prominent Jewish financier, was the subject of Barnard's most scathing attacks on the

'moneyed interest'.[36] Reporting on Barnard's election as Lord Mayor in 1737, the *London Evening Post* stated that he had been elected 'notwithstanding the opposition from the Jews and stockjobbers'.[37] The potential to have the Levant trade dominated by Jews was a key argument used by Barnard in arguing against relaxed admission requirements for the Levant Company in 1744. Barnard also led opposition to Jewish naturalization in the Commons in 1753.

In discussing the HBC debate of 1749, Marie Peters has suggested that Barnard was won over from his general earlier strong inclination to opposition by Henry Pelham's conciliatory moves in financial arrangements'.[38] Peters implies that the Pelham administration backed the HBC and was able to use its political muscle to counter the 'apparently persuasive evidence' presented by the company's critics. Peters points to Arthur Dobbs's surprise at his failure to enlist the support of an influential politician before submitting his petition to the House. This man was not named by Dobbs but described as a 'gentleman of known abilities, and extensive knowledge in trade, whose established character had been to extend all trade; and lay open all exclusive monopolies in trade'.[39] Glyn Williams and William Barr suggested that the unnamed politician was 'possibly' Henry Pelham.[40] Peters was more

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[36] L. Sutherland, 'Samson Gideon and the Reduction of Interest, 1749-50', *EHR*, vol. 16, no. 1 (1946), p. 20.

[37] *London Evening Post*, 27 Sept. 1737.

[38] Peters, *State, Parliament and Empire*, p. 189.

[39] A. Dobbs, *A Short Narrative and Justification of the Proceedings of the Committee Appointed by the Adventurers, to Prosecute the Discovery of the Passage to the Western Ocean of America* (1749).

[40] W. Barr and G. Williams, *Voyages in Search of a Northwest Passage 1741-1747*, vol. 2 (London, 1995), p. 338, footnote 1. Barr and Williams note that 'in a rare slip' E.E. Rich speculated that the unnamed gentleman was Sir Robert Walpole who had died some two years before the incident. If a

definitive and claimed that the unnamed politician was 'probably' Henry Pelham.[41] In the absence of additional evidence, the attribution to Pelham is debatable as Henry Pelham was not a man whose established character would obviously be described as laying open all exclusive monopolies in trade.[42] Peters's explanation of Barnard's support for the HBC seems plausible if one just considers the 1749 HBC debate and accepts that Pelham actively supported the HBC. However, Peters (who did not examine the Levant Company debates) does not acknowledge that Barnard also supported the Levant Company in 1744. The consistent thread in Barnard's positions in the Levant Company and HBC debates was that he acted in accordance with his perception of the interests of London when attacked by interlopers from the provinces. The Levant Company and the HBC were London-based companies with many economic dependants within London, and, the petitions from London which attacked the Levant Company and the HBC were, at best, half-hearted. The case studies of the Levant Company and the HBC help to demonstrate the complexity of the politics of trade within London. The varied economic interests within London meant that politicians in the City adopted positions on policy issues for complex and not always ideologically predictable reasons.

Walpole was involved, it would have been Horatio. Horatio Walpole was a teller for the noes (that is pro-HBC) in the eventual vote in the Commons in 1749. He opposed the Levant Company in 1753.

[41] Peters, *State, Parliament and Empire*, p. 180.

[42] In fact, Barnard is a more plausible candidate for the man whom Dobbs sought to persuade. His attacks on stockjobbing and the moneyed interest were well publicized and hugely popular. His defence of the Levant Company could be considered to be inconsistent with this position, but the basis of Barnard's objection to relaxing admission requirements to the Levant Company was his opposition to the admission of Jews. Therefore, his support of the Levant Company in 1744 would not necessarily have tarnished his reputation as an attacker of monopolies per se.

The timing of the debates was economically driven but it should be recognized that they also carried with them some of the baggage of popular preconceptions on economic matters such as a fear of Jewish merchants and antipathy towards companies. It is also important to recognize that the early to mid 1740s was a very fluid time politically. Pelham's rival, Carteret, was forced from office only two years after Walpole's resignation. Pelham's regime attempted to accommodate both former supporters and critics of Walpole. For the companies, this represented a challenge to validate their utility, but a favourable Parliamentary decision could provide, in the long term, a more secure political base than personal relationships with the administration then in power.

The 1744 Levant Company Debate

The Russia Company's success in opening up the Persian trade in 1741 was the first parliamentary setback of consequence for the Levant Company but it was only one of several factors which made the Levant Company vulnerable to a serious parliamentary challenge in 1744. Exports to the Levant, which had already been under pressure in the 1730s, were seriously depressed by the outbreak of war in the 1740s. The disruption in Mediterranean shipping started during the war with Spain in the early 1740s.[43] Exports to Turkey and Italy combined were almost 40% lower in the first half of the 1740s than they had been in the previous five years.[44] France became the most favoured Ottoman trading partner in the 1740 capitulations, and other countries, notably Sweden, obtained their own capitulations. Finally, Walpole's fall from power in 1742 created a period of political

[43] A. Wood, *A History of the Levant Company* (London, 1935), p. 147.

[44] Ibid., table V, p. 17.

uncertainty during which both former allies and opponents of Walpole sensed an opportunity to score political points. Sir James Porter, who served as ambassador to the Ottoman Empire from 1746-1762, offered the following view of the 1744 challenge,

> The Turkey merchants at that time formed the most opulent and respectable body of men in the city; this of course rendered them objects of envy. As they ingenuously acknowledged the decline of their trade; idleness and want of industry, the natural consequences of affluence and ease were laid to their charge…It was therefore urged that this trade should be put in the hands of more industrious men.[45]

Porter's description of opulent Levant merchants seems more appropriate for the very early eighteenth century when they were amongst the richest merchants in London and many were very active in civic politics. However, Levant merchants were still regarded as an elite group in the middle of the century. In his discussion of the 1744 Levant Company debate, Jonas Hanway, a member of the Russia Company, described Oriental trade as the 'mistress and sovereign of all others' and stated that 'With regard to the British nation, it ever must be of the highest moment, not only on account of the immediate advantages derived from it, but also to check the growing power of France and other nations, in regard to their commercial interest in Asia.'[46]

The debate was initiated before Pelham brought stability to the ministry, and Walpole's supporters and critics were on both sides of the debate. There is no doubt that some of his critics may have been emboldened by his fall, but it was not decisive in determining the

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[45] J. Porter, *Observations on the Religion, Law, Government and Manners of the Turks*, second edition (1771), p. 372.

[46] J. Hanway, *An Historical Account of the British Trade over the Caspian Sea*, vol. I (1754) chapter 71, p. 328.

timing of the attack on the Levant Company. The real trigger for the 1744 debate was the depressed state of cloth exports to the Levant.

The 1744 parliamentary challenge to the Levant Company arose from manufacturers and was driven from outside London. West Country cloth interests, particularly from Worcester, provided the impetus for the attack on the company. On 16 February 1744 petitions were received from Worcester, Gloucester, Wiltshire and Oxfordshire clothiers and manufacturers of woollen cloth as well as from the merchants of Exeter exporting woollen cloth. The petition from Worcester, which provided the blueprint for many of the others, complained of 'a decay in the exportation of woollen cloths to Constantinople, Smyrna, Aleppo, and other parts of Turkey, and of the rivalling of us in that trade, and increase thereof, by the French and other foreigners'.[47] Over the next month, additional petitions were received from cloth interests in Wiltshire and Yorkshire as well as silk manufacturers in London, Norwich and Macclesfield. It is noteworthy that the petitions from the three silk-weaving areas were received some three weeks after the initial cloth manufacturing petitions. The silk petitions complained of a decrease in the importation of silk and mohair yarn.[48] Both the cloth and silk petitions suggested that the trade be opened up to all his Majesty's subjects. The bill which was drafted proposed lowering the admission fee from £50 to £20, ending the requirement that members of the company be freemen of the City and abolishing the practice of general shipping.

The salient point about the 1744 attack on the Levant Company was that it was led by manufacturers rather than merchants. The 1744 bill received only limited support from

[47]*JHC*, *xxiv,* p. 570, 16 Feb. 1744.

[48]*JHC*, *xxiv*, pp. 602-3, 7 Mar. 1744.

merchants in outports and was not supported at all by London merchants. This does not mean that all chartered companies enjoyed the support of all London merchants. The East India Company, the Bank of England and the South Sea Company inspired strong criticism from the mass of smaller London merchants jealous of their special role in the lucrative field of government finance, but merchant criticism of the other chartered companies tended to come from the provinces. The RAC, for example, continued to be battered by merchants from the outports in the eighteenth century over the issue of subsidy for its forts.[49]

The Levant Company's main defenders in the Commons were Thomas Hay (Lord Dupplin), Stamp Brooksbank, and Sir John Barnard.[50] Dupplin was a protégé of Walpole's.[51] Brooksbank had been a regular government supporter as an MP and was a senior director of the Bank of England.[52] Leading the charge against the Levant Company in the Commons was Thomas Winnington, supported by William Pitt and Sir William Yonge.[53] Although they were on the same side of this debate, these three were normally opposed politically. Winnington was an ally of Walpole's but, as the MP for Worcester, his sympathies lay with the clothiers. Pitt was vociferous in his call for Walpole's removal in 1741, and was yet to be reconciled by Pelham. Yonge was one of Walpole's key supporters and often deputized for

[49] The RAC parliamentary subsidy was temporarily increased to £20,000 in 1744 but withheld entirely after 1746, K. G. Davies, *The Royal African Company* (New York, 1970), p. 345.

[50] *Cobbett's Parliamentary History of England*, vol. 13 (London, 1806-20), pp. 895-8.

[51] D. Allan, 'Hay, Thomas, ninth earl of Kinnoull (1710-1787)', *ODNB*, Oxford University press, 2004 [http://ezproxy.ouls.ox.ac.uk:2117/view/article/12737, accessed 18 Mar. 2012].

[52] N. C. Hunt, *Two Early Political Associations* (Oxford, 1961), appendix E, p. 202. Brooksbank also obtained his freedom of the Levant Company in 1721, National Archives, SP 105/209, p. 220, register of orders, 27 Oct. 1721.

[53] *Cobbett's Parliamentary History*, vol. 13, p. 898.

Walpole in the Commons. At the time of the 1744 debate, Yonge was also the Secretary of War.[54] The company seemed to be out-gunned politically in the Commons.

The company's case stressed the depressing impact of war with France and the benefits of government assistance to the French cloth industry: manufacturing facilities set up with government help, a bounty on cloth exports and government-provided quality inspectors.[55] However, fear that the Levant trade would be dominated by Jewish merchants was the key argument used by the Levant Company against a relaxation of membership requirements. According to Yorke's parliamentary journal, 'The opposers of it objected to no part so strongly as to the general cause of admission, which they said would include the Jews, who if they once got footing in the company would endanger the loss of all our privileges in Turkey, and make a monopoly of the trade to the exclusion and detriment of the rest of the King's subjects'.[56] The Levant Company decisively lost the vote in the Commons by 87 votes to 43 and the matter was sent to the Lords.

The company was able to muster a more formidable defence in the Lords. On 2 May, the ambassador to the Porte since 1735, Sir Everard Fawkener, was produced by the company's counsel. Fawkener indicated that he had no motive in testifying other than to 'express his concern, lest this matter should involve us in differences with the Porte' and he went on to say that, 'admitting the Jews would be a great diminution of the dignity and credit of the

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[54] W.P. Courtney, 'Winnington, Thomas (1696-1746)', rev. M.E. Clayton; M. Peters, 'Pitt, William, first earl of Chatham [Pitt the Elder] (1708-1778); H.T. Dickinson, 'Yonge, Sir William, fourth baronet (c. 1693-1755)', all in *ODNB*, Oxford University Press, 2004 [http://ezproxy.ouls.ox.ac.uk:2117/view/article/29748,22337 and 30232, accessed 18 Mar. 2012].

[55] *The Case of the Governor and Company of Merchants of England, Trading to the Levant Seas* (1744).

[56] *Cobbett's Parliamentary History*, vol. 13, pp. 895-6.

British nation; and that this experiment might prove of dangerous consequence, in respect to the war with France'.[57] A petition from Gloucestershire clothiers was presented supporting the company (the Gloucestershire petition in the Commons had opposed the company).[58] The company also enlisted the support of Thomas Burdett, a major silk broker, Daniel Webb, a Blackwell Hall Factor, and George Roberts, a cloth packer, all of whom testified on 3 May.[59] We are fortunate that an extensive record of the debate in the Lords, which was only mentioned in passing by Alfred Wood, is preserved in the *Parliamentary History*.[60]

Lord Delawar, the Levant Company's governor, naturally spoke on behalf of the company. Delawar argued that opening up trades to new entrants was not necessarily beneficial. Delawar cited the increase in the price of slaves following the opening of the African trade.[61] The Earl of Sandwich also came out for the company. Sandwich was a committed orientalist and was a founder member of the short-lived Divan Club, for those who had travelled in Turkey. The Divan Club was founded in January 1744 and was in existence for twenty-eight

[57] *Journals of the House of Lords*, vol. 26, p. 385, 2 May 1744. The implied danger of admitting Jewish members was that this would upset the Ottomans, who would then withdraw British trading privileges, thereby giving France control of the eastern Mediterranean and possibly drawing the Ottomans into the war.

[58] Ibid., p. 385, 2 May 1744.

[59] Ibid., p. 386, 3 May, 1744..

[60] *Cobbett's Parliamentary History*, vol. 13, pp. 895-963.

[61] *Cobbett's Parliamentary History*, vol. 13, p. 932. Delawar claimed that 'we now pay for slaves, and almost everything we purchase, double or treble the price we paid formerly'.

months. [62] The club included Ambassador Fawkener as a founder member and was joined by a number of senior figures in the Navy, including Admiral Anson.[63]

The case for the Levant Company was most forcefully put by the Duke of Bedford. Bedford was not an obvious choice to support the interests of a chartered company. Like Barnard in the Commons, Bedford had sided with merchants critical of Walpole's policies, and had presented the petition in Parliament of London merchants who had urged Walpole to declare war against the Spanish in 1738. Bedford also remained an outsider in the Carteret-dominated ministry and would only be appointed First Lord of the Admiralty in November 1744, after Carteret left office. However, Bedford shared with Fawkener a concern regarding the increase in French commercial and naval power in the eastern Mediterranean. Although he did not join the Divan club, Bedford had a close relationship with Sandwich and Anson, both of whom were to serve on the Admiralty Board under Bedford. The naval battle of Toulon on 8 February 1744 led to severe criticism of the Navy, and Bedford, Sandwich and Anson comprised the new leadership team for the Navy once Carteret left office. Between them, they were in charge of the Navy from 1744 to 1762.[64] An increase in membership of the Levant Company, and an increase in the number of ships going to the Levant, would have exacerbated the already very difficult task of protecting British shipping in the Mediterranean. Stephen Conway observed that a vessel bound for Smyrna in 1744 had to avoid the French fleet at Brest, French and Spanish privateers in the Bay of Biscay

[62] R. Finnegan, 'The Divan Club, 1744-46', *Electronic Journal of Oriental Studies*, vol. 9 (2006), p. 1.

[63] Ibid., p. 26, 41 and 54. Admiral Vernon joined the club in March 1744 and Admiral Anson joined in January 1746, following his circumnavigation of the globe. Sandwich joined the Admiralty in 1740 and would become First Lord in 1748.

[64] N.A.M. Rodger, *The Command of the Ocean* (London, 2004), pp. 243-4.

and off the Iberian peninsula, not to mention the Bourbon fleets and privateers in the Mediterranean. [65] Bedford was also allied with Sir John Barnard in opposition to the granting of political rights to Jews.[66]

It is important to understand that Bedford was not arguing for the general benefits of monopoly but rather the need for controls in the specific case of the Levant trade. Bedford described how the risks of dealing with the Ottomans required some form of regulation. He described the Ottoman government as 'one of the most absolute and arbitrary under the sun' and he claimed that Turks were 'proud, haughty and ignorant' and that they had the 'utmost contempt both for Jews and Christians'. Thus, according to Bedford, the company needed to ensure that the 'wrong sort of people' were not allowed to trade in the Levant whose behaviour might cause the Turks to withdraw the capitulations, which gave the English in Turkey the effective right of self-government. However, Bedford reminded the Lords that the Levant Company was not a joint stock company and he contended that they did not enjoy an exclusive privilege because the entry requirements were not substantial. He also noted that the successful French trade had been kept under very strict regulations. Bedford attributed the decay of the British trade with Turkey to the increase of French trade and manufactures rather than poor management by the Levant Company. Bedford stated,

> The increase of the French trade and manufactures is the chief and great cause of the decay of our Turkey trade, as well as of several other branches of our commerce;

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[65]S. Conway, *War, State and Society in Mid-Eighteenth Century Britain and Ireland* (Oxford, 2006), p. 103.

[66] Both Bedford and Barnard argued against Jewish rights in the context of the 1744 Levant Company debate as well as the debate about the Jewish Naturalization Bill in 1753, although their motivations were likely somewhat different. Relations between Pelham and Barnard improved after 1749 but Bedford had resigned from Pelham's government in 1751.

> for it is impossible that any branch of trade can be so extensive, or so profitable, when other nations begin to interfere with us, as when we carry it on without a rival.

Bedford noted the establishment of cloth manufacturing in the Languedoc under Colbert and the proximity of Marseilles to the Levant ports, together with premiums and public encouragements (such as a bounty on cloth exports), as advantages which 'enabled the merchants to sell their Languedoc woollen manufactures at a cheaper rate in Turkey than any British manufactures could be sold'.[67]

Bedford concluded his case by arguing that the admission of Jews to the company would result in them dominating the trade because the affinity between Jews of whatever nationality would cause the Jewish middlemen who dominated in the Levant to deal only with English Jews. Bedford stated,

> My lords, I have no particular quarrel against the Jews: I think them a useful sort of people in any country; and therefore I am for encouraging them as much as the people of any other sect or religion; but I am not for making them our masters in the Turkey trade, or in any other branch of our commerce; and as this would, in my opinion, be the consequence of this Bill, supposing it not to put an end to our Turkey trade, I must therefore be against it being passed into a law.[68]

As was the case in the Commons, the argument against the Levant Company in the Lords was spearheaded by a politician from Worcester - Lord Sandys, the former MP for Worcester. Sandys was pleased that the Duke had acknowledged that 'there is at present a general outcry against all public trading companies'. Sandys did not agree that the Levant

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[67] *Cobbett's Parliamentary History*, vol. 13, pp. 901-2.

[68] Ibid., p. 909. The perception of Jewish clannishness in the Levant trade was not new. In a letter of 17 May 1718, Lady Mary Wortley Montagu observed that Jews had 'drawn the whole trade of the empire into their hands, partly by the firm union amongst themselves and prevailing on the idle temper and want of industry of the Turks', *The Turkish Embassy Letters* (London, 1763), Virago Press (1994), letter to Abbe Conti from Adrianople. Lady Mary's husband, Edward, who was then the ambassador to the Ottoman Porte, would become a member of the Divan Club.

Company was lightly regulated. Instead, he argued that the company's charter and by-laws made it 'as much an exclusive company as any trading company in England'. Sandys argued that the general shipping requirement made the Levant Company an exclusive monopoly, and rejected the need for general shipping as a defence against piracy. Both Bedford and Sandys acknowledged the impact of French competition but they disagreed on what made the Levant Company vulnerable to competition. Bedford and Sandys agreed that the French sold their cloth at lower prices, but whereas Bedford attributed the French price advantage to lower costs resulting from government subsidies and lower shipping costs, Sandys argued that higher British prices were simply the result of profiteering by the Levant Company. Sandys stated,

> Therefore we must conclude, that if our Turkey merchants had not insisted upon having a greater profit upon their sales, than the French Turkey merchants were willing to put up with, the latter could never have introduced any of their manufactures into that country; for besides the advantage we had of being established in the manufacture, the advocates against this Bill have themselves shewn, that we had, and still have, a very great advantage in the cheapness of the chief material [wool].[69]

Significantly, Sandys noted that the city of Worcester had 'followed' the Turkey Company, but that city was now 'sensible of their error' and were the first to petition for the bill. Sandys also rejected the suggestions of potential misconduct by new members and the risk of Jewish domination of the trade.[70] The monopoly to which Sandys objected was the monopoly of the business of the Levant Company by a small group of merchants, made

[69] *Cobbett's Parliamentary History*, vol. 13, p. 913.

[70] Sandys questioned the legality of excluding Jews, noting that the Russia Company had lately been compelled to admit a Jew.

possible by the company's exclusive charter and by-laws. Sandys was not seeking to establish a rival company to compete with the Levant Company.

The bill was defeated by only three votes in the Lords. The company's case was certainly stronger in the Lords than in the Commons. It even cast doubt on the solidarity of opposition from Gloucestershire clothiers. However, the key to the company's victory was their ability to garner the support of the ambassador to the Porte as well as influential lords concerned with the rise of French power. The decisive argument of the company's supporters was to prey on the fears that Jewish admission to the company would result in Jewish domination of the trade, upset the Ottomans and hurt the war effort against France. 1744 was a pyrrhic victory for the Levant Company. It did not win the crucial economic arguments about the support which the company provided for British manufacturing or the ability to compete with France. In fact, the criticism by Sandys of general shipping led the Levant Company to drop the general shipping requirement following the parliamentary review. The Levant Company's victory in 1744 rested on the narrow and, in the longer term, unsustainable grounds of prejudice against Jewish merchants, which was heightened by war with France.

Given the narrow victory of the Levant Company, it is not unreasonable to question why the decision was not appealed almost immediately through an amended petition which curtailed, at least in part, the request for Jewish admission. A large part of the answer to this question must lie simply in the economic disruption of the war. The economic impact of war was exacerbated by the Jacobite rebellion of 1745 which disrupted the domestic economy and led to a credit crisis. This was not a propitious time for new merchants to be entering the Levant trade. Parliament also understandably had other priorities during the

war. Furthermore, public attention concerning the French was turning towards North America. Bob Harris has commented on the significance of the British capture of Cape Breton in 1745 in turning attention towards the sources and extent of growing French commercial power.[71] Marie Peters also noted that the threat of French pre-emption of the quest to find a northwest passage was first raised in criticism of the HBC in 1748.[72] Although the companies had faced stiff French competition from the early 1730s and the government was well aware of the growing French commercial threat, it took some time for market share losses to accumulate. This cumulative economic impact combined with a largely inconclusive war against France, heightened concern about French commerce and made it into a public issue from the late 1740s.

The 1749 HBC Challenge

The 1749 HBC parliamentary debate was the culmination of a campaign initiated by Arthur Dobbs which had been ongoing for some five years. Although the HBC campaign was not coordinated with the attacks on the Levant Company, they started at roughly the same time and they shared an overarching concern with French competition.

Arthur Dobbs's initial focus on Hudson's Bay was driven by his interest in the discovery of a northwest passage. At first, this did not involve a direct challenge to the HBC monopoly. Following an unsuccessful voyage of exploration in 1741, Dobbs became increasingly critical

[71] B. Harris, *Politics and the Nation*, p. 241.

[72] Peters, *State, Parliament and Empire*, p. 180.

of the HBC's lack of enthusiasm. In 1744, Dobbs published his *Account of the Countries Adjoining to Hudson's Bay* which contained the following,

> I think myself obliged to make publick all I can depend upon of the climate, soil, lakes and rivers, contiguous to the Bay, and the Indian nations adjoining, and also what improvements this spacious country is capable of, and of the great benefit which may be made of the trade, in case it be laid open, and settlements be made there: for by that means the fur trade might be vastly enlarged, and be intirely recovered from the French, which they now have in great measure gained from us by the monopoly and avarice of the company [HBC], upon account of the exorbitant prices they take for their goods from the natives, even to 2000 per cent profit; who, for that reason, sell their most valuable furs to the French, tho the carriage to Canada be near 200 leagues farther than to our factories.[73]

A second unsuccessful voyage of exploration was undertaken in 1746, in the hope of winning a £20,000 prize set by Parliament the previous year. Dobbs then persuaded some of the backers of the voyages to join him in an attack on the HBC's monopoly. Dobbs and his followers petitioned the Crown in February 1748. In the words of the group's secretary, they were seeking 'a grant for ever, of all the lands in Hudson's Bay, not immediately occupied by the Company, and an exclusive right to trade in all that country for a certain number of years, which we have great reason to believe will be granted us, our expectations being founded on the opinion of the Attorney General and others learned in law.'[74] As the HBC confined its presence to posts on Hudson's Bay, this request was tantamount to a request for a right to a monopoly over virtually any part of Rupert's Land which the adventurers sought to develop. Dobbs was effectively asking for a right to set up a 'new Hudson's Bay Company'. The petitioners were likely buoyed by the referral of the matter from the Privy Council to the Attorney-General (whom they believed was supportive) and

[73] A. Dobbs, *An Account of the Countries Adjoining to Hudson's Bay* (1744), p. 3.

[74] Letter from S. Smith dated 8 Feb. 1748 printed in D. Clarke, *Arthur Dobbs Esquire* (London, 1958), pp. 212-3.

the Solicitor-General. The law officers summarized the case of the petitioners as consisting of two general points: 'That the Company's Charter was either void in its original creation, or became forfeited by the company's conduct under it', and, 'the petitioners have, by their late attempts to discover the north-west passage and navigation in those parts, merited the favour petitioned for.'[75] The law officers were neither impressed with the credentials of the petitioners nor did they like the idea of two chartered companies pursuing the same trade. In their letter to the Privy Council, the law officers stated,

> As to the petitioners merit, it consists in the late attempts to discover the same passage … and have certainly lost the petitioners considerable sums of money … we humbly submit to your lordships consideration, whether it will be proper at present to grant a charter to the petitioners, which must necessarily break in upon that of the Hudson's Bay Company, and may occasion great confusion by the interfering interest of two companies setting up the same trade against each other in the same parts, and under like exclusive charters.[76]

Dobbs then decided to take the matter to Parliament. He published a general critique of the company entitled *A Short State of the Countries and Trade of North America* (1749), which built on his earlier *Account of the Countries Adjoining to Hudson's Bay*. Dobbs's central argument was that the HBC was not exploiting the economic potential of Rupert's Land because they were not developing it as a colony. Fortunately for the HBC, the foundation of Dobbs's argument was some inaccurate geography. Dobbs could not understand why the climate at Hudson's Bay should be harsher than places in Europe of comparable latitude. In particular, Dobbs believed that the west side of Hudson's Bay offered great potential because 'it is known that the American western ocean is at no great distance from the

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[75] Report of D. Ryder and W. Murray to the Privy Council, 10 August 1748. Printed in *Papers Presented to the Committee Appointed to Inquire into the State and Conditions of the Countries Adjoining to Hudson's Bay, and of the Trade Carried on There* (1749), p. 77.

[76] Ibid., p. 78.

countries west of the bay; and as these countries are not mountainous, but abound with large navigable rivers and great lakes, these countries from a like parity of reason, must be equally temperate, as the countries in Europe situated at an equal distance from the Atlantic Ocean'. Dobbs's argument with respect to the French was similar to Samuel Sandys's regarding the Levant Company. Dobbs argued that the HBC's profiteering had allowed the French to undersell the HBC, expand southward and westward of Hudson's Bay, and capture the best furs from the Indians.[77]

In light of the opinion of the law officers, the petitions to Parliament dropped the request for a rival chartered company. Rather, they asked for the trade to be thrown open. A parliamentary committee was set up under Lord Strange in March. The committee gathered a staggering amount of information from the HBC. The HBC itemized its revenues and costs for the previous ten years. The company's shareholders were named and explanations provided regarding the previous increases in capital stock. There was also a description of the company's efforts to discover a north-west passage, including a list of vessels fitted out and copies of correspondence between the company's officers and its factors on Hudson's Bay. In addition to the material provided by the HBC, the committee interviewed twenty-two witnesses, most of whom were former HBC employees.

Like the Levant Company challenges, the 1749 parliamentary challenge to the HBC reflected a very strong provincial flavour to the opposition to the company. The HBC drew most of its servants for its factories on Hudson's Bay from the Orkney Islands, but the HBC was, like the Levant Company, a London-based company. The committee were all based in London and there were no provincial offices. The bulk of the petitions were from Lancashire, Yorkshire

[77] A. Dobbs, *A Short State of the Countries,* p. 17.

and the Midlands. The Liverpool petition asserted that 'exclusive companies are greatly prejudicial to the true interest of any trading nation', and alleged that the failure of the HBC to expand the trade 'has given the French, our worst rivals, a fair opportunity of extending their trade'[78] Marie Peters's analysis of Dobbs's political support base is somewhat different than that of Glyn Williams. Peters notes the influence of Leicester House connections on Strange's committee.[79] However, the observations of Peters do not diminish the significance of the fact that the predominance of petitions were from the northwest. Indeed, Strange was connected to Liverpool as he had been a long-serving MP from Lancashire.

Looking at the Liverpool petitioners, there was an overlap between the merchants who were campaigning against the HBC and the RAC. Glyn Williams noted that 'at least thirty-one of the thirty-nine Liverpool merchants who signed the letter of March 1749 to their M.P. on the Hudson Bay trade were active in the slave trade'.[80] This overlap was not caused between any obvious synergy between the slave trade and the fur trade. However, this was a period during which Liverpool was rising to prominence not just as a centre of the slave trade but as a general commercial centre with a flourishing shipbuilding industry connected to a productive hinterland.[81] Liverpool's geographic location would have positioned it well to take the lead in trade with new fur trading settlements in Canada, and potentially to

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[78] *JHC,* xxv, p. 820, 10 Apr. 1749.

[79] Peters, *State, Parliament and Empire*, p. 181. Peters estimates that 10 out of 31 committee members had Leicester House connections – a significant but not compelling proportion.

[80] G. Williams, *The Hudson's Bay Company and its Critics*, pp. 159-60.

[81] See K. Morgan, 'Liverpool's Dominance in the British Slave Trade, 1740-1807' in D. Richardson, S. Schwarz and A. Tibbles (eds.), *Liverpool and Transatlantic Slavery* (Liverpool, 2007), pp. 14-42.

exploit the discovery of a north-west passage to China. In his testimony before Lord Strange's committee, the Liverpool merchant, John Hardman, was very bullish about the potential to increase the trade with the Indians who 'at present trade with the French' and he questioned the need to build elaborate fortifications to support the trade.[82]

The arguments of William Wansey of Bristol were similar to Hardman's, but his support was motivated by a poor economic situation in Bristol rather than a firm belief in the potential of Rupert's Land. Wansey stated that the merchants of Bristol were in 'great want of some new channels of trade, especially for their woollen manufactures.'[83] A petition was only received from London after Lord Strange had submitted his report. The London petition introduced a different argument for opening up the trade – encouragement of colonies to mitigate the harmful impact of protective European tariffs.[84] If the timing of the London intervention made it seem like an afterthought, then the testimony of a London merchant, John Tomlinson, confirmed it. Tomlinson testified that 'to the best of his remembrance he signed a petition sometime since to his Majesty, the purpose of which he thinks was for a new charter for carrying on the trade to Hudson's Bay'.[85] Sir John Barnard's defence of the HBC in the Commons was designed to expose the lack of knowledge and, indeed, the lack of conviction amongst the petitioners.

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[82] *Report from the Committee Appointed to Inquire into the State and Condition of the Countries Adjoining to Hudson's Bay, And of the Trade Carried on There* (1749), pp. 55-7.

[83] *Report from the Committee*, p. 58.

[84] *JHC, xxv,* p. 850, 1 May 1749.

[85] *Report from the Committee*, p. 51.

An account of Sir John Barnard's argument in support of the HBC is contained in a collection of papers held in the Thomas Fisher Rare Book Library in Toronto.[86] The papers appear to have belonged to Charles Hay, the HBC's secretary.[87] The company is described as 'not thinking it adviseable to make themselves partys before that [Strange's] committee rather choosing to reserve themselves to be heard before the House in case they found their rights were affected'.[88] It is likely that the company was sensing its vulnerability in the committee process. If Strange was pre-disposed to be against the HBC, as Marie Peters has suggested, the company would have run the risk of having its arguments portrayed in an unfavourable light, had it appeared before the committee.[89] The account of Barnard's argument indicates his challenge to the petitioners, singling out Bristol, to support their petitions in Parliament. According to Hay's notes, Barnard,

> took notice of the several petitions that had been presented pending the Enquiry and were ordered to lie on the table that he did not know what they were calculated for unless to raise a prejudice in the House and insinuated as if they had been rather solicited by the promoters of the Enquiry than arising from the corporations whose names were to them and said that some of them contained facts that according to his information were false and particularly took notice of the Bristol petition under that head ... and moved that at the time the report was taken into consideration that Bristol petition might be likewise taken into consideration … and that if the petitioners did not then appear to support the allegations thereof it should be wholly disregarded.

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[86] University of Toronto, Thomas Fisher Rare Book Library, Mss 09253, notes regarding the Commons Committee of Enquiry.

[87] G. Williams, *The Hudson's Bay Company and its Critics*, pp. 161-2.

[88] Members of the HBC Committee and the company's lawyer, Joshua Sharpe, had, however, attended the hearing of the Attorney General the previous year. Sharpe specialized in colonial American business and had appeared often before the Board of Trade.

[89] M. Peters, *State, Parliament and Empire*, pp. 183-4.

As for manufacturing interests, the HBC case revealed both similarities and differences with the experience of the Levant Company. The similarities were on the import side. Hatmakers were the ultimate British customers for the HBC's imports although, as previously discussed, a significant proportion of the HBC's fur imports were re-exported to markets in Europe. The British hatmaking industry was also more export-oriented than the British silk industry, with Spain, Portugal and the American colonies being the key export markets.[90] However, like the silk industry, the demands of the hatmaking industry in the first half of the eighteenth century were calls for government protection which, through import tariff reductions and the Hat Act, were largely granted. On the supply side of the HBC's business, the key point is that the HBC's export of British-made trade goods (mainly guns, powder and cloth) was very small. Also, the level of trade goods exported remained relatively constant from 1714 to 1763. Whereas the drop-off in Levant Company cloth exports had a devastating impact on places such as Worcester, the impact of French competition on the HBC's suppliers was not dramatic. The manufacturers who joined in the attack on the HBC in 1749, such as metal-ware producers in the Midlands, were businesses which saw potential in supplying a growing colony rather than those interested in supplying trade goods for the fur trade. The lack of significant manufacturing-based opposition to the HBC was one of the keys to its success in Parliament.[91]

The company countered the petitions by distributing copies of its case directly to MPs.[92] The HBC refuted Dobbs's allegations of profiteering and the feasibility of establishing

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[90] M. Lawson, *Fur: A Study in English Mercantilism* (Toronto, 1943), appendix G.

[91] A motion to present an address to the King regarding the opening up of the trade was defeated by a margin of more than two to one.

[92] G. Williams, *The Hudson's Bay Company and Its Critics*, p. 161.

permanent settlements in Rupert's Land. The company stressed the losses it had suffered at the hands of the French and how they had successfully kept the French out of the Bay since the company's forts were restored.[93] Unlike the apparent helplessness of the Levant Company in the face of French competition, the HBC approach to dealing with the French appeared attractively self-reliant, if not entirely effective. The *London Magazine* reported that 'as it appeared to be impossible to preserve this trade without forts and settlements on the coast of Hudson's Bay, and as such forts and settlements must be supported either by exclusive companies, or at the publick expence, the affair was dropt.'[94] Dobbs's petition to the Crown in 1752 to establish a rival monopoly to the HBC in Labrador was dismissed by the Board of Trade.[95]

Perhaps the most interesting perspective on the 1749 challenge was provided in a 1752 publication entitled *An Account of Six Years Residence in Hudson's Bay*. This document was ostensibly written by a Joseph Robson, one of the former employees interviewed by the parliamentary committee in 1749. It is now generally accepted that this document was co-authored by Dobbs.[96] The document is addressed to the Earl of Halifax, the First Lord Commissioner of Trade and Plantations. The preface claimed that the evidence given by the witnesses in the parliamentary enquiry was tainted. Robson says,

> I am acquainted with several of the witnesses, and know that they omitted upon their examination many important circumstances which I had before often heard

[93] *The Case of the Hudson's Bay Company* (1749), p. 4.

[94] *The London Magazine* (1749), 18, p. 411. The fact that the HBC was self-financing was in marked contrast to the RAC, which argued for increasing subsidies in the 1740s.

[95] Williams, *The Hudson's Bay Company and Its Critics*, p. 164.

[96] See G. Williams, 'Arthur Dobbs and Joseph Robson: new light on the relationship between two early critics of the Hudson's Bay Company', *Canadian Historical Review*, 40 (1959), pp. 132-6.

> them relate; which must be attributed, either to their confusion upon appearing before so awful an assembly, or to their having a dependence on the Company, and an expectation of being employed again in their service.[97]

Appendix I of the Robson/Dobbs document also commented on some of the evidence produced by the HBC. One of the allegations was that the company sought to buy the support of the King. It was alleged that the company made three or four payments to the King, with the first only coming after Dobbs had solicited the Admiralty regarding ships for a voyage to seek the Northwest Passage. The document states,

> … being apprehensive that the legality of their charter might be brought into question, they thought it prudent to endeavour to secure an interest in the government: they therefore attended Sir Robert Walpole, and informed him that there was an arrear due from them to the late Queen Mary, amounting to several thousand pounds, which they apprehended the present queen was entitled to, as no part of it had been paid to Queen Anne; alleging that Queen Mary was a proprietor; in virtue, I suppose of her relationship to Prince Rupert, who was an original proprietor. Accordingly, a sum, at the rate of two or three hundred pounds per annum profit upon the trade, was paid to Sir Robert upon his Majesty's account.[98]

There is no record of large payments from the HBC to the Crown in the 1740s, but, as discussed in the previous chapter, there was a payment of £1,390 recorded in 1726.[99] On the King's shareholding of £2,900, dividends of between two and three hundred pounds annually would normally be expected as the dividend rate was 8%-10%. The suggestion that the King could be bribed by the payment of what amounts to four or five years of extra dividends is hardly plausible. On this point, as on several others, it appears that Dobbs did not get his facts quite right.

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[97] J. Robson, *An Account of Six Years Residence in Hudson's Bay* (1752), pp. 2-3.

[98] Ibid., appendix I, p. 52.

[99] HBCA, A1/20, Committee minutes, 9 Feb. 1726.

Henry Sperling's testimony for the company was also questioned in appendix I. It was alleged that Sperling deliberately produced inferior specimens of deer, ermine and squirrel skins from Hudson's Bay to invalidate the charge that the HBC should have done more to compete with the French for a variety of furs other than beaver.

The account in appendix I arrived at the following conclusion,

> The French, who are grasping at universal dominion, watch every opportunity for extending their trade, and secure all those countries which we abandon. But tamely to suffer them to dispossess us of this important source of wealth and power is, besides the loss, a disgrace not to be borne by Britain; tho borne it must be, if the Company are permitted any longer to sacrifice the good of the nation to their own private interest.[100]

The information regarding the parliamentary enquiry in *An Account of Six Years Residence in Hudson's Bay* obviously needs to be used with caution. The document seems to be laying the basis for an appeal of the decision. The language plays to a heightened public concern about the French. However, the points it chose to emphasize give us an insight into what drove the parliamentary decision in favour of the company. Appendix II of the document is particularly revealing. It is specifically concerned with the estimated cost of constructing the permanent stone structure at Prince of Wales fort. It itemizes different cost elements and concludes that the total cost could not possibly exceed £8,000.[101] The detail in appendix II supports the suggestion in the *London Magazine* that the cost of building and maintaining forts was a major influence on Parliament's decision.

The verdict delivered by Marie Peters on the HBC enquiry was that 'despite a battery of petitions and apparently persuasive evidence in 1749, no action was recommended. It

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[100] Robson, *An Account of Six Years Residence*, appendix I, p. 66.

[101] Ibid., appendix II, p. 72.

seemed that a major opportunity for expansion of trade and settlement was lost'.[102] While a great quantity of material and thirty petitions were produced by Dobbs and his followers, it is important not to confuse quantity with quality. The essential economic case against the company, that it was profiteering and not exploiting the opportunity to develop colonies, was refuted by both the material presented to Strange's committee and witness testimony. Barnard's intervention also exposed the formulaic quality of the petitions. Dobbs failed to convince the law officers, the mystery influential politician known for his hatred of monopolies and, indeed, the majority of members of the House. As to the opportunity for the expansion of trade and settlement, events a decade later showed that it was the conquest of New France which was the key to developing British interests in Canada.

The 1753 Levant Company Debate

Although there was a series of attacks against the HBC and the RAC in the 1740s and the early 1750s, and the Levant Company had itself been attacked in 1744, it was not inevitable that the Levant Company would be attacked again in the 1750s. Only the RAC had suffered a significant defeat in Parliament and, although there was a significant overlap between opponents of the RAC and the HBC, the Levant Company had a different set of critics. The Levant Company attempted to head off further criticism through its voluntary suspension of the practice of general shipping, which had been one of the major criticisms of the company, shortly after its 1744 hearing. Furthermore, the popular opposition to the Jewish Naturalization Act in 1753 demonstrated that the company was unlikely to be defeated

[102] Peters, *State, Parliament and Empire*, pp. 171-2.

because of more enlightened views concerning admission of Jewish merchants. The key to the timing of the 1753 attack on the Levant Company was the residual economic impact of war in the 1740s. Levant merchants enjoyed a post-war boom as silk prices rose rapidly in response to pent-up demand and only fell away in late 1753.[103] However, the rise in raw silk prices hurt British silk manufacturers. Cloth manufacturers suffered as well because the rise in silk prices meant that more cloth needed to be bartered for a given quantity of silk and, effectively, cloth prices were reduced.[104] Therefore, the parliamentary review of 1753 coincided with a post-war boom for Levant merchants but a post-war bust for their customers and suppliers.

The 1753 challenge to the Levant Company was much more broadly based than the 1744 challenge. More than twice as many petitions were received against the company in 1753 as had been received in 1744. The company lost what little support it had from clothiers in 1744. In addition to a strong representation from West Country cloth manufacturers, there were petitions from the Macclesfield silk industry and Midlands-based metal trades. There was a petition from some London merchants but what is most striking is the range of petitions from provincial merchants in places like Liverpool, Great Yarmouth, Bristol, Dumfries, Chester and Halifax which were absent in 1744. The 1753 petitions were almost identical in wording to the 1744 petitions.

Apart from the broader range of opposition to the company, another new element in the 1753 challenge was the pamphlet debate which involved Josiah Tucker and the Levant

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[103] R. Davis, *Aleppo and Devonshire Square* (London, 1967), pp. 150-1. The price of London silk in June 1753 was some 50% higher than it had been in October 1748, Ibid., pp. 164-5.

[104] Ibid., p.35.

Company itself. The exchange between Tucker and the company represented the clearest articulation of the case against London-based monopolies, from the perspective of provincial merchants, but it was met by the clearest articulation of the economic rationale for a company to conduct the Levant trade.

It is significant that Tucker became involved in the 1753 debate along with Bristol merchants, for neither Tucker nor his fellow residents of Bristol were involved in the 1744 Levant Company debate.[105] The parliamentary committee established to look at the matter specifically interviewed merchants from Bristol as well as Liverpool. Tucker's tract is notable for the range of arguments he deployed. Tucker was most plausible when he discussed the role of monopolies in the economy and their impact. Tucker placed the Turkey Company monopoly in the context of an era when monopolies were granted not just for companies engaged in foreign trade, but for a number of other sectors of the economy as well. He mentioned the need for special import and export licences covering goods such as wine and leather; domestic monopolies on commodities such as tin and salt; exclusive patents for goods such as glass and soap; and special licences required for making iron and other goods. Tucker argued that despite the claims to be promoting public welfare, the real intent behind the establishment of these exclusions was the creation of monopoly. Tucker contended that monopolies always try to sell as dear as they can whereas private traders seek to sell as cheap as possible, and that time has shown that the country was happier without monopolies because they inhibit trade. He asserted that London, as the centre of the empire, benefited from any trade expansion even if not conducted by monopolies confined

[105] The tract entitled *Reflections on the Expediency of Opening the Trade to Turkey. Humbly Offer'd to Publick Consideration* (1753) is attributed to Tucker, see G. Shelton, *Dean Tucker: Eighteenth-Century Economic and Political Thought* (London, 1981), pp. 85-6.

to the City, and, similarly, that landed gentlemen benefited from increased demand for agricultural products for export and a lower tax burden. Tucker was less persuasive when he attempted to criticize the operation of the Levant trade. His main arguments concerned the expense and inconvenience of being required to send cloth to London for dying and then having it exported in the general ships of the company. He contended that the additional cost of sending cloth through the port of London reduced the quantity of silk which could be obtained in exchange. Tucker believed that the admission of Jewish members to the Levant Company would promote trade rather than effectively create a new monopoly amongst Jewish merchants in England and the Levant.[106] Another strand of the argument was a rejection of any notion of French advantage in trade. Tucker contended that English manufacturers stood prepared to rival the cloth of Languedoc and he disputed the economic advantage of shipping through Marseilles. Tucker asserted that the continuation of the exclusive Turkey Company was tantamount to the payment of a very large annual tribute to France, in the sense that it gave France a competitive advantage. Abolition of the Turkey Company's monopoly would, according to Tucker, increase the government's revenue and promote the development of manufacturing industries throughout the country as a broader range of goods would be exported.

The Levant Company's response to Tucker started by chastising him for pandering to popular prejudice.[107] It stated that, 'He has not omitted the least opportunity of turning to

[106] The Levant Company debate was held just prior to the introduction of the Jewish Naturalization Act. Tucker's lobbying for the Act placed him in opposition to many prominent City merchants.

[107] Levant Company, *Some remarks on a Late Pamphlet, Intituled, Reflections on the Expediency of Opening the Trade to Turky* (1753). For the gentry-dominated House of Commons, it was important that commercial arguments appealed broadly to the national interest, and were not expressed in terms of populist economic theory, see P. Gauci, *The Politics of Trade* (Oxford, 2001), pp. 216-7.

advantage those odious terms of monopolies, engrossing, exclusive commerce, sacrificing the national trade to France etc.' The pamphlet then moved on to attack the detail of Tucker's argument. The disruption of the Persian trade and the decline in the use of mohair were stressed as contributing factors in the decline of the Levant trade. The great improvement in the quality and the low price of French cloth, as well as the range of French colonial goods exported to the Levant, were also emphasized. The claim that English cloth manufacturers stood ready to surpass French cloth was disputed because members of the Levant Company had been long urging them to do so without success. The notion that trade could be expanded and a wide range of manufactured goods could be exported was termed 'merely chimerical'. The pamphlet acknowledged that many members of the Levant Company were men of large fortunes, but rejected the accusation of excessive profiteering, pointing out that there were other wealthy merchants in the City who could have joined the company but chose not to do so. It was also pointed out that the French conducted their Levant trade in a much more regulated and exclusive manner than the Levant Company. As to the benefits of exporting from ports nearer to the place where goods are made, this was conceded by the pamphlet, but it was argued that there was nothing in the charter which prohibited it following the abolition of general shipping.

The bill was passed without notable opposition.[108] However, the anti-Semitic defence deployed by the company's supporters in 1744 evidently still had some purchase. The one concession to the company was the stipulation that Jews who were admitted to the company were prohibited from dealing with Jewish factors in the Levant. The ability of the company to force through measures which faced considerable opposition from some its

[108] For example, see the initial petitions from Liverpool et al in *Journals of the House of Commons*, *xxv,* pp. 588-9, 14 Feb. 1753.

members, such as the introduction of general shipping in 1718, was also curtailed. A clause was added to the 1753 Act which gave members of the company the right to appeal to the Board of Trade if they were opposed to proposed by-laws of the company.[109]

Whereas the 1744 challenge to the Levant Company essentially came from manufacturers, the 1753 challenge also involved a broad range of merchants from outside London. The real economic interest in the Levant trade of many of these merchants from outside London is questionable. Liverpool and Bristol merchants might have been able to ship some cloth to the Levant, but the more plausible explanation for their participation in the 1753 Levant Company debate was that it was part of their broader campaign against London-based chartered company monopolies. Very few provincial merchants were ever to enter the Levant trade. As Alfred Wood pointed out, once the admission fee to the Levant Company was lowered to £20 and the requirement to be a freeman of London was waived, the great majority of the 352 new admissions to the company in the following fifty years were concentrated in London.[110] This average of seven admissions per year contrasts with an average of only three admissions every two years in the twenty-five years prior to 1753.[111] The Levant Company did become less exclusive after 1753, but the reality was that it was still very much a London-based company despite the clamour from the provinces in the public debates.

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[109] *JHC, xxv*, p. 758, 11 Apr. 1753. The Board of Trade was also given increased responsibility for the African trade in 1750. The act which established the Company of Merchants Trading to Africa gave the board the responsibility of monitoring the company and the power to remove committeemen, C. Brown, 'The British Government and the Slave Trade: Early Parliamentary Enquiries, 1713-83', *Parliamentary History*, vol. 26, issue supplement (June, 2007), p. 37.

[110] Wood, *Levant Company*, p. 157. As discussed in chapter 3, few of the new entrants achieved the scale of the Levant merchants of the late seventeenth and early eighteenth centuries.

[111] Davis, *Aleppo and Devonshire Square*, p. 61.

Conclusion

The three companies lost a powerful ally when Sir Robert Walpole fell from power in 1742. Prior to 1742, criticism of the companies was largely kept out of Parliament. A more fluid political situation, the outbreak of war, and the growing economic impact of and public concern with French competition meant that criticism of the Levant Company and HBC monopolies gathered force and was given an audience in Parliament. The sheer weight of petitions, many of which were formulaic, was not a guarantee of success for critics of the companies. The populist argument that Britain was losing the competitive battle to the French because of the excessive greed of the companies had to be substantiated. Parliament demonstrated a willingness to gather and evaluate economic data before reaching decisions, and the case of the companies was not doomed by an *a priori* popular prejudice against companies. The companies also demonstrated that they were not defenceless in Parliament.

The companies were in the political spotlight for a decade in the middle of the eighteenth century and they organized themselves to deal with the challenge. The companies played to their traditional strengths, emphasizing the difficulty of managing trade in remote and culturally alien markets, and highlighting the risk to the government of de-regulating their trades. These were, by and large, still compelling arguments in the mid-eighteenth century. However, they became less compelling the more it appeared that the companies were losing to the French, and the greater the likelihood that the government would need to prop up the companies.

As the concluding chapter will discuss, the operating environment for the companies changed after the Seven Years War. The expansion of the empire and the increasing

competitiveness of British manufacturing gave Britain decisive competitive advantages in the late eighteenth and early nineteenth centuries. The three companies adapted to changes in the market and they continued to play an important role in the expansion of British commerce. Their monopolies would not be in the political spotlight again until the 1820s.

Chapter 7 – Conclusion

A re-assessment of the role of chartered companies in the eighteenth century is long overdue. Recent work on the EIC and the RAC has cast their experience in the first half of the eighteenth century in a new light. In the case of the EIC, Philip Stern's work has challenged the traditional notion that the company's transition to an imperial mode of operation only occurred after the Seven Years War. As for the RAC, recent studies have shown that, despite its commercial challenges, the company was still actively traded on the stock market and actively debated in Parliament. This study has shown that the three other major chartered companies which survived the political challenges of the 1690s and had commercial operations in the eighteenth century – the HBC, the Levant Company and the Russia Company, were also not mere bystanders in the economy or political life of Britain prior to 1763. Neither their commercial nor their political vitality has been appreciated. The contribution to overseas trade of the Russia Company, in particular, has been overlooked. The political support for all three companies has also been underestimated.

This oversight is understandable, especially in light of the great diversity amongst the chartered companies. The chartered companies employed a wide range of organizational models, both in terms of organizational structure and size. The EIC and the HBC were both joint stock companies but the capital base of the EIC, even at the beginning of this study, was some thirty times larger than the HBC's. The Russia Company and the Levant Company were both regulated companies, but the Russia Company's membership was several times larger and included many more foreign-born members. The Russia Company also had locations throughout Britain while the Levant Company confined its operations to London. The companies operated in quite different regional markets and they employed very

different commercial strategies. The Russia Company was going for growth while the HBC was managing its business for cash and the Levant Company was retrenching.

However, diversity should not obscure the importance of the companies, who were at the heart of key economic processes in early Hanoverian Britain. Despite the fact that the companies dealt with wholesalers in Britain, underlying consumer demand for the bulk imports which the companies brought back to Britain had a fundamental influence on their results. In the case of the HBC, very strong consumer demand for beaver fur allowed the company to produce strong financial results despite competitive difficulties. The relationship with suppliers was also critical for the companies. In his classic study, R.B. Westerfield described the period before 1760 as one in which there was an 'absolute dependence of the producing class on the trading class.'[1] There was also a dependence of the trading class on the producing class. The companies were middlemen who relied upon access to attractive products which they could sell to their overseas customers at competitive prices. The lack of competitively priced trade goods was a fundamental problem for merchants. In the Levant trade, the undercutting of British cloth prices by their French rivals was the fundamental reason for the decline of the Levant trade in the first half of the eighteenth century. To a lesser extent, the HBC had a similar competitive problem with its manufactured trade goods, but was able to mitigate its impact by introducing re-exported goods, such as Brazil tobacco, in trade. Major changes in the relationships between merchants and manufacturers would only appear in the textile industry in the latter eighteenth century. The increasing attraction of capital to manufacturing gave manufacturers the option to either take on their own marketing, in markets which they

[1] R. B. Westerfield, *Middlemen in English Business* (New Haven, 1915), p. 125.

could easily access, or employ commission agents to market for them in more remote markets. [2]

Although the relationship between the companies and manufacturers in this study was little changed from what it had been in the previous century, there was an area where traditional merchant operations were being transformed in the first half of the eighteenth century and where chartered companies were in the vanguard of change - financial management. The companies and individual members of the companies became significant investors in an increasingly broad array of financial securities. Portfolios of securities enabled the companies to better manage their cash flow. In a seasonal business like the HBC's, purchases and sales of securities allowed the company to avoid liquidity crises and were a model of efficient working capital management. The size of the HBC's portfolio also made it unlikely that it would have been 'driven to the wall' by its French rivals for quite some time, had the Seven Years War not intervened. For merchants in the regulated companies, the opportunity to invest in financial securities both provided a relatively simple means of diversification, and established a benchmark against which to assess the performance of trading ventures. The management of the Russian trade involved dealing in three main currencies (British, Russian and Dutch) and the use of a range of financial instruments such as bills of exchange and Navy bills. As a training ground for the merchant banking industry, which began to develop in the latter part of the eighteenth century, the Russian trade had few equals. Key members of the companies in this study were also heavily involved as

[2] An early example of manufacturers cutting out merchant middlemen was in the Yorkshire cloth industry. John Smail observed that a direct trade developed between Yorkshire cloth manufacturers and markets in the Baltic and the Mediterranean, *Merchants, Markets and Manufacture* (Basingstoke, 1999), p. 69. Smail noted that this was a development which began in the 1720s, but took until mid-century to come into its own.

directors of joint stock companies, especially Russia Company members with the Bank of England and Levant Company members with the marine insurance companies. The companies and their members were able to survive commercially because they were able to adapt to changing economic conditions at home and overseas. Their political survival was based on the mutual dependency between the interests of the companies, the economic stakeholders in the companies and the government.

The companies had many economic stakeholders in London and this affected the political attitudes of Londoners towards the companies. The fact that the three companies in this study were centred in London certainly contributed to the involvement of their managers in the emerging world of financial services, but it had other significant implications as well. The companies were very important contributors to the London economy. The Levant Company was the main supplier to the Spitalfields-centred silk industry. Even the cloth which the Levant Company exported went through Blackwell Hall and was finished and dyed in London. The HBC was the main supplier to the Southwark-centred hat making industry. The Russia Company was a major supplier to the shipbuilding industry (both naval and commercial), located in dockyards in and around London. Consequently, the companies in this study experienced relatively little opposition from London, and the cause of the HBC and the Levant Company was championed in the Commons by the leading figure in City politics, Sir John Barnard. [3]

[3] This contrasts with the observation made by Nicholas Rogers that 'the financial revolution was a crucial determinant of political allegiance, polarizing the moneyed companies and the chartered companies against a diverse group of civic populists whose main strength rested with the domestic trades', N. Rogers, *Whigs and Cities: Popular Politics in the Age of Walpole and Pitt* (Oxford, 1989), p. 6.

There was also a strong mutual dependency between the government and the companies. The government under Walpole is not often credited with a coherent economic policy with respect to trade other than to erect a series of protectionist tariffs. Indeed, Walpole is seen as having very poor relationships with many merchants. As J.H. Plumb observed of Walpole,

> In his heart he hated merchants, hated them with all the intensity of a debt-loaded squire. Barnard, Perry, Heathcote – they were the bane of his life. He detested the obstreperous Common-Councilmen of London; loathed their constant clamours and wearisome petitions. They smeared his name with corruption easily enough and ranted about his greed.[4]

In contrast, Walpole enjoyed good relationships with the leaders of the chartered companies. The government's disposition towards the EIC was undoubtedly coloured by the 'loans' it received from the company. The government's attitude towards the Russia Company was also likely to have been influenced by the presence of leaders of the company on the board of the Bank of England and the high level of customs duties on Russian imports. However, another important consideration was that the presence of a management hierarchy within all the chartered companies, including the loosely structured regulated companies, allowed Walpole and his deputies, such as his brother Horatio, to exert personal influence over their affairs. Moreover, an important finding in this study is that the Board of Trade became an important forum for economic debate concerning the non-colonial affairs of the companies, which supported economic decision makers in government and in Parliament.

The analysis of the mid-century parliamentary debates concerning the companies highlights the role of economic stakeholders in driving the debates. They demonstrated that Parliament was sensitive to specific regional economic interests and they also showed that

[4] J.H. Plumb, *Sir Robert Walpole, The King's Minister* (London, 1960), p. 247.

the debates themselves were informed by economic data and expert witnesses. These were not debates which turned on broad theories of political economy. Anti-Semitism appears to have been at least as important an influence on the 1744 Levant Company debate as a prejudice against monopoly companies. Political tactics were important in the debates but, as the 1749 HBC debate demonstrated, the sheer weight of petitions against a company was not a guarantee of success in Parliament.

The commercial and political resilience of the companies before the Seven Years War did not end in 1763, but the companies had to adapt to a new set of challenges during and after the war.

The Seven Years War and Beyond

The HBC was the company most directly affected by the Seven Years War and the expansion of the empire. The Seven Years War meant that its role in competing directly with the French came to an end. Paradoxically, the British conquest of New France further damaged the HBC's competitive position. What the HBC did not anticipate was the rapidity with which American colonists involved in the fur trade seized the new opportunity. Merchants at Albany had traded for furs from New France even during the Seven Years War, and the merchants who came into Canada immediately after the conquest to enter the fur trade all had experience of the southern fur trade.[5] These new entrants quickly filled the void created by the departure of French merchants to France following the conquest and they worked with the French fur traders to re-energize the French fur trading network. Their

[5] E.E. Rich, *The Fur Trade and the Northwest to 1857* (Toronto, 1967), p. 134.

dispute with Governor Murray and the attempt to regulate the fur trade in the Royal Proclamation of 1763 and the regulations of 1764, underlined the practical difficulty in containing the expansionist tendencies of the American colonists.[6] The HBC was forced by its new competitors to move inland. Cumberland House, established in 1774, some 450 miles from York Fort, was the company's first major inland post. The influx of Scottish entrepreneurs to Canada following the war was to result in the establishment of an even more formidable rival, the Northwest Company, in 1779. The American War of Independence was another major setback for the HBC. The French captured both York Fort and Prince of Wales Fort in 1782, forcing the company to suspend dividend payments, and the loss of the former southern fur trading region to the United States in Jay's Treaty of 1794 meant that the Northwest Company was forced to focus on direct competition with the HBC. By 1795, the HBC only controlled one seventh of the Canadian fur trade.[7] When the two companies merged in 1821, they retained the Hudson's Bay Company brand, but it was the Northwest Company which provided much of the operational substance to the new organization. This somewhat one-sided rivalry between the two companies was the essential spur to the exploration and development of western Canada in the late eighteenth and early nineteenth centuries.

The Levant Company's competitive position worsened during and after the Seven Years War. The disruption of business during the war resulted in exports to the Levant falling to a

[6] For example, see National Archives, CO 42/2, fol. 102, Colonial Office papers, *Petition of the London Merchants*, October 1764 and *Petition from Merchants and Traders of the City of London Trading to Canada*, April 1765.

[7] Rich, *The Fur Trade and the Northwest*, p. 188.

record low in the second half of the 1750s.[8] France continued to have a strong interest in the Levant trade, and by the period 1771-75, French exports to the Levant were ten times those of Britain's.[9] As was the case with the HBC, growing competition from other British merchants also put the Levant Company under intense pressure after the Seven Years War. Raw silk imports from Bengal and China, via the East India Company, increasingly displaced Levant silk imports to Britain. Between 1714 and 1763 there were only six years when Bengal and China accounted for more than half of raw silk imports into Britain. By 1780, some three quarters of British raw silk imports came from Bengal and China.[10] However, this trend did not spell the end of the Levant Company. The government began to assist the Levant Company more directly, first by providing a subsidy for the upkeep of diplomatic staff starting in 1767, and then by negotiating the abolition of the *misteria* value-added tax in 1784.[11] Just as Levant merchants had reduced their product portfolio to focus on the Aleppo silk trade in the 1740s, the business was once again re-invented to focus on the cotton trade in the nineteenth century. The company enjoyed a dramatic reversal of fortune in the early nineteenth century. Britain imported raw cotton from the Levant and exported manufactured cotton goods back to the Levant. Trade to Smyrna and Egypt, which had long been languishing, revived. Over 800 new merchants joined the Levant Company between 1795 and 1820.[12] The company had finally found a competitive product advantage and it acquired a new set of stakeholders in the cotton industry. The government's decision

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[8] E.B. Schumpeter, *English Overseas Trade Statistics, 1697-1808* (Oxford, 1960), table V, p. 17.

[9] F. Crouzet, *La Guerre Économique Franco-Anglaise au XVIIIe Siècle*, tableau 8.1, p. 221.

[10] Schumpeter, *English Overseas Trade Statistics*, table XVI, pp. 52-5.

[11] The French had not been subject to the *misteria* tax since 1740.

[12] A. C.Wood, *A History of The Levant Company* (London, 1935), p. 195.

to pay for the entire expense of consuls made the payment of consulage fees to the company unnecessary, and the boom in cotton meant that merchants could prosper without the need for regulation by the company. Consequently, the Levant Company's governor supported the surrender of its charter in 1825.[13]

The Russia Company was not penalized by Russia's opposition to Britain in the Seven Years War. Trade in naval stores continued during the war. Initial discussions on commercial relations with Russia were held at the Board of Trade as early as May 1762, and a new commerce treaty was successfully concluded in 1766. The government continued to help the Russia Company. For example, in 1764, the Russia Company convinced the Treasury to mint a coin equal to the fineness and weight of Dutch silver dollars so that it could avoid the expense, which it estimated at £12,000 annually, of settling Russian duties via bills of exchange drawn on Amsterdam.[14] The increasing tension between Russia and Britain in the 1780s was, however, to have commercial consequences. France negotiated its own commerce treaty with Russia in 1786 and Britain failed to renew the Anglo-Russian commerce treaty when it lapsed in 1787. France hoped to develop a trade through the Black Sea to southern Russia, which would have complemented its Levant trade.[15] However, the Russo-French commerce treaty was cancelled as the Terror began in 1793 and British trade with Russia peaked during the period 1794-6.[16] Even though it was to compete directly with France for only a very brief period, the Russia Company had an important ongoing role in

[13] Ibid., p. 200.

[14] Guildhall library, Ms 11741, vol. 7, pp. 181-2, Russia Company minutes, 29 May 1764.

[15] H. Kaplan, *Russian Overseas Commerce During the Reign of Catherine II* (Philadelphia, 1995), p. 115.

[16] Ibid., p. 270.

the Anglo-French rivalry during the eighteenth century. The growing economic and military power of Russia meant that a strong Anglo-Russian commercial relationship was strategically vital during the eighteenth century. However, Britain became less dependent on Russian imports in the nineteenth century as Britain became an exporter of iron and Canada became the main supplier of timber to Britain. The Russia Company enjoyed a record number of new admissions in 1814, but the Russian government was increasingly reluctant to continue to accord special privileges to British merchants.[17] Britain was displaced by Germany as Russia's most important trading partner during the second half of the nineteenth century, largely on the strength of the Russo-German trade in grain.[18]

From this overview, one can see that the Seven Years War produced significant changes in the economic environment faced by the three old gang companies. However, the political survival of the companies continued to be based on their relationships with their economic stakeholders and the government. This is not to deny the development of the field of political economy in the second half of the eighteenth century but, as Bob Harris has noted, political economy was but one element in the scramble for parliamentary and political advantage among manufacturing and commercial groups.[19] Furthermore, if government officials following the war took their policy cues from political economists, as Nancy Koehn

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[17] D. MacMillan, 'The Russia Company of London in the Eighteenth Century: The Effective Survival of a Regulated Company', *The Guildhall Miscellany*, vol. 4, no. 4 (April, 1973), pp. 234-5.

[18] G. Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford, 2000), p. 24. Jones noted the disruptive impact of the Crimean War on Anglo-Russian trade.

[19] B. Harris, 'Towards a British Political Economy' in, P. Gauci (ed.), *Regulating the British Economy 1660-1850* (Farnham, 2011), p. 105. Political economy was a much stronger influence on the chartered companies in the early nineteenth century, particularly after the EIC monopoly on trade with India ended in 1813.

suggested, they would have received somewhat mixed messages regarding the three companies.[20] In 1761, Josiah Tucker held that 'our monopolies, publick companies, and corporate charters, are the bane and destruction of a free trade'.[21] He still complained about the Turkey Company and recycled many of Arthur Dobbs's arguments regarding the HBC. However, the *Wealth of Nations*, in 1776, reflected a more pragmatic attitude towards the companies and did not call for dramatic political intervention in their trades. Referring to the HBC, Smith acknowledged that they required forts, and no private trade was possible without them. Furthermore, Smith credited the HBC with carrying on the trade with a considerable degree of success on account of its small size, which enabled it to have nearly the same degree of vigilance and attention as a copartnery. Smith also dismissed the allegations made by Dobbs that the HBC earned extraordinary profits.[22] Smith believed that the Russia Company was, along with the Hamburg and Eastland companies, not very oppressive but altogether useless.[23] Smith was more critical of the Levant Company because he believed that its £20 admission fee deterred speculative trading. However, Smith acknowledged the cost borne by the Levant Company to support British diplomatic staff and argued that the ambassador and consuls ought to be maintained by the state. It took almost another half century for the government to heed Smith's advice regarding the Levant Company. [24]

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[20] N. Koehn, *The Power of Commerce* (Ithaca, 1994), p. 20.

[21] J. Tucker, *A Brief Essay on the Advantages and Disadvantages Which Respectively Attend France and Great Britain, With Regard to Trade and France*, 3rd edition, (1761), p. 26.

[22] For Smith's discussion of the HBC, see *The Wealth of Nations*, (Cannan's 1904 edition, University of Chicago press, 1976), book V, chapter I, part III, article I, pp. 266-7.

[23] Ibid., p. 257.

[24] Ibid., pp. 258-9.

Even though the economic operations of the three companies changed substantially in the nineteenth century, the legacy of the chartered companies resonated in other markets. The commission agents who dominated British trade in the nineteenth century operated like factors in the chartered companies, but the big difference was that commission agents typically worked for manufacturers rather than more senior merchants based in Britain. Another major development was the continuing expansion of financial services. As the Industrial Revolution gave Britain a sustainable product advantage in the nineteenth century, new options were created in financial services, including the establishment of merchant banks. As Geoffrey Jones has observed of the situation in 1850, the companies continued to adapt and operate alongside new forms of merchant enterprise, 'British merchant houses dating from earlier epochs, such as the merchants in Russia and Portugal, and even the Hudson's Bay Company, coexisted with embryonic merchant banks, which still maintained extensive international trading business.' [25]

Suggestions for Further Study

While there have been recent studies of the EIC and RAC, and this study has taken a fresh look at the HBC, the Levant Company and the Russia Company, there is a need for more work on both the commercial operations and political debates concerning chartered companies in the eighteenth century. There is a clear need for a new history of the Russia Company which covers the seventeenth and eighteenth centuries, and focuses on its

[25] Jones, *Merchants to Multinationals*, p. 34.

commercial operations and diplomatic relationships.[26] Amidst new interest in the companies, it is opportune to revisit linkages between the companies and their relationship to British political and economic development. For example, there were a series of political debates in 1730 regarding the need to subsidize the RAC's forts, and the proposal to turn the EIC into a regulated company. These debates took place at roughly the same time as important parliamentary debates regarding Irish trade to the West Indies and Britain which were driven by a growing concern about commercial rivalry with France, and a desire to exploit the economic potential of Britain's colonies. Considered together, these debates can further develop our understanding of the politics of trade for a period of Walpole's administration which has not received the same scholarly attention as the excise crisis of 1733 or the debates concerning war with Spain in 1739. On a more purely commercial level, as this study has noted, the HBC and the RAC were effectively run by the same man, Sir Bibye Lake, for most of the 1720s and 1730s. How Lake influenced the direction of the RAC, particularly its financial strategy, and whether this was related to the HBC's operations is not clear. The richness of the sources for companies also offers great potential for cultural studies. For example, the experience of EIC and Levant Company members overseas has been used to study the changing nature of the relationship between Britain and the Islamic world.[27]

Beyond the chartered companies, this study has examined the activities of a significant cross-section of London merchants, but it is important to build on this work. London

[26] T.S. Willan's *The Early History of the Russia Company, 1553-1603* (Manchester, 1956) is, indeed, a very early history of the company.

[27] See W. Dalrymple, *White Mughals* (London, 2002), and J. Mather, *Pashas: Traders and Travellers in the Islamic World* (New Haven, 2009).

merchants were important, not just because the bulk of trade flowed through London, but also because what was happening in London during the period of this study transformed British enterprise. As this study has shown, the development of the financial services industry changed the skills which merchants required. By the end of the eighteenth century, the job of a merchant was no longer to simply act as a middleman, linking suppliers with customers, but merchants also became investors and, in some cases, bankers. Moreover, as Britain's manufacturing industries became more competitive, merchants took on increasingly specialized financial functions. Although not all London merchants were customers of or suppliers to London manufacturers, London was the greatest manufacturing city in Europe in the late seventeenth and early eighteenth century.[28] This, combined with the large numbers of merchants in various trades, gave London a complex web of economic stakeholders. As this study has shown, this could lead to individuals, such as Sir John Barnard, taking political positions on trade issues which were not predictable without an understanding of the metropolitan economy.

The role of competition as an agent of economic and political change also offers opportunities for further research before, during and after the period of this study. This study has looked at the competitive experience of the HBC and the Levant Company, but the historiography of other competitive markets, even during this study period, is far from being comprehensive. For example, a study of the Spanish market, where Britain and France competed directly, would be a particularly valuable complement to this study. Spain was an important market and one of the few where British and French cloth were in direct competition, but studies of Anglo-Spanish trade have tended to focus on Anglo-French

[28] P. Earle, *The Making of the English Middle Class: Business, Society and Family Life in London, 1660-1730* (London, 1989), p. 18.

rivalry for trade with Spanish colonies in America, much of which was illegal. Adrian Pearce's *British Trade with Spanish America, 1763-1808* (Liverpool, 2007) is a notable recent example. J.O. McLachlan's *Trade and Peace with Old Spain, 1667-1750* (Cambridge, 1940) describes the major components of Anglo-Spanish trade but, in my view, does not adequately reflect the strength of the French rivalry. Throughout the period of this study, Franco-Spanish trade volume was roughly double that of Anglo-Spanish trade. A study of Anglo-French competition in the fishing industry, for which Spain was a key market, would also complement the analysis of the HBC and the fur trade.

The case studies in this thesis have provided a range of insights into chartered companies, the development of merchant enterprise, and the relationship between commerce and politics in the first half of the eighteenth century. The methodology used in the study involves examining the commercial operations of merchants in some detail, and then using the analysis of economic stakeholders in those operations to inform the analysis of political debates. As this study has shown, this methodology can illuminate both the economic and political worlds which are crucial for an understanding of the chartered companies and their commercial partners. However, there is nothing inherent in this methodology which restricts its applicability to chartered companies or even particular markets. The perspective of the firm can provide new insights across a broad range of merchant enterprise.

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Chancery Master's Exhibits (C 104, C 113)

Hudson's Bay Company archives (A 1, A 2, A 15, A 18, A 48)

Levant Company records (SP 97, SP 105, SP 110)

Navy Board records (ADM 49, ADM 106)

Prerogative Court of Canterbury Wills (PCC)

Royal African Company records (T 70)

State Papers Domestic, George II (SP 36)

2. London Metropolitan Archives/Guildhall Library

Boddington papers (Ms 10823)

Eastland Company papers (Ms 11892)

Russia Company papers (Ms 11741, Ms 11893)

3. Essex County Record Office, Chelmsford

Sperling records (D/DQl/1, D/DGdZ32)

4. Somerset Record Office, Taunton

Samuel Holden's papers (DD/HY15/5/1, DD/HY16/2/4)

5. East Sussex Record Office, Lewes

Shiffner papers (SHR 1738, SHR 2765-2812)

6. Hertfordshire Record Office, Hertford

Radcliffe papers (MSS DE/R)

7. Thomas Fisher Rare Book Library, Toronto

Charles Hay's notes on the HBC Commons enquiry (MSS 09253)

8. Bank of England, London

Court of Directors minutes (G4/9-18)

Notes: The original HBC archives are in Winnipeg and there are microfilm copies at Kew and Ottawa. These different archives now use different classification schemes but they can be translated back to the classification scheme for the company records which was developed in the 1920s and 1930s when they were held in London. It is this original classification scheme which has been adopted in this thesis. Under this scheme, the London office records comprised category A. The papers which I originally consulted in the manuscripts section of the Guildhall library in London have now been moved to the London Metropolitan Archives.

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