CLASS 3 - Readings from Articles/Journals/Books

The Colonial Merchants became an indispensable link in the British trade system. An American merchant class developed almost of necessity, but certainly without the conscious planning or support of British mercantile interests.

The proprietors considered lands and the fruits of colonial labor to be the collective properties of the company, and profits, should there be any, accrued to British investors. This state of affairs left little individual incentive among the colonists and precipitated considerable friction between them and the proprietors.

It is very significant that in Massachusetts Bay the proprietors and the colonials became the same; that with the reorganization of the Company of Virginia, proprietary interests in land, and in the produce of the land, became available to the settlers.

In South Carolina, and eventually in all of the colonies, the governments became largely subservient to local interests. An American merchant class developed, reached a business accommodation with its British counterparts. It provided the sinews for colonial economic growth and progress, and was instrumental in making the British system of mercantilism work.

The emerging independence of American business and proprietary interests can be attributed to many things. Physical and geographical factors contributed to the advent of political and economic freedom within the colonies. Close control of the internal affairs of the colonies from the boardrooms of England was a physical impossibility.

The concepts of personal liberty and private property in America were logical extensions of British traditions and values. American colonists came to believe that liberty meant the right to acquire, manage, and dispose of property. In America, those values flourished because there were no social class restrictions and no institutions, either governmental or bureaucratic, to confine them.

British political and religious developments concurrent with the era of colonization supported the idea of local autonomy and home rule in business, congregations, and government. The English Revolution (1642—1649) halted the flow of colonists to America, disrupted commerce and provisioning, and forced the colonists to strike out on their own. Already predisposed to independence, the colonists preferred it that way.

FOUR PHASES OF EARLY COLONIAL BUSINESS

The business relationships of the colonies to the mother country had gone through four general phases by the close of the first century of English colonization.

In the **first**, phase the joint-stock companies created colonies and trading posts in pursuit of quick profits for the investors. This phase usually led to an impasse between the home company and the colonists and ended with the bankruptcy or abdication of authority by the company. Reorganization of the colony under either royal or proprietary interests followed, but with a considerable degree of home rule and local autonomy.

The **second** phase, after the disruption of company authority, was generally a short-lived transition period that brought the colonists near economic anarchy. It was also characterized by the rise of colonial business opportunists. These included the independent fur traders, such as Roger Williams, who opened the first fur-trading post in the Narragansett region, lived as a free spirit among the Indians, and generally defied the authority of church and state. The Arnold family of Pawtuxent pursued "free trade" to the extent of dealing in liquor and firearms with the Indians.

The era of economic anarchy in the Carolinas might be equated with the rise of such pirates as William Rhett, Steed Bonnett, and Richard Worley, who preyed upon legitimate commerce. By 1720, piracy had essentially been reduced. In all of the colonies another form of anarchy, never completely resolved, involved the acquisition of land without titles (squatting).

The **third** phase characterized the restoration of stability and order with authority vested largely in the colonial government. In this period, a legitimate colonial merchant group developed from the ranks of farmers, laborers, and craftsmen, or often, as in Massachusetts and Pennsylvania, they were transplanted English merchants.

The British would have considered these pretentious upstarts. The colonial merchant primarily engaged in the gathering of domestic products for export and in the import of British products for domestic distribution. Major export items from the colonies included furs, timber, wood products (such as barrels, staves, hoops, and shingles), tobacco, bread, flour, rice, fish, and indigo.

The last five items were the most valuable export commodities. Colonial imports, 90 percent of which came from England and Ireland, included manufactured goods (prominently iron products), textiles (largely woolens), coffee, tea, paper, sugar, molasses, wine, glass, and earthenware.

In the earlier period of this third phase, the colonial merchants tended to serve as the supplier to the British merchant who possessed what the colonists lacked—capital, shipping, and established markets. The British merchant usually assumed ownership of the goods at the point of loading and unloading in the colonies and advanced the colonial merchant or factor the necessary credit for accumulating or distributing goods. With the passage of time a fourth stage of colonial business developed.

The **fourth**, or mature, phase witnessed the rise of the independent colonial merchant. As colonial merchants acquired capital, goods remained in their own account at the point of loading or unloading in England. Colonial merchants also organized trading consortiums or became partners with British merchants. Business relationships often extended across the Atlantic through family ties or religious affiliations. Quakers or Puritans in America tended to do business with their counterparts in England.

A considerable secondary trade developed among the colonies and directly between the colonies, the West Indies, the "Wine Islands" near Spain, and southern Europe. Merchants widened their commercial contacts, including trade with French territories, and operated a sizable fleet of colonial vessels.

They established some sophisticated business structures including partnerships limited to a specific term of years (usually two to seven and joint ventures between partnerships, as well as letters of credit, accounting systems, agents, invoices, bills of lading, and other paraphernalia of commerce). Regional specialization and a more distinct division of labor developed. As the colonial economy matured, the British mercantilist system tightened and became more constraining.

British Mercantilism

Although the American merchants developed as remarkably free and independent agents, their liberty encountered two important constraints. The first was that created by dependence on British creditors. The second resulted from British laws affecting trade and commerce. The legal foundation of the British mercantilist system rested on the **Navigation Acts**.

A pilot act approved by Parliament in 1650 restricted all British trade to British ships. There were, however, not enough British ships to accommodate the trade, and the restrictions proved too onerous. Parliament had intended to eliminate Dutch trade with the English territories, but it virtually starved England in the process.

Subsequently, the Navigation Act of 1660 developed a more suitable formula. Foreign ships might trade with England, but only if they came directly from the country of origin. Only English-built ships could carry goods to or from the colonies and England. Thus, a Dutch ship could bring goods to England, but it could not accumulate a cargo of foreign goods and sell them on the English market, and it could not carry goods to or from the colonies.

The act effectively rid the British of competition from the Dutch merchant marine and "closed" British markets to outsiders. An amendment in 1661 added the "enumerated articles clause," which required that certain goods and commodities, including sugar, tobacco, indigo, and cotton, must be exported from the colonies only to England. Rice and molasses were added to the lists in 1704, naval stores in 1705, and later beaver skins and copper.

This preserved the colonial raw materials exclusively for British interests and guaranteed the colonists a market for their products, at a price sometimes lower than world prices. The Navigation Act of 1663 required that all European goods destined for the colonies, even on English-built ships, must transship through England, guaranteeing English, rather than colonial, merchants control over the colonial import business.

An act of 1673 if all duties or taxes were levied at the port of clearance, rather than at the port of arrival, assuring that taxes were collected but also, more importantly, that goods were not off-loaded at foreign ports before entering British harbors. The laws protected the integrity of the British trade monopoly with the colonies. The Navigation Acts generally supported rather than hindered colonial business expansion.

The acts gave the colonists favorable access to English markets. It stimulated the rapid expansion of colonial maritime industry, contributed to an increase in the supply of English manufactured goods and services. It established a supportive legal framework that eased credit for colonial trade, and provided colonial trade and commerce the protection of the Royal Navy.

The greatest impact of the Navigation Acts was to promote rapid expansion of colonial as well as the English shipbuilding business and the carrying trade. Indeed, that was their primary purpose. John Winthrop launched the first colonial-made vessel, a fishing boat, in Massachusetts Bay in 1631.

By 1776, the American maritime fleet was the third largest in the world. Although reliable data about American shipbuilding and shipping for the colonial period is limited, John Lord Sheffield's Observation in the Commerce of the American States, published in London in 1784, offers fascinating insights.

Despite his repeated statements about the inferiority of American-made ships, Sheffield acknowledges that the American colonies were "rapidly robbing us of the ship-building business." His tabulation of the number and tonnage of vessels built in the provinces in 1769 indicates that in one year American shipyards launched 274 sloops and schooners and 113 ships rigged with topsails comprising about 30,000 registered tons (or 25,000 real tons). (ask me in class about the parliamentary act* March 1775)

Massachusetts launched the largest number of ships with 40 topsails and 97 sloops and schooners. New Hamp- shire produced the second highest tonnage at 2,452 tons, and Rhode Island, Connecticut, Pennsylvania, Maryland, and Virginia each launched between 1,200 and 1,500 tons. Presumably, all of the square-rigged ships with topsails were intended for transoceanic trade while most of the sloops and schooners would be engaged in coastal and West Indian trade.

All but 1,369 tons of vessels built in British provinces in 1769 were built in the colonies that became the United States. The data very clearly disturbed Sheffield, for he argued that if American shipbuilding received any encouragement of support from the British after the revolution, "it will be ruinous to the country." Throughout his study, Sheffield made repeated references to the importance of British credit to colonial merchants. He was correct. It is likely that had there been no Navigation Acts, the necessities of British credit, markets, and manufactured goods would have tied the commerce of the colonies inextricably to England. While the acts tightened their relationship, they did not entirely preclude trade between the colonies and foreign nations.

In an act of 1731, Parliament specifically sanctioned the direct sale of rice to southern Europe. England could never halt the illicit trade in furs, molasses, and other commodities, and adopted a policy of "salutary neglect" or looking the other way.

The general framework of the British mercantile system, sought to utilize the colonies as a source of raw materials and a market for English manufactured goods. It was supplemented by the passage of trade regulations designed to solve particular problems. The Wool Act (1699) forbade the export of raw wool or finished woolen goods from the colonies to England or to another colony, thereby protecting the English sheep-raising and woolen-textile industries from colonial competitors, who would have been poor competition anyway.

The Hat Act (1732) banned the sale of hats by any colony to England or to another colony. The colonies provided the pelts, the English manufacturers the hats. The Molasses Act (1733) attempted, without great success, to halt the import of French molasses from the West Indies to the American colonies.

The Iron Act (1750) banned the manufacture of finished iron products in America, which it was ill equipped to do, but stimulated the production of raw iron, which the colonies could do more efficiently. Generally, British trade regulations stimulated rather than stifled colonial economic development and business expansion. The British mercantile system did not interfere with the development of an independent merchant class.

American merchants began as the agents of the English merchants. As they obtained capital, experience, and expertise, the colonial merchants became increasingly independent from, and at times coequals with, their British firms. Population growth alone encouraged the expansion of colonial businesses. Although the traffic volume is unrecorded, a lively exchange of goods and services among the colonists stirred the internal expansion of businesses, crafts, shipping, and domestic manufactures.

By the time of the American Revolution, the colonies had developed a high degree of regional specialization, with each region being interdependent upon the other, and all dependent upon England. The northern colonies specialized in commerce and shipping, shipbuilding and fishing. The southern colonies focused on tobacco, naval stores, rice, and indigo.

THE CITY AND RISING COMMERCE

The three major trade and population centers in the northern colonies were New York, Boston, and Philadelphia. These cities in the wilderness became the commercial depots for interregional and transatlantic trade. As a rule, each began as a collection point for the accumulation and transshipment of goods from their hinterlands. Furs, fish, and timber constituted their staple products. When local resources diminished, suppliers easily widened their spheres of operation by ranging up and down the Atlantic seacoast and into the navigable rivers from Canada to the Caribbean.

By the eighteenth century, the northern colonists largely exported goods gathered elsewhere. Flour, ships, and whale oil replaced furs, fish, and timber as major locally produced items. The importation and redistribution business rivaled the export business by mid-century as populations throughout the colonies expanded.

NEW YORK

Strategically situated, with an excellent natural harbor and easy access to the interior by Inland River, New York competed fiercely with Boston and Philadelphia for foreign and domestic trade. The Dutch had founded New Amsterdam on the Isle of Manhattan in 1626, but the British captured the city in 1664 and renamed it New York.

By 1700, New York had a population of 7,000 and was the busiest port in North America. The city established a virtual monopoly on flour milling and shipping by refusing to handle milled or packed flour from the interior. The New York Assembly broke the monopoly in 1700 by approving legislation allowing any person in the colony to mill, bake, or pack flour and wheat products.

Boston, too, retaliated against New York by refusing to buy New York flour, and it established its own flourmills. Competitive Boston and Philadelphia merchants undercut the initial advantages New York enjoyed in foreign trade. Although New York maintained a dominant position in the flour and grain export business, the westward shift of population tended to favor Philadelphia, and to a lesser extent Boston, over New York.

New York failed to overcome this disability until the opening of the Erie Canal in 1825.

REVERE COPPER

Paul Revere (1735-1818). Silversmith, foundry owner, and revolutionist.

Paul Revere was an artist, craftsman, innovator, and businessperson of the first order. Already a master silversmith, Revere became a goldsmith and, in 1788, opened a hardware store importing English trade goods. He decided to begin manufacturing goods, not merely to retail them, and established a furnace and foundry for manufacturing iron and brass products—pots, pans, cannon, and church bells.

In 1795, he began making copper and brass fittings for ships, and in 1800 at the age of sixty-five, he established a rolling mill for sheet copper. "I have engaged," he said, "to build me a Mill for Rolling Copper into sheets which for me is a great undertaking, and will require every farthing which I can rake or scrape." He invested twenty-five thousand of his own money, and borrowed ten thousand dollars and nineteen thousand pounds of copper from the United States government.

If he failed, he would be ruined. However, in 1803, the USS Constitution sailed with a Revere-clad copper hull; Revere Copper prospered. Paul Revere's son, Joseph Warren Revere, ran the business until his death in 1868. The business passed through several generations under the name Paul Revere and Son, which in 1900 merged with the Taunton Copper Manufacturing Company and the New Bedford Copper Company.

In 1927 E.H.R. Revere became president of the company, known as the Taunton New Bed- ford Copper Company. In 1928, this company merged with five others: Baltimore Copper Mills, Rome Brass and Copper Company, Michigan Copper and Brass Company, Higgins Brass and Manufacturing Company, and Dallas Brass and Copper Company. The name of this new organization changed to Revere Copper and Brass, Inc. (I grew up with Revere Ware pots and pans – have you heard of them?)

Over the years the company produced copper and metal alloys for ammunition, tanks, armored cars, trucks, airplanes, kitchens, radios, television sets and appliances, computers, telephones, plumbing, insulation, electrical systems, washing machines, and the traditional pots and pans. Revere Copper provides an interesting study in the longevity of the American business firm. Survival in Paul Revere's time and in modern times depends upon continuing innovation and adaptation by the firm and its managers. (Source: Esther Forbes, Paul Revere and the World He Lived In (Boston: Houghton Mifflin, 1942; Sentry Edition, 1969), pp. 377-397, 424, and note 50 on p. 481.)

BOSTON

Boston business in the colonial era primarily involved foreign trade. Those who entered the business required capital, connections, and an enterprising spirit. Roger Williams, the son of a London shopkeeper, sought refuge among the Indians of the Narragansett region because of his position on separation of church and state and as a trader of furs.

Thomas Hancock, to whom we will return shortly, epitomized the successful Boston merchant, with his trials and tribulations characteristic of those other colonial merchants engaged in foreign trade.

However, perhaps one of the earliest and most interesting of the Boston businesspersons was John Winthrop, Jr., who attempted to establish America's first iron works. Winthrop traveled to England in 1641 with samples of ore from the colony and succeeded in convincing a group of investors headed by Lionel Copley, a leading English iron manufacturer, and John Bex, a London merchant who owned blast furnaces and forges in Gloucestershire, to underwrite his venture, The Company of Undertakers for the Iron Works in New England.

Winthrop also negotiated with the Massachusetts General Court for a charter of incorporation to include the grant of a 3,000-acre tract of land to the company. As well as, a twenty-one-year monopoly of iron manufacture, a proviso that the company build a forge for the manufacture of finished products (not simply a "bloomery only" for the production of raw iron), exemptions from taxation, and the right to use private property with suitable compensation to the owners.

Winthrop immediately found it difficult to reconcile the interests of the colonial leaders with those of the investors. The colonists wanted production for home consumption.

They required the inclusion of a clause in the charter allowing participation by colonial investors, which proved to be extremely meager. As Bernard Bailyn observed: “The heart of the matter was that ownership of the works was in the hands of absentee businessmen who could judge the wisdom of their investments by the profits they earned and not by contributions they made to the welfare of the community.”

This intrinsic conflict between colonial and British interests was eventually met by the appointment of a resident plant manager and business manager, an accommodation that would hopefully prove beneficial to both. In the case of the Massachusetts Iron Works, it did not. Production began in a furnace constructed at Hammersmith that in 1648 produced a ton of raw iron a day.

As business expanded, costs and losses seemed to rise more than proportionately. Timber for fuel was plentiful, but labor for harvesting it was not: Skilled workers were unavailable in the colonies and almost impossible to lure from England. Machinery and tools had to be imported from England at high costs; local merchants charged the company exorbitant prices for supplies. Production, which magistrates specified should first satisfy local demands before exports, were allowed, and could be paid for by the colonists only in commodities.

Despite inventories in 1650 of 106 tons of pig and scrap iron and 7.5 tons of cast- iron pots, the total assets of the company equaled only £4,302. The investors first fired John Winthrop, Jr., and replaced him with Richard Leader, then fired Leader in 1650 and replaced him with a business manager and a plant manager. Then the merchants refused to accept drafts on their London accounts, and by 1652, the company was bankrupt.

A Boston merchant, William Paine, eventually obtained control of the company and achieved a rather impressive production record between 1658 and 1663, but gradually the enterprise sank into debt. Home rule had not solved the problem. Perhaps Paine's more limited financial status had aggravated it. American merchants simply could not meet the capital requirements of large-scale manufacturing enterprises.

Paine's creditor’s foreclosed in 1676, and thus ended the Iron Works of New England. Lord Sheffield may well have identified the chronic problem in early American manufacturing enterprises—"whatever they make is at an expense of at least three times the amount of what the same article could be imported from Europe."

<u>The scarcity of capital, shortages of skilled and unskilled labor, and distances to markets meant that the primary occupation of the colonies would be in the exploitation of the abundant natural resources and the transfer of raw materials to European markets.</u> The "natural laws of supply and demand" shaped the British mercantile system more than legislation.

The rapid growth of the colonial population and of a domestic market alleviated but did not offset (until well into the national period) American manufacturing and trade disadvantages. Boston merchants achieved some success in developing home spinning and weaving industries that became the basis of the later textile industry, and their flour and grain shipments sometimes competed favorably with New York. Boston came to excel in the fishing industry and in the carrying trade, and in providing the ships for those enterprises. Most ship tonnage built in America before the Revolution came from Massachusetts.

The shipbuilding, fishing, distillery, and flourmill industries that developed in Boston were ancillary to the necessities of foreign trade. The colonial merchant was less a specialist and more a jack-of-all- trades who often invested in shipbuilding, flour milling, rum manufacture, fishing and fur expeditions, and real estate, and who also made loans.   The merchants' expertise lay in management rather than in money and shrewd bargaining, for they were terribly dependent upon others for the successful conclusion of a venture. They took a calculated risk on people, the weather, and the market.

The experiences of Thomas Hancock illustrate the vagaries and diversities of foreign trade. Hancock began his import-export business by obtaining a consignment of books from an agent in England. Their sale in the colonies netted him enough to pay his indebtedness and pocket a profit.

By the 1740’s, Hancock concentrated on trade with the West Indies and Holland. He sent fish to the West Indies, bought molasses there for shipment back to Boston, and shipped logs, indigo, rice, or anything of value to Holland in exchange for cash, credit, and cargoes of paper or any consumer goods, most of which were contraband, since the Navigation Acts forbade direct shipments between European ports and the colonies.

Most interestingly, Hancock rarely specified what his cargoes should comprise but trusted his principal agent, the ship captain, or occasionally to his "supercargo," usually a young apprentice who accompanied the cargo to its market. Hancock and merchants like him, stayed home.

Hancock's instructions to Captain Simon Gross in December 1743, granted the captain one-eighth interest in the proceeds of the out-cargo, and one-eighth of the return cargo.

Gross received full power-of-attorney, or "liberty," to dispose of the cargo in any way he saw fit and to go wherever he desired, including the French Islands "if he thought it safe." However, he should proceed first to St. Eustatius and get the advice of "Mr. Godet," who could best advise him on market possibilities and return cargoes.

If Captain Gross could sell the entire cargo and the vessel at "a good price," he was free to do so. Alternatively, he could take on a cargo directly for Holland or England and sell the cargo and/or the ship there; but Hancock presumed that a load of molasses from the West Indies would be the most likely return cargo.

Trade in the colonial era was as uncertain. Nevertheless, there was a system and a structure for trade, and it worked. The merchant traded on his own account, and as a commission agent, he obtained or disposed of goods belonging to others for a fee or percentage. He might also serve simply as a consultant or confidant for a foreign merchant in return for a fee or for similar services. If he had a partnership with a London or West Indies merchant, as many did, the American merchant might consign the goods to a vessel for receipt by the partner. He might also consign goods to the ship captain for receipt by a commission agent. The merchants of Philadelphia utilized essentially the same trade patterns and structure and handled the same commodities as the Boston merchants.

THE HOUSE OF HANCOCK

Thomas Hancock, destined to become one of New England's greatest mercantile businesspersons, opened a bookshop on North Street in Boston about 1725. He rapidly diversified into other lines, including cloth, tea, paper, and cutlery; and by the 1740s moved heavily into the export of whalebone, fins, and oils, which remained the Hancock’s' primary business until almost 1770.

Thomas died in 1764, leaving an estate estimated to be in excess of $100,000 and a thriving import-export business to the direction of his adopted nephew, John Hancock, who had served as Thomas's partner during the previous ten years. John assumed direction of the business at a perilous time in colonial affairs. The recent French and Indian Wars had disrupted normal commerce while creating opportunities for both large profits and disastrous losses.

Post- war relations with England brought new disruptions, higher taxes, and commercial instability. John Hancock continued Thomas's oil business, which involved an association with the Nantucket firm of Folger Company, the supplier, and a London firm, Barnard and Harrison, which marketed the oil and bone and shipped Hancock his orders for merchandise.

By this time, relatively few colonial firms, prominently Hancock and William Rotch & Company, who competed bitterly, controlled the profitable whale-oil business. Hancock became dissatisfied with the quantity and quality of oil obtained from Folger and began building and buying interests in his own whaling ships to assure sup- plies. In 1766, with the financial support of his London associates, John Hancock entered the Nantucket market with the intent of securing control of all of the available oil while ousting Rotch from the competition.

Hancock paid top prices for oil and bone, expecting rising prices in London, and an effectual monopoly on the market. Hancock, who invested some $25,000 in oil in 1766, only to discover that by the time his oil reached British markets prices had begun to slide as Dutch, English, and German oil began to reach the market, outbid Rotch and all comers.

Hancock had obtained control of the colonial oil supply, but this was not enough to establish the international oil cartel, which apparently he and his associates envisioned. His losses are estimated at $3,600 from the oil venture, and thereafter Hancock's exports of whale oil declined sharply each year. Hancock's relations with his London contacts similarly became strained, and Hancock shifted associates in the following years, never entirely alienated them.

Source: W. T. Baxter, The House of Hancock: Business in Boston, 1724-1775 (New York: Russell & Russell, 1965).

PHILADELPHIA

Pennsylvania produced few products for the British market; goods needed to exchange for manufactured items in England came from elsewhere. Grain came from New York and Maryland; rice and indigo from the Carolinas; sugar, wine, molasses, and dyes from the West Indies. Grain, flour, bread, pork, beef, barrel staves, hoops, and shingles, as well as British manufactured goods, left Pennsylvania aboard a colonial vessel for the southern colonies and West Indies. The ship sold or exchanged those items along the way for new cargo until the ship was loaded for a voyage to England or back home, whichever might be appropriate.

The domestic trade resembled more a rolling store, or a peddling-and-barter operation. It was necessarily an uncertain and risky, but usually lucrative, business. Real estate, manufacturing and mining offered diverse investment opportunities for the Quaker merchant. In the 1720s, the Free Society of Traders, a British-owned joint-stock venture, invested £10,000 in a diversified manufacturing venture near Philadelphia.

Obtaining a 20,000-acre grant from the Penn family, the company recruited settlers and erected a tannery, sawmill, gristmill, glass factory, and brick kiln and sent out whaling vessels. However, its underfinanced efforts were short-lived. The direction of the company's affairs from abroad proved to be a liability as with the Massachusetts iron venture. Some colonial proprietors succeeded in their manufacturing ventures, as did Samuel Carpenter, who with three partners built the first colonial paper mill in 1690, also built and operated sawmills and gristmills.

Sybilla Masters, a most innovative woman merchant of Philadelphia, developed and patented a process for cleaning and curing Indian corn. She also perfected a technique for weaving hats from palmetto leaves and manufactured a hominy called Tuscarora rice, which she marketed as a cure for consumption.

Benjamin Franklin, a Philadelphia businessperson before venturing into science, politics, and diplomacy, established The Pennsylvania Gazette in 1729, and, as he later wrote, "It proved in a few years extremely profitable to me." Franklin secured the public printing contracts for Pennsylvania, including the printing of paper currency, "a very profitable job." He opened a stationer's shop, became a bookseller, publisher, and the largest dealer in paper in the colonies. "Poor Richard's" philosophy was simple: work, save, and grow wealthy. While the merchants of New York, Boston, and Philadelphia prospered, the merchant-planters of the southern colonies often did even better off the backs of slaves.

THE SOUTH AND THE TOBACCO TRADE

Tobacco produced more revenues for the colonies than any other single commodity. Exports most often went directly from the plantation to London markets, and in the earlier years, the planter usually consigned tobacco directly to a British merchant who served as the planter's agent or factor. The factor credited the planter's account for the sale and charged that account for goods purchased in England, always adding a commission and charges for cash advanced.

Later the consignment system gave way to the sale of tobacco directly to resident English or Scottish mercantile houses or their agents located in Virginia, Maryland, and the Carolinas. The larger tobacco planters often functioned as planter-merchants rather than simply as growers of tobacco.

Planter-merchants such as William Boyd and William Fitzhugh served as agents for smaller farmers, directly purchasing tobacco from them or accepting their shipments on consignment as agents. They loaned money, imported goods, and maintained stores for the sale of goods and supplies. Some operated coastal vessels for trading. William Byrd and others owned iron mines. Some imported slaves for their own use and for sale, and many, such as George Washington, dealt in land.

The upper-south colonies developed no trading and commercial cities, other than Baltimore. They remained distinctly planter-farmer, rural, frontier regions, directly dependent upon the merchants, markets, and bankers of England. New England merchants and shippers made little in- road into British domination of the tobacco trade.

The vagaries of tobacco prices and the high costs of shipments and credit resulted in the planter- merchant of the tobacco regions being often indebted to the British merchant. Incongruously perhaps, the planter-merchants of Virginia developed a greater sense of independence. They were essentially alone in their enterprise, having few direct business associations and relatively few social contacts or an urban focus. They developed the characteristics of the English country squire. The lower-south colonies developed along similar lines, but they differed significantly in that Charleston, South Carolina, became the hub for commercial activities and that colonial, rather than British, merchants handled overseas trade.

CHARLESTON AND THE RICE TRADE

Henry Laurens, an independent businessperson of Charleston, owned plantations in South Carolina and Georgia, but his major occupation was that of a factor or business agent for other Carolina and Georgia rice planters. A partner in a firm with George Austin, Laurens ordinarily earned a 10 percent commission from the planters for handling rice or for marketing indigo, and a similar commission as the agent of English mercantile houses from whom he received shipments of finished goods on consignment. Occasionally Austin and Laurens made direct purchases of goods in

England on their own accounts, but they rarely made purchases of rice from the colonial planters.

The factor ordinarily functioned solely as the agent or broker for a number of planters. This basic system of trade appears to have changed very little from the early 1700s until the Civil War. Generally, South Carolina exported rice, indigo, hides, lumber, and naval stores, (and cotton after 1800); it imported iron products, textiles, earthenware, furniture, consumer articles, and slaves.

Charleston merchants provided exchange services as did their New England counterparts, but, unlike northern merchants, they obtained export goods from the local region rather than ship shopping the Atlantic seaboard and Caribbean. Laurens visited England in 1749, the year in which he and Austin established their import-export firm, and opened accounts with London, Bristol, and Liverpool merchants. He offered to serve his correspondents as their commission agent in Charleston. He described the particular trade articles that "usually turn to advantage" as being nails, linen and cotton checks, Irish linens, sail cloth, assorted earthenware, lump and double- refined sugar, wines from Madeira, pipes, quality rum, and slaves.

Laurens obtained a standing order to ship rice directly to Lisbon on the account of Seel and Knight of Liverpool, letters of credit or security bond from James Crockatt, a London merchant, and tentative arrangements to act as the agent for several English firms shipping slaves to Charleston. Charleston exploited human suffering.

The Ball family of South Carolina functioned as planter-merchants for more than a century. In 1698, Elias Ball inherited several plantations from his father's half-brother, Captain John Coming, including Commingtree Plantation, St. John's Parish, and Berkeley. Additions to the family estates included Kensington, Limerick, Midway, Hyde Park, and St. James plantations.

During the Revolutionary era, a son, Elias Ball, and grandson, John Ball, born in 1760, operated the plantations and conducted their business through a family member, Elias Ball of Bristol, Connecticut. The Connecticut firm maintained the Carolina business records, received rice and lumber from the plantations, and arranged for marketing and shipping. The Carolina Balls sometimes shipped directly to England, as agents for Elias Ball of Connecticut, and sales were credited to the Bristol firm.

English goods seem to have been most often shipped directly to Connecticut and then transshipped to the Carolinas. There is some evidence of increasing business connections between northern and New England colonial merchants and Charleston merchants toward the later eighteenth century. For example, Thomas Morris, a commission merchant of Charleston, served as agent for Alexander and Nesbitt, a Philadelphia firm, and had correspondence with Nicholas Law of New York. Morris handled shipments of rice, indigo, and beaver and otter pelts.

A letter from Morris to Philadelphia in 1783 indicates that the Revolutionary War considerably disrupted the export business. Planters, he said, no longer made direct shipments to Europe on their own account, and they asked cash payments for their crops at the wharf. Captains "loaded in their own account," which meant that the exporter immediately had to assume ownership of the cargo and liability for it—and needed specie or currency, both of which were undoubtedly scarce.

The war halted vital British credit, cut the lines of transatlantic trade, and hastened the shift of the burden and profits of foreign trade from British to American merchants. By the early nineteenth century the Carolinian merchant, more so than the Virginian, appears to have developed as an entity separate from that of the planter. The planter produced the crop—rice, indigo, or cotton—and the merchant marketed the crop, made the planter's purchases, supervised the import-export function, and served the planter as accountant and banker. As William Johnston advised his Charleston factor, his business was to "make a crop, you must sell that which is made."

One of the most interesting entrepreneurs in the Carolina rice industry neither grew nor marketed rice, but instead perfected and sold rice mills. Jonathan Lucas was the Eli Whitney of the rice industry and financially more successful than Whitney. Existing milling processes included hand milling with mortar and pestle, a pendulum device for husking rice developed by Peter Jacob Geuraud who received a patent from the South Carolina Assembly in 1698, and a cog mill, none capable of producing more than 3 to 6 barrels per day.

In 1789, Lucas built his first mill for a planter named Bowman who owned Peach Island Plantation on the Santee River. He combined the beating and cleaning processes into an integrated system using cogwheels, pulleys, conveyors, mortars and pestles, and cleaning screens and fans, powered by huge water wheels. A crew of three could mill 100 barrels of rice (600 pounds per barrel) in a day. The Lucas mill revolutionized the industry.

Lucas built mills for Thomas Pinckney, Henry Laurens, William Horry, and William Alston, among others, and in 1792 completed the first mill in London and Liverpool in 1822, some of those mills shipped as far as Egypt. He died shortly after moving to London, but his son and grandsons continued to build most of the rice mills in South Carolina and Georgia.

COLONIAL BUSINESS DEVELOPMENT

There is, as was noted earlier, an identifiable pattern to colonial business development. Colonial enterprises began simply as extensions of British company efforts to make a profit overseas. A conflict of interests quickly developed between the colonizers and the company. The conflict contributed to the bankruptcy of the company, a breakdown in English authority over the colonists, and a short-lived era of near anarchy in the colonies that brought to prominence the freelance fur trader, the pirate, and the land grabber.

The restoration of order and stability happened by a virtual transfer of authority from England to colonial governments, and from the British company to the colonial business agent who increasingly functioned as a free agent, but one nonetheless subservient to British business interests. British laws, such as the Navigation Acts, and traditions affecting property rights and commerce, supported the development of the colonial businessperson as a free and independent agent. Moreover, geography, time, and circumstance almost required that an American doing business with England have very wide discretionary powers, or as Thomas Hancock termed it, "liberty."

Colonial population growth and the development of domestic markets also encouraged the emergence of the colonial merchant as an autonomous and independent agent. The increased accumulation of capital by merchants broadened their discretionary powers. In effect, merchants began to ship American goods in American ships, rather than English goods from America in English ships. As this occurred, greater profits accrued to American, as opposed to British, business interests.

This development, however, did not necessarily mean conflict or competition between British and American business interests. It does suggest the establishment of a new relationship between the two. The British and American merchants became partners in a flourishing transatlantic trade wherein the merchants of the mother country remained the senior partners because of their greater capital, markets, and political power.

Nevertheless, the point is that the British mercantile system actually worked better because of the increasing independence and proprietary interests of the colonial merchant in that system. The colonial merchant and colonial enterprise also developed regional characteristics. The northern colonies specialized in the gathering and distribution of goods throughout America and in the West Indies. Their specialty was trade, supplemented by shipbuilding, fishing, and limited manufacturing. Virginia and Maryland produced tobacco, supplemented by grain, furs, and timber.

The planter-merchant of the tobacco regions maintained direct relations with British firms or, later, British agents in America. Trading centers and the independent merchant did not develop in this region as they did to the north and south. In the Carolinas business, structures paralleled those of the northern colonies except that the domestic trade zone of the Charleston merchant was confined to a much smaller geographical region. Although smaller, the production of rice, indigo, naval stores, and furs made this one of the wealthiest colonial areas. As a rule, by the time of the American Revolution the colonial merchant became the vital New World link in a thriving transoceanic trade.

A complex system of agencies, partnerships, correspondents, creditors, and instruments of trade supported the framework of commerce, and the American merchant marine became an international economic force. The unusually rapid expansion of American business threatened the authority and "liberty" of the English merchant.

NOTES 1. Bernard Bailyn, The New England Merchants in the Seventeenth Century (Cambridge: Harvard University Press, 1955), pp. 58-59. 2. John Drayton, A View of South Carolina (Charleston: W.P. Young, 1802), pp. 113— 117. 3. See Gary M. Walton and James F. Shepherd, The Economic Rise of Early America (Cambridge, England: Cambridge University Press, 1979), pp. 5-88; and Bailyn, The New England Merchants, pp. 33-35, 78-143.

54 The Colonial Merchants 4. See Lawrence A. Harper, The English Navigation Laws: A Seventeenth-Century Experiment in Social Engineering (New York: Columbia University Press, 1939); and Oliver M. Dicker- son, The Navigation Acts and the American Revolution (Philadelphia: University of Pennsylvania, 1951; reprinted, New York: A.S. Barnes, 1963). 5. Ibid.; and Thomas C. Barrow, Trade and Empire: The British Customs Service in Colonial America, 1660-1775 (Cambridge: Harvard University Press, 1967). 6. William Appleman Williams, The Contours of American History (Cleveland: World Publishing Company, 1961; reprinted, Chicago: Quadrangle Books, 1966), p. 66. 7. John Lord Sheffield, Observations on the Commerce of the American States (London: J. Debrett, 1784; reprinted, New York: Augustus M. Kelley, 1970), p. 87. 8. Ibid., p. 86. 9. Acts of Parliament: Anno Tertio Georgii II, Regis, pp. 559-64 (1731). 10. See Curtis Nettels, "The Economic Relations of Boston, Philadelphia and New York, 1680-1715," Journal of Economic and Business History 3 (February 1931), pp. 185-215, reprinted in Ross M. Robertson and James L. Pate, eds., Readings in United States Economic and Business History (Boston: Houghton Mifflin, 1966), pp. 140-149. 11. Bailyn, The New England Merchants, pp. 62-63. 12. Ibid., p. 64. 13. Ibid., pp. 64-70. 14. Ibid., pp. 70-71. 15. Sheffield, Observations, p. 14. 16. See Edward Edelman, "Thomas Hancock, Colonial Merchant," Journal/ of Economic and Business History 1 (1928-29), pp. 77-104, reprinted in Robertson and Pate, Readings in United States Economic and Business History, pp. 149-159; and Stuart W. Bruchey, The Colonial Merchant: Sources and Readings (New York: Harcourt, Brace & World, 1966), pp. 169-173. 17. Bruchey, The Colonial Merchant, p. 179. 18. Frederick B. Tolles, Meeting House and Counting House: The Quaker Merchants of Colonial Philadelphia, 1682-1763 (Chapel Hill: University of North Carolina Press, 1948; re- printed, New York: W.W. Norton & Co., 1963), pp. 48-98. 19. Verner W. Crane, Benjamin Franklin and a Rising People (Boston: Little, Brown, 1954), p. 23. 20. Ibid., p. 26. 21. Ibid., pp. 28-29. 22. Bruchey, The Colonial Merchant, pp. 119-145. 23. See Ball Family Papers, South Caroliniana Library (Columbia, South Carolina: University of South Carolina). 24. Ibid. 25. See Thomas Morris Papers, and Morris to Alexander Nesbitt, August 24, 1783, South Caroliniana Library. 26. William Johnston, Mill Brook, to William Allan, Portmanteau, March 31, 1818, South Caroliniana Library. 27. See Lucas Family Papers, South Carolina Historical Society, Charleston, South Carolina. 28. Ibid. SUGGESTED READINGS Bailyn, Bernard. The New England Merchant in the Seventeenth Century. Cambridge: Harvard University Press, 1955. Barrow, Thomas C. Trade and Empire: The British Customs Service in Colonial America, 1600— 1776. Cambridge: Harvard University Press, 1967.

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