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A Smoking Structure: Firm Organization in the Transatlantic Tobacco Trade

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Firm Organization in the Transatlantic Tobacco Trade

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by

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To Wendy Knox Tucker and James Arnold Tucker

who selflessly grant me unerring support, love, and respect.

Prologue

Trade transformed the British Atlantic world. The vestiges of the mercantilist system that continued through the 1700s were characterized by a contest of empire in which trade was a tool of international domination. Under the mercantilist system, a country aimed to produce goods for export in such great quantity and quality that other countries would find importation irresistible. Simultaneously, European countries instituted tariffs to exclude foreign manufactures from their domestic market. The system's aim was to achieve self-sufficiency within the empire and encourage the dependence of other empires' economies upon their own. By ensuring that goods, services, and credit exited the empire at a greater rate than they entered, the empire theoretically gained the power to cripple other empires' economies. When studying the economy in the British Atlantic during this time it is important to remember that trade was, in the words of economic historian Jerry Muller, "a tacit war against rival nations."[1]

The British Empire was largely successful in this effort. High protective tariffs encouraged the growth of British manufactures. The Navigation Acts ensured that all goods flowed through Great Britain to be processed and taxed before re-exportation. And the vast and growing British Empire, including colonies producing a wide range of goods, ensured that international demand for their products would endure. An addictive weed that grew in a semitropical climate was a perfect weapon in the mercantilist arsenal. The empire needed tobacco and tobacco was suited to the Chesapeake. Because mercantilist theory barred the British colonies from trading with continental Europe directly, the British merchants profited from the sale of tobacco and ensured that

[1] Jerry Z. Muller, *The Mind and the Market: Capitalism in Modern European Thought*, (New York: Random House, 2002), 69-70.

European tobacco importers relied on the British Empire. Merchants also ensured that the colonies relied on them by providing credit and manufactured goods to the colonies in exchange for their "cash crop," tobacco.[2] Understanding the goals of mercantilism and, thus, the importance of raw material production in the international landscape helps contextualize the seemingly irrational behavior of some merchants who offered liberal credit to colonial tobacco planters.

The Scottish merchants stepped into the mercantilist economy with a different model. Perhaps as Scotsmen, a distinct cultural group only recently brought into the fold of empire, they did not wish to enrich the British Empire at the expense of others. Perhaps Scotland's physical distance from London, the center of government, made the mercantilist ideal seem equally distant. Regardless of their motivation, the business model the Scottish developed was fundamentally distinct from their English contemporaries. It focused on specialization within the firm for the collective good of the firm. It also harnessed every individual's proclivity for self-interest channeling it through effective incentives into firm productivity and growth.

These ideas that would become the building blocks of Adam Smith's capitalism were present in the business models of Glasgow tobacco merchants during the mid-eighteenth century. During the heart of this period, Adam Smith held a professorship at Glasgow University from 1751-1763 where he interacted with the sons of aristocrats and merchants regularly. While it is impossible to prove the degree to which the tobacco merchants influenced Smith and vice versa, it is clear the Glasgow environment was

[2] John J. McCusker and Russell R. Menard, *The Economy of British America 1607-1789,* (Chapel Hill: The University of North Carolina Press) 37-39.

innovative and merchants and theorists were benefitting from a different way of thinking about the economy that would come to be called capitalism.

The abstract vision of the clash of economic systems becomes clearer when examined through the lens of the firm and the ways tobacco trading firms organized themselves differently in response to different pressures. This study of the tobacco trade examines the organization of three types of firms: the plantation firm, the Glasgow store firm, and the English consignment firm. A firm has come to be defined as a legal entity with the ability to sign contracts, an administrative entity with teams of coordinating managers, and an individual pool of skills, capital, and facilities.[3] Under this definition all three can reasonably be defined as firms. However, as R.H. Coase pointed out, the existence of firms should not be assumed because when markets are coordinated by the price mechanism, "islands of conscious power" or firms need not exist.[4] Yet, every market transaction is accompanied by costs. Firms existed in the transatlantic tobacco trade because, by organizing, they could minimize the high transaction costs that characterized the trade. Transatlantic travel time, imperfect information, and limited cash requiring high levels of credit were all costs that organization mitigated.

By granting plantations, the Glasgow store system, and the English consignment trade the same status, firms that sold tobacco, it becomes easier to examine the different ways they perceived and responded to market pressures. The ensuing study examines how these three firms were organized, how they adapted or failed to adapt, and why they responded to market pressures in the ways that they did. Examination of the transatlantic

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[3] Alfred D. Chandler, "Organizational Capabilities and the Economic History of the Industrial Enterprise," *Journal of Economic Perspectives 6* (1992), 79.
[4] R. H. Coase, "The Nature of the Firm," *Economica* 4:16 (1937), 388.

tobacco trade is worthwhile, first, because of its quantitative importance in international trade and, second, because it illuminates traditionally capitalist market pressures during the period of mercantilism.

Chapter One

The men who would become the fathers of the Chesapeake gentry arrived in Virginia and later Maryland with lofty goals. These men were seduced by the vision of a new world in which their internal drive and a little luck would allow them to make their fortune. They left an ordered English world of hierarchy and reciprocity in which obedience was granted in exchange for protection and entered a world where they had little control. Slowly and with great difficulty they began to thrive growing crops in the fertile soil that lined the Chesapeake's rivers. As a new social order with its roots in the British tradition developed a few men ascended to power and prominence. These men controlled vast tracts of land, owned humans, and influenced the royal governor and the British crown. Yet, their dominance was fragile because it depended on the production and sale of one crucial product. In their fields grew a green addictive plant that entranced the people of Europe and led to nothing more or less extraordinary than market evolution. That plant was tobacco and those men were its planters.

I. The Gentry

The immigrant founders of the Chesapeake gentry were driven and resourceful men. Often second, third, or even seventh sons of influential English families, these men were usually well-connected and possessed some wealth upon arrival. Their fortunes were often enhanced by gaining the support of prominent early emigrants and making advantageous marriages to their daughters or widows.[5] They emigrated from diverse areas of Britain: Byrd, Carter, Lee, and Corbin from London, Beverly, Robinson, and Wormeley from Yorkshire, Randolph from Warwickshire, and Fitzhugh and Burwell from Bedfordshire.[6] They settled on fertile tracts of land along the rivers that flowed into the Chesapeake Bay and established plantations, growing some grain and crops for subsistence and local markets, but primarily producing tobacco for European markets. Most of the politically and economically powerful families in the Chesapeake were well established by the 1670s. Though the forefathers of the first families were typically effective businessmen and politicians scrupulously building an empire, their well-educated sons were not always as meticulous and gifted as their fathers. For example, William Byrd II inherited his father's vast estate along the James River and eventually accumulated 181,299 acres.[7] Despite his thorough classical and mercantile education in England, Byrd possessed a penchant for gambling at cards and business affairs.[8] This, coupled with his taste for European luxuries, led Byrd to accrue debts that put him in danger of losing his estate. By the outbreak of the American Revolution many planters like Byrd's son, William Byrd III, found themselves deeply in debt with significantly reduced political power. Yet, their legacy endured in the market they created, the land they cultivated, and the lives of the Africans they enslaved.

The primary employment of Chesapeake planters was cultivating tobacco, but plantation owners were gentlemen involved in diverse activities. Almost all the Virginia

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[5] Kathleen M. Brown, *Good Wives, Nasty Wenches, and Anxious Patriarchs: Gender Race and Power in Colonial Virginia,* (Chapel Hill: The University of North Carolina Press 1992), 92.
[6] Emory G. Evans, *A* "*Topping People": The Rise and Decline of Virginia's Old Political Elite, 1680-1790,* (Charlottesville: University of Virginia Press, 2009), 2.
[7] Evans, "Topping People, 90.
[8] William Byrd, *The Secret Diary of William Byrd of Westover, 1709-1712,* ed. Louis B. Wright and Marion Tinling, (Richmond: The Dietz Press, 1941), 442.

gentry were elected to the House of Burgesses, appointed to the Governor's Council of twelve or served in various less prominent political offices. For example, at various points in his life Sir John Randolph (1693-1737) served as the deputy attorney general, attorney general, Justice of the Peace for Henrico County, clerk and later speaker of the House of Burgesses, and clerk of the Governor's Council. Virginia gentlemen were also regularly appointed to military offices in the militia. For example, John Randolph of Bizarre (1742-1775), Richard Randolph of Curles (1691-1748), Ryland Randolph (1734-1784), William Randolph of Tuckahoe (1713-1745), and Nathaniel Burwell (1750–1814) served as colonels in the Virginia militia.[9] Many plantation owners practiced law, including William Byrd II (1674-1744), William Fitzhugh (1651-1701) and William Randolph II (1681-1742), and most were involved with their local Anglican churches, often serving as vestrymen. Underpinning their diverse involvement in the Chesapeake colonies was a devotion to the pursuit of education. Almost all the Virginia gentry received a classical education at the College of William and Mary, European schools or both, and the pursuit of knowledge endured throughout their lives. For example, William Byrd II began almost every day by reading scripture in Hebrew and Homer in Greek with occasional forays into Latin, French, Italian, or Dutch literature.[10]

The Virginia planters were politicians, military officers, religious leaders, and businessmen, but their foremost occupation that provided them with money and goods was tobacco production. While all the planters' other occupations were secondary in

[9] Gerald Steffens Cowden, "The Randolphs of Turkey Island: A Prosopography of the First Three Generations," (PhD diss, The College of William and Mary, 1977) 471,421, 459, and 403 and *Encyclopedia Virginia Online*, s.v. "Nathaniel Burwell (1750–1814)," http://www.encyclopediavirginia.org/Burwell_Nathaniel_1750-1814.
[10] Byrd, *Secret Diary*, 429, 136, 2, and 454.

importance for accumulating wealth, their civic nature often encouraged planters to pursue community matters at the expense of their tobacco crop. As a result of this loss of focus their tobacco crops, estates, and business affairs suffered. Referring to his prolonged removal to Williamsburg for the Virginia Assembly from April 11 to June 5, 1757, Landon Carter wrote, "Had I been home I would have prevented a great deal of the raggidness of my Crop by planting after the [rainy] season was over and the land a little drye."[11] Prolonged absences of this kind were increasingly common during the eighteenth century as the assembly's duties and debates increased in magnitude and length and royal bureaucracy grew. Because plantation owners were the terminal managers in the plantations' chain of command their absences resulted in missed opportunities at best, and mismanagement at worst.

Planters' degree of civic and economic power correlated strongly with the quantity of their landholdings. Property granted its owner a voice in government because only men with property were allowed to vote in elections. The governor had the power to call elections for representatives to the House of Burgesses, which he typically did every two to four years. The law requiring property ownership was premised on the idea that successful participation in governance required independent thought. Political theorists of the time believed that if a man owned property he could produce for himself, thus, when special interests sought to bribe him he could reject their proposals and make impartial decisions for societal good.[12] Therefore, by the eighteenth century land granted its owner

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[11] Landon Carter, *The Diary of Colonel Landon Carter of Sabine Hall, 1752-1778*, ed. Jack P. Greene, (Charlottesville: The University Press of Virginia, 1965), 164.
[12] Jack P. Greene, *The Foundations of America: Political Life in Eighteenth-Century Virginia* (Williamsburg: Colonial Williamsburg Foundation, 1986), 22-23.

political power, wealth, and belief in his morality and honesty. Land commanded respect making tobacco producers some of the most respected men in the Chesapeake.

While land's transcendent political and cultural meaning was important, land was most important to Chesapeake planters because of its fundamental role in tobacco production. Planters owned large tracts of land, often between 10,000 and 100,000 acres. These tracts were generally discontinuous, given that planters typically began their plantations with inherited land and added to their holdings throughout their lives. Robert "King" Carter, for example, was the largest landowner in Virginia. He inherited land upon his father and elder half-brother's deaths and purchased more throughout his lifetime, ultimately possessing approximately 295,000 acres.[13] Planters regularly purchased land from one another when death or crushing debt overtook the land's owner.[14] Land speculation and patenting was also a common way planters gained land.

II. Plantation Organization

Life on a plantation revolved around the cultivation of the Chesapeake's two major tobacco forms, sweet-scented and Oronoco.[15] The cultivation of tobacco began when the tobacco seeds were sown in rich seedbeds, approximately twelve days after Christmas. The seedbeds allowed the seedling to mature and begin to sprout in a protected fertile area. In late April or early May the young plants were transplanted to the fields where they were placed in tobacco hills that were, "all well dunged," or fertilized.[16] Transplanting took a few weeks though it could easily spill over into June. Through the

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[13] *Encyclopedia Virginia Online,* s.v. "Robert Carter (ca. 1664–1732)," http://www.encyclopediavirginia.org/Carter_Robert_ca_1664-1732

[14] Gerald Steffens Cowden, "The Randolphs of Turkey Island" 193-194.

[15] William Fitzhugh, *William Fitzhugh and His Chesapeake World 1676-1701: The Fitzhugh Letters and Other Documents*, ed. Richard Beale Davis (Chapel Hill: The University of North Carolina Press, 1963) 323.

[16] Carter, *The Diary of Colonel Landon Carter,* 299.

summer, as the plants ripened in the fields, laborers fought the inevitable spread of weeds by hoeing each hill up to three times. The tobacco plants were also “topped,” a process in which the flowering part of the plant was removed to ensure that all the nutrients would flow to the leaves.[17] In September the leaves were cut and transported to curing barns where the leaves had to be hung to dry. This task required expertise. If the leaves were hung close together they would remain damp, where opportunistic fungi would transform the green leaves into a brownish-black rotting mass unfit for market. However, if the leaves dried too thoroughly they could become brittle and crumble as they were packed into the hogsheads or wooden barrels that housed leaves bound for the market.

Tobacco production was a delicate art in which the plantation owner used all his knowledge to combat the forces that could ruin his tobacco crops. Foremost of these threats was foul weather. Echoing farmers in every time whose livelihoods depended on rain and sun, Landon Carter observed, “The poor Farmer must always feel the weather and rejoice when it is good and be patient when it is unreasonable.”[18] The destruction of the crop – tobacco leaves - was an ever-present threat. Long winters could delay spring planting, early rain could keep the young tobacco plant from taking root after transplant, heavy rain could drown the hills on low ground, and hail could do “no small execution” to an otherwise healthy crop.[19] The young crop also was susceptible to worms and flies that feasted on the leaves and roots. The dangers of natural disaster did not stop after harvest when humid weather could create the perfect environment for bacterial and

[17] T. H. Breen, *Tobacco Culture: The Mentality of the Great Tidewater Planters on the Eve of the Revolution,* (Princeton: Princeton University Press, 1985), 48-49.
[18] Carter, *The Diary of Colonel Landon Carter*,161.
[19] William Byrd 1, II, and III, *The Correspondence of The Three William Byrds of Westover, Virginia, 1684-1776,* ed. Marion Tinling, (Charlottesville: The University Press of Virginia, 1977), 557 and Carter, *The Diary of Colonel Landon Carter,* 280.

fungal growth that could rot the tobacco as it hung in the drying barn. The dangers posed by the natural world lent gravity to the decisions made by tobacco planters, which could either minimize damage or destroy the final product.

In all business related to his plantation, the plantation owner's decision was absolute. In the ideal plantation model he decided when to plant, harvest, buy labor, sell tobacco, and every other small issue that came to his attention. While the diligence, attention and skill of the planters varied, they were in all cases the head of the plantation and were ultimately responsible for every detail.

Given that most major landowners had landholdings separated by large distances and public duties requiring prolonged absences, plantation owners employed overseers to maintain their plantations. These men were typically sons of nearby smaller planters. They were young, inexperienced, and transient, rarely maintaining their posts for more than a year, yet they were given immense responsibility.[20] The ideal overseers were those who, "attend their business with diligence, keep the Negroes in good order and enforce obedience by the example of their own industry."[21] The more attentive planters corresponded regularly with their overseers and expected the young men to follow their instructions meticulously.[22] The less attentive planters provided their overseers with more occasional letters and abstract instructions. In both cases the day-to-day management decisions, which ultimately led to profit or deficit for the planter, were left to the overseer's discretion.

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[20] Allan Kulikoff, *Tobacco and Slaves: The Development of Southern Cultures in the Chesapeake 1680-1800*, (Chapel Hill: University of North Carolina Press, 1986), 43.
[21] Richard Corbin, *Plantation and Frontier Documents: 1649-1863 Illustrative of Industrial History in the Colonial & Ante-Bellum South*, ed. Ulrich B. Phillips, (Cleveland: Arthur H. Clarke Company, 1909), 109.
[22] Carter, *The Diary of Colonel Landon Carter,* 176.

Regardless of a plantation owner's level of direction all planters expected their slaves and fields to be productive. However, the plantation's structure was ill-suited to motivating overseers. First, because they were wage employees, often earning about £25 annually, they earned the same amount regardless of the quality or quantity of the crop.[23] Second, most overseers' ultimate goal was to purchase land and begin farming for themselves, thereby gaining independence, i.e. the means to attract a wife and support a family, social status, and the right to vote**.** Overseers were incentivized to start their own farms, not advance within the plantation. This left them with little reason to excel while they remained. Because their ultimate goal was to purchase land, they rarely worked on any plantation for more than one or two years. Without time to learn and modify their behavior through trial and error, few could learn to improve yields. Motivating overseers in the system was thus a fundamental problem. Though plantation owners used both praise and admonishments to shape overseers' behavior, their verbal and written entreaties were rarely sufficient to evoke change.[24]

Underpinning the transatlantic tobacco trade was an insatiable demand for labor. The tobacco production process was an intense, yearlong affair requiring a constant influx of new labor as more acreage came under cultivation, and the work's intensity claimed lives. In the seventeenth century indentured servants, men and women who sold their labor for approximately four years in exchange for passage to the colonies, comprised the vast majority of the Chesapeake labor system.[25] Between 50 and 75

[23] Byrd, *Secret Diary*, 275.
[24] Byrd, *Secret Diary*, 447.
[25] David W. Galenson, "The Market Evolution of Human Capital: The Case of Indentured Servitude," *The Journal of Political Economy 89* (1981): 453.

percent of the white immigrants to the colonies were indentured servants.[26] However, between the1680s and the 1690s the percentage of the servant labor force comprised of slaves increased from one-third to two-thirds.[27] Therefore, by the beginning of the eighteenth century enslaved Africans with no prospect of freedom became the largest segment of the labor force. The advantage, as plantation owners conceived of it, of a labor force comprised of enslaved Africans and indentured servants was that plantation owners and overseers maintained almost complete control over their workers. They could use a combination of violence and enticements including food, clothing, and free time to induce work. However, the fundamental problem, that intrinsic motivation was nonexistent, remained. Labor productivity suffered as slaves resisted their forced bondage through acts of sabotage, faked illness, escape, and occasionally violence.[28]

Despite the many challenges inherent in the tobacco trade, the foremost of which were weather and labor motivation, the plantation owner possessed powerful advantages in the tobacco market. First, large plantation owners' vast acreage allowed them to experiment with new production methods in small areas without risking their entire crop. Their land was also dispersed across the Chesapeake and, as a result, they were able to take advantage of different weather patterns in different areas.[29] In addition, after the initial investment in an overseer was made at a plantation, additional labor could be added fairly easily without expending more on management. Furthermore, with such a large labor force each laborer was able to specialize in a certain trade and develop skills

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[26] David W. Galenson, "The Rise and Fall of Indentured Servitude in the Americas: An Economic Analysis," *The Journal of Economic History 44* (Mar., 1984): 9.
[27] Kulifkoff, *Tobacco and Slaves,* 41.
[28] Gerald W. Mullin, *Flight and Rebellion: Slave Resistance in Eighteenth-Century Virginia*, (New York: Oxford University Press, 1972) 35-36.
[29] Carter, *The Diary of Colonel Landon Carter,* 433.

that increased their efficiency. Some slaves were trained as coopers, blacksmiths, and house-servants, while some labored in the fields. Finally, because the planter was physically present on his plantation he was able to intervene when his overseers and slaves were not satisfying his expectations. The advantages that accrued to a plantation owner as a result of the plantation's size were significant during production but the advantages were significantly more pronounced in the planter's marketing and finance.

III. Tobacco for Sale

Between 1697 and 1730 Virginia and Maryland were exporting an average of 29,277,000 pounds of tobacco to England a year.[30] During this period the primary method of sale was the consignment trade in which large planters sold their tobacco to firms in British port towns including London, Liverpool, Whitehaven and Bristol.[31] In this system the plantation owner paid for his tobacco to cross the Atlantic on a British vessel and maintained responsibility for any damage in transit.[32] The vessels used in the trade were typically sent from England with European goods and were then reloaded with tobacco in the colonies, though some vessels were chartered in the colonies.[33] Upon their arrival in the Chesapeake, the ship captains would advertise in *The Virginia Gazette* and deliver letters from English merchants encouraging planters to ship their tobacco upon that vessel. Planters then sent their bills of landing, a document detailing the shipment and granting the captain legal rights, to the captain who would collect the tobacco from

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[30] John J. McCusker, "Tobacco imported into England, by origin: 1697–1775," Table Eg1038-1045 in *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition,* ed. Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. (New York: Cambridge University Press, 2006).

[31] "Tobacco Exported from the Upper District of James River," *The Virginia Gazette*, January 22, 1767.

[32] "In Pursuance of a Commission Received by Mr. Philip Thomas," *The Virginia Gazette*, February 17, 1738.

[33] "At Norfolk for Charter," *The Virginia Gazette*, September 30, 1773.

the appointed dock or warehouse along the James, York, Rappahannock, and Potomac Rivers. The English ship captains stayed in the Chesapeake until the vessels were sufficiently filled with tobacco. Thus, while merchants and captains attempted to "encourage… a quick Dispatch," a consignment vessel might loiter in the Chesapeake for months until it was sufficiently full to break even or earn a profit, thereby increasing shipping costs.[34]

Planters typically developed relationships with many different trading firms, thereby diversifying the firms that brokered their tobacco and shipped European goods to them. Robert Carter, for example, developed relationships with at least five different English tobacco firms.[35] The large planters were able to export to many different firms because they produced large quantities of tobacco and exported significantly more than they produced. Robert "King" Carter, an extreme but nonetheless illustrative example, exported between 800 and 1,000 hogsheads annually in the 1720s.[36] By doing business with many different firms the plantation owners prevented a strong monopolist from emerging, thus ensuring that the market competition continued and their English agents remained responsive**.** John Cusis IV thinly veiled his threat to cease his relationship with Bell and Dee when he wrote, "[I] have been in a manner ridiculed for my folly (as it was termed) for continuing my Consignm:ts to you, there is one Robin Cary… who makes a great business here…" The large planters also exported their tobacco on many different ships. In 1695, for example, William Fitzhugh exported eight hogsheads on the

[34] "To All Gentlemen and Others," *The Virginia Gazette*, December 10, 1736.
[35] These firms are mentioned regularly in the correspondence of Robert Carter, Robert Carter Letterbooks, John D. Rockefeller, Jr. Library, Colonial Williamsburg Foundation.
[36] Arthur Pierce Middleton, *Tobacco Coast: A Maritime History of the Chesapeake Bay in the Colonial Era*, (Richmond: Whittet & Shepperson, 1953), 101 and Evans, *"Topping People",* 92-93.

"Margaret," twenty on the "Preservation," 37 on the "Tower of London," and ten on the "Richard and John."[37] By shipping smaller amounts of tobacco on diverse vessels instead of one large shipment, the tobacco planters spread the risk associated with transatlantic shipping among many vessels, thereby limiting the damage to their accounts in the event of shipwreck.

The large scale of plantation owners' export business enabled them to maintain trading relationships with many firms and spread their shipping risks, but the scale of trade would have been significantly smaller had their exports been limited to their own production. Though Robert "King" Carter exported between 800 and 1,000 hogsheads annually, his plantations only produced around 110 hogsheads of tobacco per annum (approximately 110,000 pounds). The discrepancy in exportation quantities is due to the plantation owners' diverse mercantile and civic roles, which increased the total exported. First, given the dearth of stores in the developing Chesapeake economy, small planters often relied on the larger planters to fulfill the role of a merchant by extending them credit, ordering European goods on their behalf, and taking their tobacco as payment.[38] The planters' large estates also provided them with ample acreage to rent to smaller farmers, thus earning rental income payable in tobacco.[39] Robert Carter, for example, rented tracts of land at a rate of 1,000 pounds of tobacco, approximately one hogshead, per 100 acres (tobacco during this period was often used as a substitute for currency).[40]

[37] Fitzhugh, *William Fitzhugh and His Chesapeake World,* 332 and 337.
[38] This trend can be observed in the ledger books of plantation owners where scrupulous records were kept detailing the account of every local planter who borrowed and purchased goods from the plantation owners. Examples in include the Richard Corbin Papers, and the Robert Carter Papers.
[39] Robert Carter to his tenants, June 13, 1767, Robert Carter Letterbooks, Rockefeller Library Special Collections.
[40] Louis Morton, *Robert Carter of Nomini Hall: A Virginia Tobacco Planter of the Eighteenth Century*, (Williamsburg: The Colonial Williamsburg Foundation, 1941) 75.

The magnitude of tenant farmers' market impact can be conceived when one considers the limited percentage of the population that owned land. This phenomenon is illustrated by Prince George County in 1733, the Northern Neck in 1787, and Fairfax County in 1782 where respectively 58, 42, and 36 percent of households owned land.[41] Because the large planters handled huge amounts of tobacco they were able to bear the risks associated with the trade including shipwreck, damage in transit, or mishandling by British tobacco merchants.

When the tobacco arrived in British ports, the English merchants to whom the tobacco was consigned took possession of the tobacco and sold it at the best price they could obtain on behalf of the Chesapeake planters. As one London merchant assured Richard Corbin, "Thee may depend it is our wish to see our Friends Tob[acco] at the top prices, and to give them satisfaction, and by that measure to receive their future consignments."[42] The desire to keep the accounts of large colonial planters in a competitive environment was a powerful force encouraging the merchants to sell the tobacco for the highest price available, but another motivating force was their commission. Most British merchants received two to five percent of the tobacco's final sale as compensation.[43] When the tobacco was sold its revenue was used to purchase the goods that the colonial planter ordered, which were then shipped to the Chesapeake.

At the simplest level Chesapeake tobacco production allowed planters to consume European goods. Large planters lived sumptuous lives. William Byrd II enjoyed

[41] Kulikoff, *Tobacco and Slaves*, 135.
[42] Osgood Hanbury & Co. to Richard Corbin, Dec 9 1773, Richard Corbin Papers, John D. Rockefeller, Jr. Library, Colonial Williamsburg Foundation.
[43] Harold B. Gill, "Virginia's Agricultural Economy," (2000), The Colonial Williamsburg Foundation, http://www.history.org/history/teaching/enewsletter/volume2/images/tobaccoeconomy.pdf

peculiar breakfast delicacies including "sausage and chocolate" and "pickled oysters and chocolate."[44] John Custis IV created a four-acre garden in Williamsburg sprawling with exotic flowers, topiaries, and statues. Robert Carter imported silk suits for himself and silk and calicoes for his wife and children from Edward Hunt and sons.[45] The planters certainly enjoyed consuming these goods because consuming itself is pleasurable, but the vast wealth on display was also an important political tool utilized for economic ends.

Imported wine, tea and coffee sets, pianofortes, and elaborate furniture were physical representations of the status required to advance politically in Virginia. The Virginia elite were a tightly connected group in which twenty to forty families possessed lucrative political offices with salaries paid by the British and the political positions on the Council and in the House of Burgesses that allowed them to protect their economic interests. The political capital required to advance in colonial government was premised on the support of other Virginia elites and imported European goods helped foster and reinforce a sense of loyalty among powerful Virginian families. Planters regularly visited the plantation homes of other planters and, while they remained, the comforts of imported food and furniture turned acquaintances into friends and occasionally family. Thus, imported goods made an estate hospitable and eased the development of friendships between hosts and their guests. The imported luxuries also promoted a group mentality among the elites by simultaneously reinforcing their similarities and differentiating them from their poorer neighbors. Thus, when "Mr. Dunn and Mr. Randolph played 30 games at billiards" at Westover with William Byrd or when "Colonel Hill, Mr. Anderson… and

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[44] Byrd, *Secret Diary*, 121.
[45] Robert Carter to Edward Hunt & Sons, August 20, 1764, Robert Carter Letterbooks.

Mr. Doyley" were fed "burnt claret and cake" at his request, they were reinforcing their status as elites and their bonds to one another.[46]

IV. Credit and Information

Tobacco begot goods and goods staved starvation, clothed the colonists, and granted power and status. Credit filled the gaps in the system created by transatlantic travel time and a dearth of currency. However, the easy book credit that English merchants offered to planters complicated the system by incentivizing risky behavior. As a result inefficiencies began to emerge.

The Chesapeake planters shipped their tobacco across the Atlantic and received goods on credit in return. Because prices for tobacco and manufactured goods fluctuated, the planters could not guess precisely how much tobacco would pay for the goods they ordered. Therefore, the planters maintained open accounts with several British firms in which their debits and credits were recorded. These account books allowed merchants to purchase the requested provisions. When the tobacco sold was insufficient to cover the debts accrued in the purchasing of European goods, merchants kept a balance book. This book credit was useful to planters in the cash-starved Atlantic economy. The merchants continually updated their account ledgers with every shipment of tobacco and every load of goods and communicated with the planters about their accounts. These open accounts often were maintained for decades at approximately five percent interest.[47]

Simultaneously possessing fabulous wealth and fantastic debt was common in the Chesapeake but some of that debt was contracted in order to improve the plantation's

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[46] Byrd, *Secret Diary*, 188.
[47] John Hope, *Letters on Credit with a Postscript and a Short Account of the Bank at Amsterdam*, (London: J. Debrett, 1783), 10.

productivity and some was not. In a letter to the British consignment merchant managing his account Robert Carter sheepishly observed, "I must acknowledge Sir my promise [of shipped tobacco] is not equivalent to ye(the) Request but I trust You will excuse [that] Fault, who too well knows… my desires are too many f[o]r my yearly Income."[48] Carter's admission suggests the imprudence of some Chesapeake planters who purchased luxuries on credit to maintain their sumptuous patterns of consumption.

While the desire for commodities encouraged planters to accrue debt, debts were just as likely to result from attempts to improve land and increase production by increasing the planter's labor force.[49] Labor was by far the most expensive factor of production, with its cost amounting to approximately 96 percent of the plantation's total output.[50] However, without sufficient labor a plantation's vast acreage could lay fallow, thus limiting a plantation's total crop output and the resulting ability to diversify shipping and limit risk. Because labor was simultaneously a vital component of production and wildly expensive, borrowing to purchase more slaves or indentured servants was a logical decision for plantation owners. As a result, slave ownership and debt were strongly correlated. For example, Peter Randolph was £18,337 in debt and possessed 250 slaves, Richard Randolph II's debt amounted to £14,500 and he owned at least 133 slaves, and William Byrd III's debt was an astonishing £55,000 and he owned a staggering 1000 slaves.[51]

[48] Robert Carter to Mr. John Morton Jordon, February 16, 1762, Robert Carter Letterbooks.
[49] Jacob M. Price, *Capital and Credit in the British Overseas Trade: The View from the Chesapeake, 1700-1776* (Cambridge: Harvard University Press, 1980), 16-17.
[50] Terry L. Anderson and Robert Paul Thomas, "Economic Growth in the Seventeenth Century Chesapeake" *Explorations in Economic History 15* (1978), 373.
[51] Evans*, A "Topping People,"* 197, and 113 and Cowden, "The Randolphs of Turkey Island," 443.

In the short run, debt seemed logical to plantation owners. First, plantation owners had to invest in land and labor to make money from tobacco production. Given the high demand in Europe, it was reasonable to assume that future tobacco crops would allow planters to service their debt in the short run and eventually pay it off. In addition, while the economy remained fairly stable, it was unlikely that merchants would call in debts because tobacco sales and the planter's accounts were profitable. Furthermore, in times of financial crisis when merchants began pressuring the Chesapeake planters to repay their debts, the planters could easily avoid those pressuring them by ignoring merchants' letters, and dodging the visits of local collectors, thereby forcing the merchants to recover debts in court.[52] Given the glacial pace of transatlantic correspondence, and the time required for collectors to travel to remote plantations, attempts to collect debt easily could take months or years. These stalling tactics gave the planters time to amass the compensation necessary to repay their debt.

When planters assessed their long-term market prospects, debt continued to seem like a logical investment. Planters reasonably believed the burgeoning colonial population would increase the demand for prime land with access to rivers, thereby increasing their property values. Thus, investing in labor that could add infrastructure like wharves, tobacco barns, and servant quarters to already attractive land seemed wise. Furthermore, while a planter's investment in goods initially seems frivolous, possessing luxuries signaled to their peers that they were wealthy and powerful and, thus, worthy of political office. This was especially important in the Chesapeake's political environment

[52] Richard Corbin regularly acted on behalf of London and Bristol firms to collect debts due is the colonies. His correspondence with these firms detail the many challenges involved in this collection. Collection often required repeated epistolary contact at best and repeated visits to the debtors estate at worst. Richard Corbin Papers.

because many believed that wealth enabled a politician to ignore monetary coercion and vote his conscience.[53] Assuming debt was logical for plantation owners because it allowed them to afford labor, enjoy a luxurious lifestyle, and sustain politically important social connections. They were not exceedingly anxious about these debts because they anticipated that a powerful European demand for tobacco and the increasing value of their property would enable them to repay their debts in the long run.

Issuing debt was not only logical for borrowers, Chesapeake plantation owners, but also for the lenders, English merchants. First, the market for tobacco was intensely competitive. Though the exact number of English firms engaged in the tobacco trade cannot be known with certainty, 261 London merchants signed petitions to government bodies on matters related to the Virginia trade between 1700 and 1725. The majority of trading firms had only one or two partners, suggesting that the total number of firms was likely well over 100.[54] In such a competitive market the only way to entice consignments of profitable tobacco was by willingly advancing large shipments of goods on generous long credits. Furthermore, the market's competitive nature meant merchants were loath to collect debts contracted by large plantation owners, fearing that in doing so they would question the trustworthiness and honor of the planter, thereby driving their account to a competitor. Thus, a market emerged in which issuance of large debts was the norm. Merchants also confidently advanced this debt because, despite the sluggish pace of the courts, debt cases could be reliably prosecuted. This was especially true after the Debt Recovery Act of 1732 made all property including houses, slaves, and land eligible for

[53] Greene, *The Foundations of America, 22.*
[54] Alison G. Olson, "The Virginia Merchants of London: A Study in Eighteenth-Century Interest-Group Politics," *The William and Mary Quarterly,* (1983), 366.

use in debt repayment and allowed debt cases to be argued in English courts instead of Virginia courts.[55] Given the cash-starved Atlantic economy, the competitive market, and the reliable prosecution of debt in the courts, issuing large amounts of debt was logical for merchants despite the vagaries of tobacco prices.[56]

Powerful logic underpinned the credit networks that smoothed the course of the tobacco trade, but there was one inescapable problem; merchants separated from their customers by an ocean and engaged in a different sector were badly situated to assess the risk they shouldered when they shipped goods to planters. Tobacco planters desired labor and goods, and debt was a reasonable way to finance these acquisitions. Given their inability to know what prices tobacco would fetch and the future market value of their land, tobacco planters had strong incentive to borrow beyond their current ability to repay, relying on their logical hopes for the future. The market should have checked these delusional debtors' dreams but the merchants living in London were not able to assess the true risk of default and, thus, failed to adequately charge for the risk they bore when they issued credit. First, because large planters held accounts with many different firms a single firm never knew the full scope of a planter's debts. Second, the plantation owners effectively serviced their debt by shipping tobacco to their merchant partners in England, thus signaling that more debt would be a reasonable investment. Third, the plantation owners possessed immense wealth in land and slaves and most built reputations as effective businessmen and planters. Therefore, they seemed to have the collateral that

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[55] Claire Priest, "Creating an American Property Law: Alienability and its Limits in American History," *The Harvard Law Review 120,* (2006) 424.
[56] John J. McCusker, "Wholesale Tobacco Prices in Virginia and Maryland, by Region: 1647–1820." Table Eg275-284 in *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition,* ed. Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. New York: Cambridge University Press, 2006.

could back up their debt and the reputation that made them attractive investments. Thus, a system emerged in which incomplete information caused merchants to advance credit irresponsibly because they did not fully appreciate the risk they bore.

In the business of risk assessment nothing was more valuable than information and no one knew more about the tobacco crop than plantation owners. A large planter required regular reports from his overseers about the status of his crop and the "Negroes and stocks at each plantation."[57] These reports were useful but planters also took regular "walk[s] about the plantation" to observe the tobacco's progress firsthand.[58] Furthermore, the planter meticulously cultivated relationships with other local planters and corresponded with them about their crops. He therefore possessed a reasonably accurate picture of the Chesapeake economy as a whole. Because the planter was so well-informed about the prospects of the tobacco crop, he could use the information to gain an advantage in the market.

The planters provided merchants with information about weather and, accordingly, how much tobacco they should expect to arrive in market. Based on this advice, merchants decided how many ships they should send to collect the Chesapeake's tobacco. For example, in 1758 Richard Corbin advised the merchant John Hanbury, writing, "I think it impossible for any Single Merch[an]t in the trade to load a Ship of 300 [hogsheads] only with the Tob[acc]o now Housed and upon the Ground. I would therefore propose to you to defer sending your ships…til next Sept."[59] However, given that planters were often debtors in the market, they had good reason to distort information

[57] Corbin, *Plantation and Frontier Documents*, 110.
[58] Byrd, *Secret Diary*, 224, 317, 344, 413.
[59] Richard Corbin to John Hanbury, September 1,1758, Richard Corbin Papers.

to ensure that a merchant did not call in their debt. To that end, plantation owners sometimes made unreasonable predictions regarding their crop's prospects. As Robert Carter put it, "I believe all men in debt appear at times a little inconsistent."[60] Carter's understatement illustrates that the presence of debt on a planters' account could easily influence the information he chose to convey. For example, he might assert that he had high expectations for the crop hoping that this would stave off a merchant's inclinations to pressure him for repayment of his debts. Merchants were not ignorant of this possibility but because the merchants only knew the amount of debt held by their firm and not the full scope of a planter's debt, they struggled to accurately discount the trustworthiness of the reports.

The English merchants were forced to make decisions with incomplete information leading to inefficiency. In sharp contrast to their trading partners, English merchants knew only what the newspapers reported and their contacts and customers in the Chesapeake chose to communicate. Therefore, the merchants were constantly forced to balance what the planters reported with the possibility that they might be misleading them. This tension coupled with the months required to deliver letters, caused English merchants to misjudge the market regularly. Accordingly they routinely sent ships to a bare market or missed opportunities by failing to send ships in boom times. William Byrd described this failure to accurately assess while simultaneously minimizing the plantation owners' role writing, "The worthy merchants must like that infidel Thomas, feal before they believe. We told them from all parts that little tobacco would be made but they lookt upon it all as a flam, and discreetly crowded in more ships than ordinary."[61] His reference

[60] Robert Carter to James Buchanan and Co., January 1, 1761, Robert Carter Letterbooks.
[61] Byrd, *The Correspondence*, 497.

to the biblical trope “doubting” Thomas, who refused to believe what was reported to him, conveys the merchants’ struggle to trust the word of the Chesapeake planters. While the merchants were inclined to trust the planters given the planters’ proximity to the production site, this must always have been tempered with uncertainty.

Chapter Two

From the social and political clubs of Frederick the Great to the streets of Paris and everywhere in between, Europeans smoked tobacco. By the 1730s tobacco had invaded Europe with a force rivaled only by goods like sugar, tea, and coffee. Demand for this wildly popular, addictive substance was surging and across the Atlantic a growing Chesapeake population produced to satiate European cravings. From the river front plantations of William Byrd and Robert Carter to the Appalachian foothills of Virginia planters great and small were growing tobacco. Initially the large planters held a distinct market advantage. Plantation firms were large enough to bear the risks of transatlantic travel and possessed extensive acreage along important waterways. However, as small planters began to grow in number, Glasgow merchants opened a new wholesaling institution called a "store." Stores took advantage of the burgeoning tobacco supply by buying tobacco and selling goods. By the outbreak of the American Revolution the Glasgow firms' store trade, which promoted loyalty to the firm and effective communication, had allowed Glasgow's merchants to capture a large percentage of the Chesapeake tobacco crop.

I. Populating Beyond the Ports

Richard Whitehart represented the lowest rung on the Chesapeake chain of Virginia freeholders. He was not as powerless as a woman, slave or indentured servant, but he was a small farmer in a staple crop system dominated by huge plantations. Whitehart could neither read nor write but he had six children, a wife, and a few indentured servants to work beside him. The household was devoted to producing four hundred acres of tobacco, the only crop that could buy the bottles of wine, gunflints, Staffordshire cup, and redware pans archeologists would excavate centuries later. Characteristic of small farmers, Whitehart lived on an isolated patch of land far beyond the reach or interest of the trading vessels that visited the wharves of wealthy planters. Without a boat, Whitehart had no access to a town where he might trade his tobacco for goods. In addition, with only his family and a few unskilled indentured servants to work his land he had to oversee the daily operations involved in growing tobacco, a volatile crop.

As a result of his isolation, Whitehart's only access to the market was through the large plantation owners nearby who held a natural monopoly both as buyers and sellers. He quickly became indebted to the plantation owners. Because the only good of value to the large planter was tobacco, Whitehart was trapped in tobacco production. Small planters like Whitehart increasingly became mired in debt and continued to produce the tobacco that turned into profit for their larger neighbors.[62] This dependency was the small planter's inescapable reality until the early eighteenth century when a few men from Glasgow changed the economic equation.

In the early1730s fifty percent of the tobacco shipped to Great Britain was shipped on consignment, a system in which large planters shipped tobacco at their own risk to Britain where their agents sold the tobacco for the best price. The plantation owner was then entitled to all the profits of the sale and used those profits to purchase goods. However, by 1776 only one–fourth of Chesapeake tobacco was sold on consignment.[63] This market shift was the result of the emergence of the Glasgow store trade that

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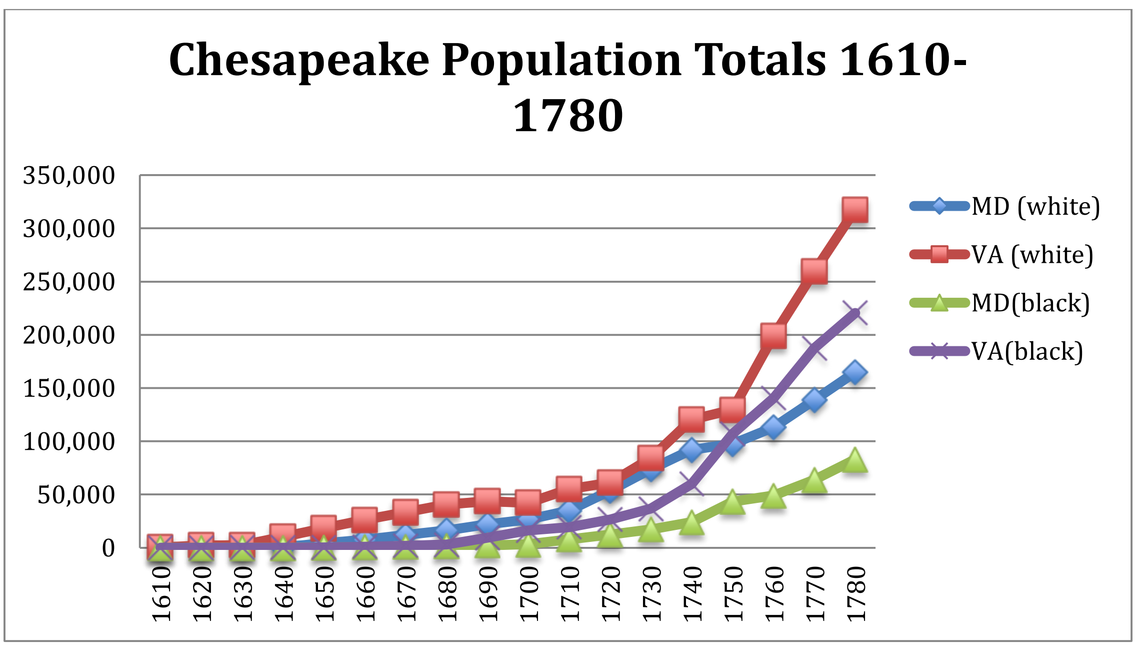
[62] David Grettler, "The "Other" Chesapeake: Family, Debt, and Tobacco on the Seventeenth-Century Delaware Frontier," *Delaware History 30:3* (2004): 161-187.
[63] Breen, *Tobacco Culture,* 84.

exploited the unique position of the small Chesapeake planter. These small planters made up about half the white male population. They typically owned a maximum of two slaves and worked land far removed from courthouses and neighbors.[64]

In the Chesapeake, land suitable for tobacco production was bountiful but the labor needed to turn soil into tobacco was not, especially before the 1720s when the total population of the region hovered just above 150,000. However, around the 1730s the population began to grow quickly. In 1751 Benjamin Franklin observed this trend when he wrote, "...our People must be at least doubled every 20 years."[65] In the Chesapeake his estimate was a little high, but not by much. Between 1720 and 1740 the region's population increased from 153,890 to 296,533, a change of 142,643. Between 1720 and 1740 a structural break occurred in the rate of population expansion in the colonies as a result of the plantation owners' forays into land speculation.



[64] Kulikoff, *Tobacco & Slaves*, 262 and 295.
[65] Benjamin Franklin, "Observations Concerning the Increase of Mankind," in *Silence Dogood, The Busy-Body, and Early Writings*, ed. J. O Leo Lemay (New York, Library of America, 2002), 369.

Source: Historical Statistics of the United States Database[66]

Robert Beverly wrote in 1773, "I do imagine 20 years hence our Sons would think a Tract of Fertile Land on the waters of the Ohio no contemptible Possession."[67] The sense that western land was a lucrative and sensible long-term investment was a sentiment echoed in the actions of his predecessors forty years earlier. William Byrd II was on the forefront of this investment trend, patenting 20,000 acres near the mountains in North Carolina on December 9, 1728, for £200.[68] Soon after, wealthy Virginians began establishing land speculation companies and using their political connections to gain rights to western land. In 1745 the Greenbrier Company was granted the rights to 100,000 acres of land west of the Allegheny Mountains. In 1748 the Loyal Company was granted 800,000 acres in what became Kentucky. The Ohio Company, founded by Lawrence and Augustine Washington, was granted 200,000 acres with the stipulation that a garrison with 100 families (a settlement called a "hundred") must be stationed on the land within seven years. If this stipulation was carried out, 300,000 additional acres would be granted to the company by the English king.[69] Although these three companies were the most solvent and successful, various other unnamed partnerships made bids for western land, dreaming that expansion would lead to vast riches.

Though only some of the companies were required to settle their land to maintain their rights to the property, realizing profit virtually required western settlement. As a result, Virginians wrote to their contacts abroad encouraging them to advocate settlement.

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[66] McCusker and Menard, *The Economy of British America*, Tables 5.1, 6.4, 8.1, and 9.4.
[67] Robert Beverly to Samuel Athawes, June 5, 1773, Robert Beverly Letterbook 1761-93, Library of Congress.
[68] Byrd, *The Correspondence*, 449.
[69] Evans, *A "Topping People,"* 109-110.

Not only did planters desire the rents of western settlers, planters also assumed they would maintain their position as the primary intermediaries for small-scale tobacco producers. Their logic seemed sound. By encouraging expansion large planters expected to increase their income from the proceeds of their land sales and increase their tobacco exports to England. The plan seemed devoid of weaknesses and at their enthusiastic beckoning, new immigrants began to push west producing modest profits for the land speculation companies.

However, the planters did not realize their dreams of massive profits through expansion would create a lucrative market opportunity where there had previously been none. The Glasgow merchants, anxious to export the vast quantities of tobacco being harvested by the new small-scale farmers in the west, stepped into the unexploited niche.

II. The Trade of the Tartans

The most fundamental unit of the Glasgow store trade was the store operated by a young Scotsman in the colonies. The store's basic function was to sell goods to small farmers like Whitehart throughout the year on credit. Once the tobacco was harvested, cured and inspected at the warehouses, it could be used to repay debts accrued by the small planters throughout the year. When the tobacco was sold to the store the rights and risks associated with transatlantic transport were transferred to the Glasgow firm. The larger Glasgow firms had multiple stores in the colonies that coordinated their activities to gain profits for the firms. For example, the Glassford group had ten stores that were supervised by the partnership's colonial head of operations, Neil Jamieson.[70] Most stores possessed a wide selection of goods including calicoes, horseshoes, spices, buttons,

[70] John Glassford and Co. Account Books for Virginia, 1758-1817, Library of Congress.

tartan, leather breeches, thread, blankets, worsted hose, gloves, ribbon, writing paper, sun bonnets, copper tea kettles and coffee pots, pewter plates, iron candlesticks and nails.[71] These goods were worth thousands of pounds and were replenished regularly. For example, stores in the Glassford chain replenished their stocks with £6478.15.14 (denominated in pounds, shillings and pence) worth of goods that arrived in 1761.[72]

Integral to the daily operations of the store was the Scottish shopkeeper who maintained the accounts of all the store's patrons and, ideally, ensured that payment was made every year before accounts were closed in September.[73] Shopkeepers were typically young unmarried Scotsmen who wished to advance within the company and eventually return from their colonial exile to Scotland.[74] The shopkeepers led a dual life. They were expected to integrate themselves into the community by forming friendships with local landowners and businessmen who might become useful allies and customers. However, shopkeepers also were expected to maintain a healthy distance to keep the interests of the company constantly at heart. While they lived in the colonies shopkeepers were expected to devote their time to business affairs and "struggle hard against the …alluring temptation of the Neighborhood he lives in," and the "corrupt maxims and worse practice of a degenerate world."[75]

Shopkeepers were charged with earning their Glaswegian bosses a healthy profit

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[71] Account of Goods Shipt't Aboard the Simson, 1761, Buchanan and Simpson Business Books 1754-1773, Scottish Record Office.

[72] Invoice of Goods Ship't Aboard the Catherine, March 1761, Neil Jamieson Papers Volume 1, Library of Congress.

[73] James Robinson to William Cunninghame & Co., July 29 1774, William Cunninghame & Co Letterbook, National Library of Scotland.

[74] James H. Soltow, *The Economic Role of Williamsburg*, (Charlottesville: The University Press of Virginia, 1965), 55.

[75] George Bogle to John "Jockie" Bogel April 25, 1750, George Bogle Papers 1696-1777, Mitchell Library, Glasgow.

but, in the colonial cash-starved society, transactions were rarely conducted in reliable currency. To resolve cash flow issues and smooth the flow of trade shopkeepers employed an elaborate credit system in which they acted as lenders utilizing a three-tier bookkeeping structure.[76] The shopkeeper maintained a wastebook or daybook in which he recorded daily transactions as they occurred chronologically. For example, Neil Jamieson's daybook after his removal to New York in 1777 contains haphazard lists of his daily transactions with individuals, ship captains, and soldiers.[77] At the end of the business day he transferred these transactions into a journal or second-tier bookkeeping tool in which a rough draft of the borrower's debits and credits were recorded. The third and final step was a transfer of the transaction to the ledger that housed the final account of each borrower.[78] Each borrower had his or her page with a record of every debit (goods purchased from the store) on the left and every credit (payment made to the store) on the right. Payment was typically made in pounds of inspected tobacco as delineated by a tobacco note. Once this note was in the hands of the shopkeeper, the risk and reward associated with a certain amount of tobacco stored at a warehouse passed from the farmer to the shopkeeper. By keeping detailed records, shopkeepers increased the amount of commercial credit available in the colonies and eased the burdens of a low supply of currency.

Glaswegian partnerships knew tobacco earned great profits and the only way to coax tobacco from colonial producers was to offer goods on credit. However, they took

[76] William T. Baxter, "Observations on Money, Barter and Bookkeeping," *The Accounting Historians Journal* 31:1 (June, 2004), 131.
[77] Neil Jamieson Daybook 1777-1782, New York Historical Society.
[78] Albert F. Voke, "Accounting Methods of Colonial Merchants in Virginia," *The Journal of Accountancy* 41:7 (1926): 7.

seriously the possibility that small farmers might be tempted to over-borrow and, as a result, fall short of the tobacco needed to pay for their goods at harvest time.[79] Like London consignment merchants, the Glaswegians were ill-equipped to assess the risks associated with each individual borrower when separated by an ocean that took months to traverse. In addition, collecting information about a small farmer's ability to repay his loan was just as costly, if not more costly (given the remoteness of their land and relative unimportance), than doing so for plantation owners.[80] The effort required to collect information about a plantation owner's creditworthiness and a small farmer's was roughly equal, but the return on investment was significantly higher for plantation owners. For this reason plantation owners had received credit directly from British lenders for nearly a hundred years before small farmers did.

But by the 1730-40s, when the supply of small farmers desirous of credit began to increase, employing a shopkeeper who was well-suited to assessing risk directly became profitable. By employing a shopkeeper who lived in the community, not an ocean away, the Glaswegian merchants significantly reduced the transaction costs associated with risk assessment. Colonial shopkeepers heard the gossip about potential borrowers at their store, knew how much land farmers possessed and could see the physical progress of each tobacco crop. Shopkeepers also could change their lending patterns in accordance with the most up-to-date information. As the shopkeeper-borrower relationship unfolded, the shopkeeper could rely on prior repayment history to inform his lending decisions. The expansion of the small farmer population increased the amount of tobacco and credit at

[79] A list of Debts Due, September 30, 1766, John Glassford and Co. Account Books for Virginia, 1758-1817, Library of Congress.

[80] Abhijit V. Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* (New York: PublicAffairs, 2011), 162-163.

stake, thereby making a domestic store and a domestic shopkeeper profitable. Because the shopkeeper was located in the colonies the transaction costs associated with risk assessment were minimized, thus giving Glaswegian firms a competitive advantage in the market.

Shopkeepers in the Chesapeake were managed by the company's factor who was closely intertwined with the managing partners, often through friendship or kinship. The shopkeeper remained in close contact with his colonial factor who dictated quantities purchased, collection dates, and the range of prices to be paid for tobacco.[81] In turn, the shopkeeper kept the factor constantly apprised of the operations of the store through letters, account summaries, and sometimes shipment of a store's duplicate ledger if the factor had solvency concerns.[82] The shopkeeper had every incentive to provide regular and reliable reports about the local tobacco crop because timely conveyance of information could translate into large profit for more informed British firms. Because a favorable report from the factor could determine which shopkeepers were promoted, shopkeepers had strong incentive to provide highly reliable information to the factors.[83]

III. The Familial Factor

George Bogle, a tobacco merchant in Glasgow, wrote to his beloved son in 1750 warning, "beware my dear Jockie…Vice grown into habit when young people do not strive with all their mights against it…"[84] His advice is typical for a concerned parent whose child is beyond the reach of his direct control, but John "Jockie" Bogle was not a

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[81] Neil Jamieson Papers, 1757-1789, The Library of Congress.
[82] Voke, "Accounting Methods of Colonial Merchants," 10.
[83] Soltow, *The Economic Role of Williamsburg*, 59.
[84] George Bogle to John "Jockie" Bogel April 25, 1750, George Bogle Papers 1696-1777, Mitchell Library, Glasgow.

young man traveling to university or vacation. He was a young man sailing across the Atlantic to manage his family's significant chain of stores in the Chesapeake colonies valued at £12,500.[85] Factors like "Jockie" Bogle were charged with keeping a store that purchased tobacco and sold goods in a relatively central location like Falmouth or Norfolk, Virginia. However, a factor's job went far beyond that of a shopkeeper. Factors were highly trusted associates of the Glaswegian partners in the colonies who were charged with making day-to-day decisions, keeping shopkeepers accountable and focused, reporting regularly to the partners and advocating for the firm's interests in the colonies.

Merchants from Glasgow were separated from their employees by a vast dangerous ocean that took months to traverse. As a result, a trusted family member or business associate undertook direct management of their interests in the colonies based in a store located on one of the four major Chesapeake rivers, the James, York, Rappahannock or Potomac. For example, Neil Jamieson, the factor for the Glassford, Gordon and Monteath partnership, monitored the activities of the Colchester, Cabin Point, Dumfries, Alexandria and Boyd's Hole shops from his store in Norfolk.[86] Factors closely monitored the actions of their shopkeepers by encouraging them to send regular reports about the local progress of the tobacco, the expected amount of tobacco for shipping, the prices of tobacco and goods, lists of debts, the status of collections, and any other germane information.[87] Factors then combined information from shopkeepers and

[85] Jacob M. Price, *Capital and Credit in British Overseas Trade: The View from the Chesapeake, 1700-1776*, (Cambridge: Harvard University Press, 1980), 152.
[86]John Glassford and Co. Account Books for Virginia, 1758-1817, Library of Congress.
[87] Arthur Morrison to James Glassford, 25 June 1771, Neil Jamieson Papers, 1757-1789, The Library of Congress.

the Glaswegian partners to make short-term decisions that supported the long-run goals of the firms. Ideally, the factors were supposed to understand the company's goals so well that they would make the same decisions the partners would have made if they lived in the colonies.

The Virginia factor existed to keep the most fundamental unit of the firm's trading chain - the remote shopkeeper - loyal, focused and precise. Though the firm took every precaution to ensure the loyalty of their employees by employing only unmarried Scotsmen, there was always the danger they might become too integrated into the community. There was widespread European concern that prolonged periods of exposure to American Indians and isolated backwoods colonists could lead to uncivilized behavior.[88] In the case of Scottish merchants, firms were concerned that physical distance and cultural separation might be too much to bear, and could drive shopkeepers to integrate with the colonists. Firms feared such integration might result in the shopkeepers losing focus and prioritizing the interests of their neighbors over the interests of the firms. The factors prevented any such loss of focus by providing regular epistolary contact with shopkeepers, thus reinforcing their cultural bond and sense of union with the firm. By requiring regular reports, issuing orders and relaying partners commands' through their letters, factors also demanded results which kept shopkeepers focused on the firm's goals.

One of the Glasgow store's greatest assets was that the proximity of the factor to the shopkeeper allowed the factor to convey accurate information to the Glaswegian partners that could minimize costs and maximize profit. Factors updated partners regularly with information about how much tobacco the shopkeepers expected to

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[88] Guillaume Thomas François Raynal, *A Philosophical and Political History of the Settlements and Trade of the Europeans in the East and West Indies*. (London : Printed for T. Cadell, 1776), 19.

purchase and, accordingly, how many ships should be sent to collect the product. In return, Scottish merchants sent regular updates informing factors when and where vessels would arrive to collect tobacco.[89] In the 1700s shipping tobacco was an expensive affair. The average hogshead cost £2 to ship and sold for around £5.[90] The Glaswegian rapid-fire epistolary updates regarding ships' arrival dates ensured that tobacco was ready for loading when the ships arrived. Thus, the store trade minimized the turn-around time and accompanying high freight costs associated with the consignment trade. Sometimes, shopkeepers had to offer high prices to obtain tobacco in time for a vessel's arrival leading one curmudgeonly Glaswegian to grumble that, "the remedy was much worse than the disease."[91]However, as a general trend, the regular flow of information minimized the firm's expenditure on shipping and allowed vessels to make two trips per year instead of only one, as was common in the consignment trade.[92]

The factor carried out important tasks in the interest of the firm but, because the factor's actions could not be overseen directly by the Glaswegian partners, the partners had to ensure that the factor was trustworthy. Ensuring loyalty was insurance against mismanagement. This insurance was achieved by hiring family members or close business associates to become the firm's factor in the colonies. For example, George Bogle hired first his brother Matthew and then his two sons, "Jockie" and Robin Bogle, to serve as the firm's factors**.**[93] Further examples of familial factors include Henry Riddell, the stepson of John Glassford and William Cunninghame, kinsman of Andrew

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[89] To Mr. William Henderson, November 14, 1769, William Cunninghame & Co. Letterbook, 1767-1773, National Library of Scotland.
[90] Price, *Capital and Credit*, 40.
[91] William Scott to John "Jockie" Bogle, January 1760, George Bogle Papers 1696-1777, Mitchell Library, Glasgow.
[92] Port of Glasgow Customs Accounts, Scottish Record Office.
[93] George Bogle Papers 1696-1777, Mitchell Library, Glasgow.

Cochrane.[94] These factors were men who likely either would inherit the firm or become partners in it. Because each family's reputation and their own fortunes were at stake, these men worked diligently to increase the family fortune.

The sketch drawn thus far describes the Glaswegian partners' ideal factor but, in reality, the factors were much more dynamic individuals than suggested above. The factors were required to act in the best interests of the firm but the sluggish rate of transatlantic trade meant factors had to be dynamic decision-makers, often acting without the partner's inputs. While the factor for William Cuninghame & Company, James Robinson, "dearly…wish[ed] to have advices from Glasgow," that did not stop him from informing his shopkeepers that no list of information from abroad could warrant the high prices some wished to offer.[95] Factors also collected pricing information from international contacts outside of the firm. For example, Neil Jamieson solicited international prices from Cadiz and used these to inform his trading decisions.[96]

Another way in which a factor served as more than a puppet of the firm was by his advocating for the colonists' interests with the firm. Factors promoted the firm's interests, but sometimes the partners were ignorant of potential repercussions of their decisions. In such cases factors were not bashful about conveying the flaws in the merchants' logic. For example, in the aftermath of the 1772 credit crisis when firms wished to call in their debts by demanding abrupt repayment of book credit issued by the store, James Robinson warned, "this method [harsh collection] has its inconveniences, it

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[94] T. M. Devine, *The Tobacco Lords: A Study of the Tobacco Merchants of Glasgow and their Trading Activities c. 1740-90* (Edinburgh: John Donald Publishers, 1975), 7.
[95] James Robinson to Davis Mather, April 17, 1770, William Cunninghame & Company Letterbook, Privately Owned.
[96] Tesson Welsh and Co. to Neil Jamieson, January 15, 1769, Neil Jamieson Papers.

may surprise and embarrass many of the best customers so as to occasion there leaving the Store…"[97] Because the factors were located in the colonies and equipped best to understand the needs of the colonists, the Glaswegian partners respected their perspective.[98]

Through their dynamic decision-making and advocacy, factors asserted their individual worth and occupied a vital niche role in the system. Their unique combination of trustworthiness due to kinship or friendship, proximity to shopkeepers, and understanding of the colonial culture and mindset allowed factors to fill a necessary role in the firms' chains of command.

IV. The Tobacco Lords

Perched atop the Glaswegian network's chain of command sat the partnership of Glaswegian merchants. These men were the central link connecting centers of production in the colonies to markets in continental Europe. The firms tapped into vast resources of capital but, given the fortunes required to keep the stores full of goods, the firms always were searching for new sources of credit. The merchants established fairly transient partnerships that helped manage risk and accrue capital but also connected their interests, thus making market failure a contagious disease. Consignment merchants across Britain provided the Glaswegian partners with serious competition.

But with shopkeepers as their eyes and ears the Glaswegians possessed a superior information system. In the European market the Glasgow merchants emphasized the bulk sale of tobacco at a competitive price rather than the sale of individual batches of tobacco

[97] James Robinson to William Cunninghame & Company, July 29, 1774, William Cunninghame & Company Letterbooks.
[98] George Bogle to John "Jockie" Bogle, April 25, 1750, George Bogle Papers.

at a high price. Together, these profitable forces converged, allowing Alexander Speirs to purchase property worth £108,956, William Cunninghame to build a town house worth £10,000 and Archibald Ingram, a middling tobacco trader, to purchase a chaise, gold watch and extensive library.[99] Yet the system's hunger for capital betrayed its underlying fragility and hinted at the possibility that a crisis could unravel the system.

Between 1740 and 1789 as many as forty-seven different firms in Glasgow engaged in the transatlantic tobacco trade. The capital stocks of these firms suggest that Alexander Spiers' group was a dominant force in the trade with £196,676 of capital in 1776. Several other groups also had sizable capitalization including James and Robert Donald and Co. with £75,000 in 1776, William Cuninghame and Co. with £79,200 in 1773, and Glassford, Gordon, Monteath and Co. with £24,000 in 1771.[100] While a few central firms with contractually unified partners controlled over fifty percent of the trade, these firms partnered with other merchants regularly. [101] For example, the Glasgow Port records indicate that between 1754 and 1758 John Glassford partnered with nine different individuals to import 1,174,976 pounds of tobacco. Spiers was slightly less transient, partnering with only seven other partners, whereas the Buchanan dynasty, including Andrew, George, Archibald and James Buchanan, partnered with no less than 17 merchants.[102] Scottish partnership laws enabled the patchwork of transient partnerships to exist by making the partnership a legal entity. This separation allowed limited liability partners to lend capital without suffering the most severe consequences during a bad

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[99] Devine, *Tobacco Lords*, 21, 11, and 10.
[100] Price, *Capital and Credit*, 152-155.
[101] Devine, *Tobacco Lords*, 74.
[102] Port of Glasgow Customs Accounts, Scottish Record Office.

year.[103] The transient partnerships that were a hallmark of the Glaswegian tobacco trade, encouraged individuals to spread their capital between partnerships, thus helping them diversify and minimizing risk.

Glaswegian tobacconists had access to vast stocks of capital but no amount of capital could satiate the high demands of the Glaswegian store trade. The challenge with the tobacco trade was that it could achieve huge profits… eventually. As one colonial merchant put it, “one great misfortune attending our trade is the long Credits we are obliged to give.”[104] The colonists purchased goods regularly but they were only to able to repay the shop once a year – typically in early Winter - when their tobacco was harvested, cured and inspected. Though the shopkeepers attempted to settle their debts annually, intervening challenges often encouraged merchants to roll over the commercial credit due to the shop. For example, heavy rains could destroy a crop and render a farmer unable to pay. Rather than lose any chance of recouping the losses, shopkeepers typically allowed the debt to be, “carried forward year after year without any payment.”[105] While total delinquency was rare, merchants were often unable to collect from small farmers for a year at a time, necessitating huge amounts of credit bound in dangerous and illiquid long-term commercial credit. In addition to the long-term nature of Chesapeake credit, each firm usually had multiple stores containing goods worth thousands of pounds. The quantity of stores and the large long-term nature of credit meant the Chesapeake tobacco trade required huge capital stocks that Glaswegian merchants were uniquely equipped to provide.

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[103] Devine, *Tobacco Lords*, 76.
[104] Alexander McKenzie to Blackman and Adams, July 5, 1751, Charles Stuart Letterbooks, The Historical Society of Pennsylvania.
[105] To William Cunninghame & Company, July 29, 1774, William Cunninghame & Co. Letterbooks.

Most of the tobacco firm's capital came from the vast individual wealth of merchants like Alexander Speirs and the reinvestment of profits earned in the trade. In addition, by increasing the number of individuals engaged in the trade, the limited liability partnerships increased the pool of merchant capital the Glaswegian firms could access. The firms also borrowed on bond from friends, family or business associates both internationally and domestically. For example, in 1729 George Bogle borrowed 1,200 guilders from his business associate in Rotterdam to help him pay port duties levied on his 200 hogsheads of tobacco.[106] Scottish merchants also had regular access to banks that mobilized wealth from the agricultural sector about twenty years before many of their British competitors.[107] This ready access to capital made it easier for tobacconists to bear the credit risks that accompanied the store trade.

Credit was risky, but not as risky as the vast Atlantic where shipwreck, tempests, piracy, mutiny, the volleys of war, and rats were the constant companions of hardened sailors. These threats were dangerous to sailors but they also were dangerous to goods. The oft-echoed disgust of plantation owners like William Byrd, who sarcastically complained, "Your… ship arriv'd safe with the goods if one may call that safe where everything is damaged and broke to pieces…" illustrates the dangers associated with transatlantic shipping.[108] Goods often were damaged but so were ships. Between April and May of 1762, two of the 31 ships insured by Buchanan and Simpson were, "taken."[109] While 6.45% was not a huge percentage in the market, it could prove ruinous

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[106] George Bogle to John Carstairs, September 23, 1729, George Bogle Papers.
[107] Price, *Capital and Credit*, 69.
[108] Byrd, *The Correspondence*, 550.
[109] Account of Ships Underwrote, April to May 1762, Buchanan and Simpson Business Books, Scottish Record Office.

for the owners of the vessels.

Tobacconists guarded against these threats by purchasing insurance plans from firms like Buchanan and Simpson that pooled the resources of various tobacco merchants to spread risk. Insurance took two forms. The first, more nuanced, form was typified by the insurance of the vessel *Netty*, which transported £1,800 in goods across the Atlantic. In this case, seventeen merchants including Bogle, Buchanan, Dunlop, Speirs and Mackie pledged to refund between £50 and £300 pounds each if the *Netty's* goods were destroyed in transit. In return, the merchants received twelve percent of their potential outlay if she arrived safely into the hands of Stuart Bryan and Co.[110] In this instance, Buchanan and Simpson facilitated the merchants' mutual agreement.

Another less sophisticated form of insurance was the underwriting of ships performed Buchanan and Simpson. For example, between July and November of 1761 Buchanan and Simpson underwrote 64 vessels of which only four were taken.[111] By underwriting a large number of vessels the firm ensured the safe voyage of the majority would provide capital to compensate for the catastrophic minority. In the first case risk was spread among many merchants, and in the second risk was spread among many vessels. The purpose of insurance in each case was to guard against the inevitable dangers of transatlantic trade, but no insurer enjoyed paying out the vast sums required when a shipwreck occurred.

From interlocking partnerships to collaborative insurance policies the Glaswegian tobacco merchants relied heavily upon each other. However, their underlying reality was the competitiveness inherent in a market economy. One way this competitiveness became

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[110] Account of Insurance, May 1761, Buchanan and Simpson Business Books.
[111] Account of Ships Underwrote, July to November 1761, Buchanan and Simpson Business Books.

apparent was when a shipwreck required insurers to honor their commitments. The insurers wished to avoid the burden of repayment and, as a result, required significant proof of a shipwreck before the requisite payments would be made. George Bogle explored this tension when he wrote to a disgruntled insurer saying:

> "The Policy of Insurance shall stand Inforced against them for there can be no…station so clear of a Vessell being shipwreck'd by stress of weather and not out of Design then taking these oaths of the Sailers who were in her…she sprang a leak… [and]she was Lost …however if your friend's Inclind to Insist upon the non payment of the Insurance you had best send your papers…"[112]

This explication illustrates that while the Glaswegians shared families and partnerships, and were inextricably bound to each other through insurance policies, the underlying motivation was always profit.

Part of the Glaswegian firm's market advantage was that it effectively commanded the loyalty of its constituent actors and ensured the messages were conveyed as accurately as possible. Shopkeepers and factors could advance in the firm only with the approval of the Glaswegian partners. As a result, the colonial workers were encouraged to provide the partnership with regular and specific reports about weather and crop progress that could be utilized to predict the future value of tobacco. Because the rate of information transfer depended upon ships, the speedy arrival of one ship and the delayed port of another could create a gulf of knowledge between two firms. These information asymmetries could be exploited profitably. George Bogle illustrated this when he wrote to his trading partner in Rotterdam saying, "I [received] a letter this Day…advising from Virginia that about the 21st of July Last there Happened Excessive rains as had destroyed the Greatest part of the Tobacco Crop. I hope upon receipt this you

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[112] George Bogle to Mr John Carstairs, April 20, 1730, George Bogle Papers.

will defer the sale of Mr Scotts Tobacco and mine till I advise you."[113] These sorts of predictions were imperfect but they allowed the Glaswegians to make decisions based on reliable information.

The flow of information from the colonies to Glasgow was profitable, but minimizing the cost of shipping and conveying the whims of taste in Europe required the Glaswegian partners to send explicit instructions to their colonial counterparts. The Glaswegians were proximate to the British market and the French monopoly agents who would re-export tobacco to continental markets.[114] They conveyed this knowledge in letters sent to the colonies to draw out the most profitable varieties of tobacco. For example, the Glassford group wrote to Neil Jamieson in 1761 advising, "that stemmed… tobacco is at present much wanted and bears a high price …higher indeed than ever we have known it in proportion to leaf tobacco and the price is likely to stand pretty high."[115] In addition, because a goal of the store trade was to minimize the time vessels languished on the coast awaiting loading, Glaswegian firms provided shops with information about when to expect the ships' arrivals. [116]

The merchants of Glasgow responded to the growing supply of small-scale tobacco producers like Richard Whitehart by establishing the Chesapeake store trade. The Glaswegian's store trade was an organized machine in which goods and credit flowed across the Atlantic to stores in the remote areas of the Chesapeake and tobacco flowed back to European markets. This process was not a radical step forward for capitalism in

[113] George Bogle to John Carstairs September 10, 1729, George Bogle Papers.
[114] Price, *Capital and Credit*, 124.
[115] Glassford to Neil Jamieson, April 24, 1761, Neil Jamieson Papers.
[116] To Mr. William Henderson, November 14, 1769, Cunninghame & Co. Letterbooks.

the colonies. Rather it was an example of ingenious firms recognizing an unexploited opportunity made possible by population expansion. The firms' only intention was to earn profit but it had the unintended benefit of giving small farmers access to European goods and markets that had previously been monopolized by plantation owners. Thus, market forces gave small planters increased autonomy and relevance in a global marketplace characterized by exploitation.

Chapter Three

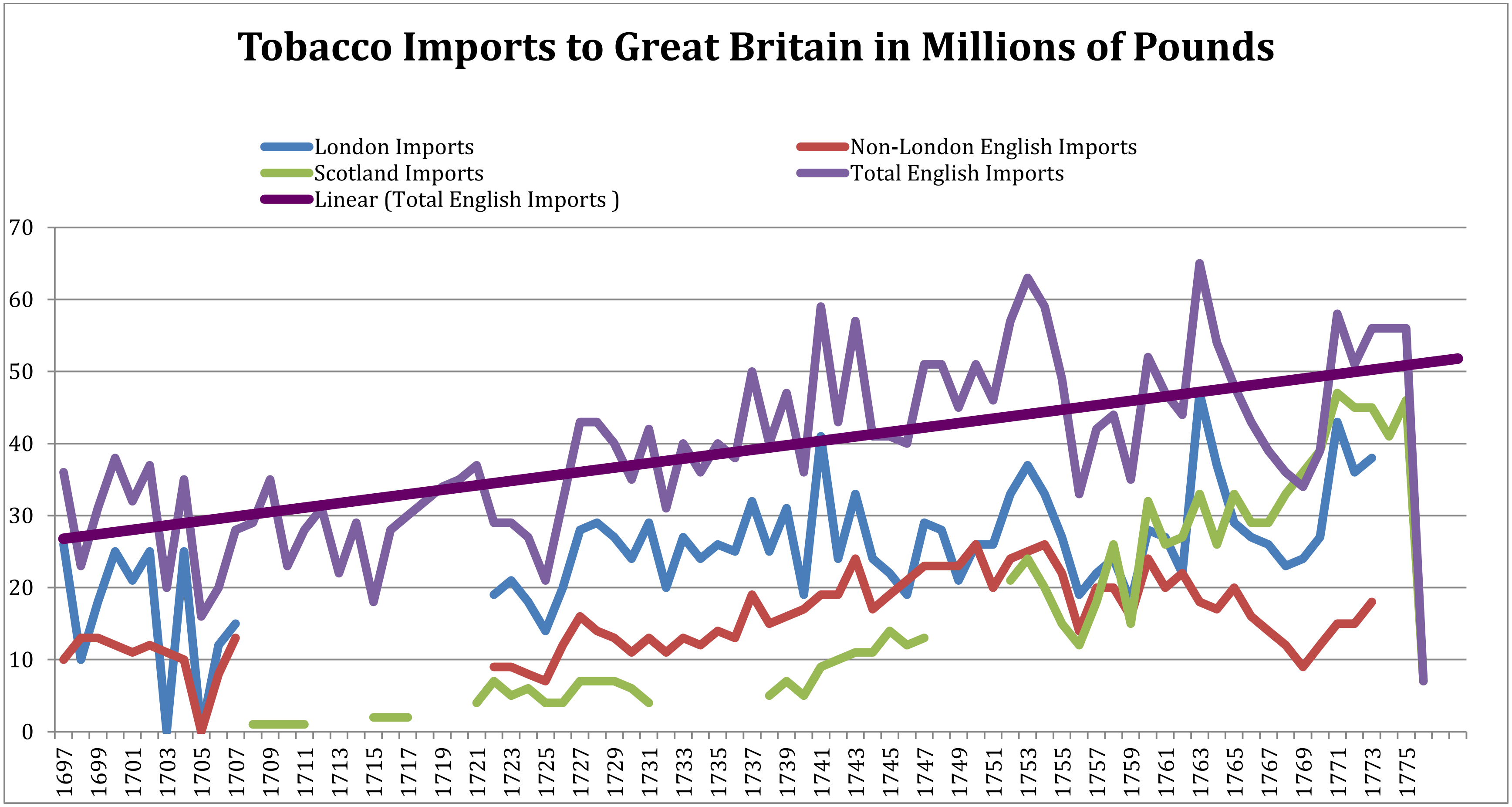
In 1769 vessels carrying tobacco from the Chesapeake sailed into the port of London as they did every year. The merchants of London paid their duties, collected their tobacco, and received letters from their distant planter correspondents. These activities were part of a well-known routine. By 1769 the merchants of London had been trading European manufactured goods for American tobacco for more than a century. While the average amount of tobacco imported had increased over that century the patterns, rhythms and demands of the trade had remained mostly the same. The merchants had grown accustomed to the fluctuations in quantity of tobacco imported, acknowledging that tobacco's dependence upon weather made such an outcome inevitable. Therefore, the fact that 1769 brought less tobacco than recent averages did not trouble them greatly. However, had the London merchants taken stock of their importation relative to other British ports they might have been more concerned because, for the first time, Scotland's imports of tobacco outstripped the importation in all England's ports combined.

Scotland's ascendance within the British system was indicative of the increasing importance of the efficient Glasgow trading networks. Though the Glasgow store system was lucrative and efficient, the English merchants did not abandon their traditional methods of the consignment trade. The reasons for their adherence to traditional trading schemes were the continued profitability of their specific niche, and the inertia of the credit system. Thus, a system emerged in which two trading schemes, one efficient and one inefficient, endured for a quarter of a century waiting for the shock that would force transformation.

I. *Differentiation of Services and the Niche's* Relative Decline

The English merchants working in London and Bristol were engaged primarily in direct trade to the Chesapeake, using the consignment or cargo trade. Their trading scheme provided colonial merchants and plantation owners with high-quality goods, generally better prices for their tobacco, and access to large amounts of long-term credit. In other words, English merchants occupied a fundamentally different niche than their Glasgow counterparts. However, this niche declined in relative importance in the third quarter of the eighteenth century as the efficient Glasgow store system ascended.

In the early eighteenth century, London was the unassailable leader in tobacco importation followed by the other English ports including Bristol, Whitehaven, Liverpool and after the unification of 1707, Glasgow. However, by the 1740s the Glasgow market was gaining in relative importance. Before the 1740s, the amount of English tobacco imported as a percentage of the total had always been greater than 80%. However, in 1744 the English market share began its steady decline. From 1744 to 1757 the English market share remained in the 70s, then dropped to the 60s from 1758 to 1764 (with one exception – 71% in 1759), and dropped again to the 50s from 1765 to 1773 (again with one exception). The English market share reached an all-time low in 1769 when England imported only 47.8% of British tobacco. The decline in relative importance of English imports was accompanied by significant overall growth in English tobacco imports between 1697 and 1776 as illustrated by the upward trend line below. While the relative growth of the Scottish market share logically would have pressured the English firms to adopt a more efficient trading model, the overall growth in English tobacco imports mitigated this pressure, thus limiting their perceived need to adapt.



Source: Historical Statistics of the United States[117]

[117] McCusker, John J. , "Tobacco imported into and reexported from Great Britain: 1697–1791." Table Eg1046-1053 in *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition*, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright. (New York: Cambridge University Press, 2006).

The English merchants did not feel acutely the pressure to adapt, partially because they specialized in the shipment of luxury goods to wealthy planters, a task for which the Glasgow stores were ill-suited. The local Glasgow stores stocked their shelves with basic calicoes (a rougher cotton fabric with simple prints), copper, pewter and iron goods, as well as buttons, sugar, tea, and spices. The smaller planters desired these valuable finished goods, but the larger wealthier planters had more sumptuous tastes and, "hate[ed] to be under the necessity of going to any of our dear stores for any thing..."[118] They preferred entrusting their business to London merchants who could (in theory) offer more variety and higher quality, and ensure that their clothes, furniture, and carriages followed the latest European fashions. For example, Robert "King" Carter ordered his son, "a handsome Decent summer Suit with Stockings suitable and a hat, also half a dozen Turnovers or Neck-cloths as they are worn and ruffles…two pair of summer Shoes, [and]…a Suitable loose Coat …"[119] Because the two systems differentiated between grades of manufactured goods, the increasing market share of the Glasgow firms did not obviously threaten the vitality of the English consignment trade.

The Glasgow store system and the English merchants also offered a different range of financial services as a result of their differing client bases. The Glasgow stores offered a smaller range of credit services. Each shopkeeper offered small amounts of book credit to hundreds of clients in exchange for goods, expecting payment when the tobacco was harvested. By diversifying their client base and keeping individual credit

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[118]Robert Carter to William Dawkins, Novermber 29, 1723, "The Diary Correspondence and Papers of Robert "King" Carter of Virginia," Transcribed and Digitized Edmund Berkeley, Jr," (2014) http://carter.lib.virginia.edu/html/C23k29d.mod.html.
[119] ibid.

amounts small, Scottish shopkeepers limited their risk. In contrast, English merchants limited risk by taking on clients with honorable reputations who offered substantial wealth as collateral. Because their individual clients seemed to carry lower risk the English firms provided a greater range of credit services, including many of the services modern society would associate with banks. First, the firms maintained long-term book credit on a significantly larger scale than their Glaswegian competitors. Second, the English merchants offered interest, usually about five percent, on money kept by the firm on planters' accounts.[120] Finally, the firms allowed planters to draw bills of exchange on their English accounts and accepted these bills when they were presented for payment.

These bills of exchange were another important proxy for currency in the cash-starved colonies. A bill of exchange was the eighteenth century equivalent of a check that could be negotiated and circulated before the money was transferred from one account to another.[121] An example of how this process functioned in the Chesapeake economy helps illustrate the bill's key role in overseas trade. A planter could draw a bill of exchange on his account with an English firm to pay for goods or services. The bill would stipulate the amount to be paid and the time the firm had to pay the bill after it was presented, typically thirty or sixty days after presentation. The person providing the goods or services would then either resell the bill in the colonies, which might occur several times, or send it to his own merchant firm in Britain. When a bill of exchange was resold in the colonies it might be sold for more or less than the value stated on the bill of exchange, depending on the creditworthiness of the planter who drew the bill. When the bill was

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[120] Robert Carter to Micajah Perry, July 4, 1723, The Diary Correspondence and Papers of Robert "King" Carter, http://carter.lib.virginia.edu/html/C23g04g.mod.html

[121] John J. McCusker, *Money and Exchange in Europe and America, 1600-1775: A Handbook,* (Chapel Hill: The University of North Carolina Press, 1978) 21-23.

sent across the Atlantic for final payment, the firm that managed the sender's interests would present the bill of exchange to the firm upon which the bill was drawn. The firm upon which the bill was drawn would then pay the full amount, or protest the bill.

If the planter who drew the bill had a standing account balance out of which the bill could be paid or a stable, established credit relationship with the firm, the bill was typically paid within the thirty to sixty days without protest. If the firm was dubious about a planter's ability to pay for the bill, it might protest the bill and refuse to pay the sum ordered. If the bill was protested, it would be returned to the person in the colonies who had been paid using the bill of exchange.[122] This person was entitled to the full value of the bill directly from the planter who had drawn the bill plus a penalty interest charge. Maryland fixed the charge at fifteen percent.[123] A planter's account with an English firm enabled him to draw bills of exchange and this ability, along with the firms' negotiation of bills of exchange, was a valuable service that the Glasgow stores did not offer.

A final way the English firms' business model can be differentiated from the Glasgow stores' model is that the English firms worked assiduously to maintain a reputation for constant individualized attention to each planter's interests in Britain. English firms worked on consignment, meaning they made more money when they handled more tobacco. As a result, they were always interested in expanding their client base to receive more tobacco. William Byrd described their seemingly insatiable demand saying, "we find… that you are all fond of the business and solicit as eagerly for it as you would for a mistress. Nay some act the whole farce of a lover, and endeavor to supplant

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[122] Richard Corbin to Mann Page Esq. August 31, 1768, Ricahrd Corbin Papers.
[123] Joshua Johnson, *Joshua Johnson Letterbook, 1771-1774: Letters From a Merchant in London to his Partners in Maryland*, ed. Jacob M. Price (Chatham: W & J Mackay Ltd., 1979), 161.

and undermine their competitors."[124] Richard Henry Lee similarly exposed the hawkish actions of English firms when he wrote to his merchant brother, candidly advising, "Old Colo. Loudon I hear is out with Molleson [an English consignment firm] … strong assurances of application to his interest in future may do great things in your favor."[125] Because English merchants faced a deeply competitive market they were forced to defend against the possible flight of their planter consigners by differentiating themselves. Most English firms attempted to differentiate their firm by establishing a personal trust and proven history of advocacy for the planter's interests. When they effectively did so, planters would respond to the enquires of other English firms in the manner of John Custis IV who said of his English trading partner, "Mr Cary has always treated me with the greatest respect and best of usage; and I should be guilty of one of the greatest offenses; ingratitude; if I should alter my consignments."[126] However, most planters were not as loyal as John Custis IV and responded to lower than expected tobacco prices with impatience and threats.

Large planters bore the risks associated with shipping their tobacco to English markets expecting that they would receive better prices in England than they could receive at local stores. As a result, they tracked the sale of their tobacco closely and openly expressed their displeasure when they received a lower price than expected. For example, Issac William Giberne critiqued his merchant partner and implicitly threatened to move his business when he wrote, "I must say I expected something more than my

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[124] Byrd, The Correspondence, 495.
[125] Richard Henry Lee, *The Letters of Richard Henry Lee*, ed. James Curtis Ballagh, (New York: Macmillan, 1911), *51*.
[126] John Custis IV, *The Letterbook of John Custis IV of Williamsburg, 1717-1742*, ed. Josephine Little Zuppan, (Latham: Rowman & Littlefield Publishers, 2005), 192.

proceeds for ye Tobaccos (£50, 18s, 2d) which went in [the ship] *Walker*. Mr. Russell far exceeded those sales."[127] Therefore, if a series of worse than expected sales accounts were returned, planters began to doubt the firm's trustworthiness and threatened to stop shipping tobacco through the firm, either implicitly through comparison to other firms, or explicitly.

In many cases planters' threats to move their business went unfulfilled because there were significant costs associated with closing an account and finding a new firm that would offer similar services. However, these threats never lost their credibility because, while closing an account and paying off all accumulated debt was costly for a planter, shifting the bulk of a planter's tobacco to a firm that fetched higher prices was not. English firms were acutely aware that these threats were real possibilities. One merchant observed when writing to the planter Richard Corbin, "Thee may depend it is our wish to sell our Friends Tob[acco] at the top prices, and to give them satisfaction, and by that measure to receive their further consignments." As the merchant makes clear, the most promising way to avoid planter desertion was to provide the planter with proceeds for his tobacco that met his expectations. However, the planters' oft-repeated cantankerous remonstrances suggest that gaining approval was often a herculean task.[128]

Individual dissatisfaction with prices could lead planters to consign less tobacco to the firm in the future. As a result, English merchants worked to sell tobacco for the highest price possible, reflect quality in pricing, and explain the circumstances of the sale

[127] William Lee, *Letters of William Lee, Sheriff and Alderman of London; Commercial Agent of the Continental Congress in France; and Minister to the Courts of Vienna and Berlin, 1766-1783,* ed. Worthington Chauncey Ford, (New York: Historical Printing Club, 1891), 73.

[128] These complaints can be found in almost every planter's correspondence but a particularly prime example stating "The proceeds of these Tob[acco] fall very short of my expectations…" can be found in Richard Corbin to Capel and Osgood Hanbury, April 12, 1757 Richard Corbin Papers.

if prices were low. After the 1730 and 1747 Tobacco Inspection Acts were passed in Virginia and Maryland, respectively, a minimum quality was ensured for all Chesapeake tobacco. This exemption of low quality tobacco from the market shrank the range of prices offered in European markets. This was especially true when bulk purchasers from the continent like agents of the French tobacco monopoly, or Dutch and German merchants, bought thousands of pounds of tobacco at one time for one price. While this outcome was increasingly common in the mid-eighteenth century, Chesapeake planter mentality lagged European market reality. Chesapeake planters prided themselves on their finely-honed production techniques and expected their price received to reflect the superior quality of tobacco they perceived.[129] In some cases merchants were able to cleverly circumvent this problem with a creative reporting strategy. Joshua Johnson, for example, sold a large quantity of tobacco in bulk for 2½ d. per pound, but took care to "regulate the prices [of the tobacco sold] according to the quantity as near as possible," reporting a rang of prices between $1\frac{3}{4}$ and $3\frac{3}{8}$ d. per pound to the consignees thus confirming the planter's belief that his best tobacco commanded a high price even when it had not.[130]

While English merchants could occasionally avoid planters' displeasure with creative reporting, more often their letters conveyed unwelcome news of lower proceeds than expected to impatient planters. When the latter was the case, merchants were careful to include details about the transaction, and assurances that they negotiated for the best price available in the market in a respectful, even supplicating tone. A representative of

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[129] Breen, *Tobacco Culture, 65-70.*
[130] Joshua Johnson, *Joshua Johnson Letterbook*, xxvi and 107.

Osgood Hanbury and Co. wrote to Richard Corbin assuring him that, “We are making the most we possibly can of thy 26 Hhds Tob[acco shipped on] the *Hanbury*, [but] the prices have been and are very low.”[131] The firm hoped that by contextualizing the sale they would prove that the prices were a market outcome, not the result of negligence on behalf of the firm.

Because the English firms controlled not only the sale of a planter’s tobacco but also the purchase of goods and his money matters, there were many opportunities to lose the trust of a planter. Planters often complained about the quality of goods they received, asserting for example, “your Tradesmen [send goods] so thin and slazy they only cheat my People; and pick my pocket.”[132] They also grew suspicious of the merchants’ espoused advocacy when the weights of tobacco sold differed from the weights measured at inspection warehouses, suggesting mishandling at best and thievery at worst.[133] Finally, planters occasionally became dissatisfied when the English firms failed to put their money in interest-earning accounts or gave them inferior rates.[134]

The English tobacco-trading model was fundamentally different than the Glasgow store trade system and, as a result, the Glasgow system’s more efficient trading network and increasing market share did not immediately pressure the English firms to adapt. The English firms specialized in sending luxury goods to large, well-established planters, providing the planters with a wide array of financial services, and broadly promoting the planters’ interests in Britain. The appeal of the English model lay in its individualized attention to a planter’s interests. Though the planters often doubted the vigor with which

[131] Osgood Hansbury & Co to Richard Corbin, December 9, 1773, Richard Corbin Papers
[132] Custis, *Letterbook of John Custis IV*, 191.
[133] Byrd, *The Correspondence*, 522.
[134] Custis, *Letterbook of John Custis IV*, 95.

English firms' attended their interests, the English firms offered significantly more services to those who could bear the risk of transatlantic shipping than local Glasgow firms. These forces, coupled with the overall growth of tobacco imports, helped ensure that the relative decline in English firms' market share did not lead to their business model's evolution.

II. The Inertia of Credit

While the English consignment system's structure made it less efficient than the Glasgow store system, these inefficiencies themselves discouraged English adoption of a new trading system. Because the English consignment system was plagued by insufficient market information, that very insufficiency limited English firm's capacity to adequately assess their own risk. The inertia of the inefficient credit system and the desire to capitalize on investments already made in the colonies encouraged English firms to perpetuate the consignment trade, not deviate from it.

The English had initially offered long-term credit to their colonial trading partners partially because the time required for a transatlantic voyage meant that the trade required it, and partially because they believed their trading partners were low-risk investments. While the English firms underestimated the risk they bore when lending to planters, primarily as the result of incomplete information, their decision to trust these planters was not unreasonable. The gentlemen planters held large tracts of land, owned many slaves, and produced large amounts of tobacco that could be used to service their debt in addition to paying down the principal. The English merchants also maintained personal relationships with the planters, corresponding regularly and occasionally meeting in person when the Chesapeake planters traveled to England. In addition, unlike the smaller planters that could move to new territory if their debts grew too oppressive, the larger planters with established plantations and esteemed positions did not melt into the frontier when trouble arose with their accounts.[135] Thus, the issuance of long-term credit was backed by powerful underlying logic.

The English firms were able to offer these long-term credits to the Chesapeake planters because they received long-term credit from the warehousemen who supplied them with goods.[136] Some fripperies like ribbon, and comestibles like sugar and tea could only be bought with cash or on sixty-day credit.[137] However, most other goods received long-term credits. Chinaware, larger grocery items and lead shot could be bought on six to nine month credits. Linen, woolens, and ironmongery could typically be bought at twelve months credit and silk could be purchased on an astonishingly liberal fifteen months credit.[138] These long credits were typically provided at approximately five percent interest. While the ability to make early repayment was rare, the warehousemen often provided a deduction within the range of five to ten percent for those firms with ready money.

Once significant long-term credit was offered to planters, the institutional realities of debt collection made it extremely challenging to sue for debt recovery. The case of Perry V. Randolph illustrates the challenges English firms faced when suing for debt. The esteemed Colonel William Randolph, Speaker of the Virginia House of Burgesses, died in 1711 leaving his widow and sons with a staggering debt of £3,259.15s owed to Perry & Lane Co. The family reduced the debt to £2465.1s.8d by 1717 when Micaiah Perry

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[135] J. H. Soltow, "Scottish Traders in Virginia, 1750-1775," *The Economic History Review 12* (1959): 96.
[136] Price, *Capital and Credit*, 108.
[137] Joshua Johnson, *Joshua Johnson Letterbook,* 26 and 56.
[138] ibid. 56, 8, 19.

seems to have stopped collections. However, when Micaiah Perry died in 1721 his executors, Sarah, Micajah III, and Phillip Perry, sued the executors of Colonel William Randolph's estate, Mary, William and Thomas Randolph, to recover the debt. This case was first argued in Virginia where, unsurprisingly, the General Court of Virginia, composed of the Council of Twelve and the Governor, ruled in favor of the Randolphs in October 1723, ordering that all interest on interest and insurance costs be dropped from the total, leaving the sum to be paid £80.8.1.[139] However, the Perrys appealed to the Privy Council Committee on Plantation Appeals, which ruled in favor of the Perrys on November 25, 1725, ordering that the Randolph estate pay the Perry estate £2,460 and £10 in court costs. On July 20, 1726, the Lord Justices in Council upheld the decision and the Randolph family was required to repay the debt of a man who had been dead for fifteen years.[140]

Virginia colonists' response to the decision was incensed and unified. The Virginians were appalled that the decision of their highest court was overturned, primarily because evidence from four London merchants suggested that collecting "interest and interest upon interest" was a just and reasonable practice in the transatlantic tobacco trade. In a letter of protest to the king they warned, "…your Majesty's subjects here will be liable to whatever charges and impositions their factors and correspondents in Great Britain think fitt to load them with to the great discouragement of their trade and industry."[141] The zealous tone of their admonishment and representation of their own

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[139] Jacob M. Price, *Perry of London: A Family and Firm on the Seaborne Frontier, 1615-1753,* (Cambridge: Harvard University Press, 1992), 70-71.
[140] Edward Barradall and Sir John Randolph, *Virginia Colonial Decisions: The Reports of by Sir John Randolph and by Edward Barradall of Decisions of the General Court of Virginia, 1728-1741*, ed. R. T. Barton, (Boston: The Boston Book Company, 1909) B22-24.
[141] "America and West Indies: July 1726" in Calendar of State Papers Colonial, America and West Indies, 1726-1727, ed. Cecil Headlam and Arthur Percival Newton (London: His Majesty's Stationery Office,

interests foreshadows the future radical shift of the body from viewing their interests within the frame of Empire to seeing their interests as differing from those of the Empire. However, in the short run, the case led many large planters to believe that their interests conflicted with those of their merchant partners.

This belief was reinforced by the passage of the 1732 "Act for the More Easy Recovery of Debts in His Majesty's Plantations and Colonies in America" in which "houses, lands, negroes, and other hereditaments and real estates," could be used for the "satisfaction of debts."[142] The Act was monumental because under traditional English law the seizure and sale of land could not be used to repay debt. This rule protected not only the debtor, but also his sons who inherited the land, meaning that regardless of a family's solvency, their property would always remain in the family.[143] The rulings and passage of these laws initially seemed like a great victory for the merchants because the issuance of credit now seemed more secure. However, the actions of the British government were a mixed blessing because as one Virginian bitterly warned, "however you may flatter yourselves to bee gainers by that act [referring to debt recovery act] you will find that you have so incensed the Country; that you will force them as soon as convenient to have nothing to do with you."[144] While his warning did not accurately reflect the magnitude of the Act's impact, the point of his assertion was entirely valid.

When one considers that overseers made approximately £25 a year, the Perry victory's magnitude in monetary terms is staggering. However, given the degree to which

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1936), 115-122, http://www.british-history.ac.uk/cal-state-papers/colonial/america-west-indies/vol35/pp115-122.

142 British Parliament, *An Act for the More Easy Recovery of Debts in His Majesty's Plantations and Colonies in America*, (London: John Baskett, 1732).

143 Priest, "Creating an American Property Law", 387-388.

144 Custis, *Letterbook of John Custis IV*, 122.

receiving consignments of tobacco was contingent upon an English firm's reputation for the advancement of planters' interests, it is unclear whether the decision to sue was a positive or negative for the long-term solvency of the firm. William Byrd wrote to Perry and Lane eleven years after the Perry v. Randolph decision was rendered observing, "…alas! Your friends… are fallen off with a general defection. Had you taken the advice which the old councellors gave to Rehonoam, and sooth'd this people with good words, they would have been your servants for ever. But the Israelites were very stout and so are we Virginians."[145] Byrd's admonishment in the form of Biblical allusion refers to the story of Solomon's son, Rehonoam, who rejected the advice of his counselors when they encouraged him to lighten the Israelites' workload saying, "If today you will be a servant to these people and serve them and give them a favorable answer, they will always be your servants."[146] The Israelites responded to Rehonoam's lack of concern for their interests by rebelling and forming a new kingdom. Byrd's allusion implies that the Virginian equivalent of rebellion was transferring their business to a different firm, and that this defection could cause the destruction of the firm. By 1744-45 the firm Perry and Lane had become insolvent and the Chesapeake planters' loss of faith in the firm played a large role in its decline.[147]

The Debt Recovery Act, passed in 1732, limited the risk that debt would go unpaid permanently. However, the time required was significant. A merchant had to sue the indebted planter, receive a verdict, possibly have it appealed, and finally collect on debt though drastic measures that could include the sale of land.[148] The visible costs in

[145] Byrd, *The Correspondence*, 522.
[146] 1 Kings 12:7 (New International Version).
[147] Price, *Perry of London*, 87-88.
[148] Priest, "Creating an American Property Law", 431.

time and court fees, coupled with the invisible costs associated with a damaged reputation for zealously advancing colonial interests, cautioned firms against drastic debt recovery measures. The firms were forced to choose between their short-term liquidity concerns when debt went unpaid and the long-term solvency of their firm if affronted planters ceased consigning tobacco to their firm. In some cases firms responded to these liquidity concerns by pressuring the planters to repay them quickly, but this could alienate the planters.[149] The other alternative was to continue to offer long credits, hoping that a planter's inability to repay his debt would be short-lived and the firm would be able to recoup the debt issued with interest and maintain the planter as a consignee. Thus, the inertia of credit reigned. Firms continued to offer credit after they should have ceased doing so in hopes of recouping the total without bearing the costs of a legal battle.

By the 1760s almost every force in the Atlantic world seemed to work toward the advancement of the consignment trade. The English consignment merchants had effectively created a system in which they marketed luxuries to wealthy, well-respected, and seemingly low-risk consumers. They developed personal relationships with these consigners and worked for the consigners' individual interests by working to find the best price and explaining the circumstances of the market in personalized letters. They provided the seemingly low-risk planters with a wide array of financial services including long credits at reasonable rates. Even when they became concerned about an individual planter's ability to pay his debts, they were loath to press him for repayment fearing he might alter his consignments. The option to sue for debt recovery was also unattractive because such suits typically harmed a merchant firm's reputation for advocacy, were

[149] Richard Corbin to Mr. James Hunter, Sept 10, 1768, Richard Corbin Papers.

costly, and could take years. However, after 1732 the laws for debt recovery strongly favored the interests of English merchants, and this reality provided a logical safety net for English merchants. While they were loath to call in debts, they knew that if they chose to do so the might of the British law and courts were on their side.

III. Cavorting Toward a Crash

The consignment system worked beautifully to advance the British manufactures' interests. The manufacturers sold their goods to the colonies, the planters sold their tobacco to Europeans, and the consignment merchants made money from the exchange. However, it is astonishing how easily credit systems that have operated smoothly for decades can unravel as the fundamental circumstances upon which they are built change slightly. The slight change that shifted the transatlantic consignment trade began in the mid-eighteenth century when overly optimistic hopes for the future and a desire for luxuries seduced the Chesapeake elite. One contemporary observer described the credit situation perfectly when he wrote, "A merchant here may trust planters that are not punctual in their returns and be so far indebted to his tradesmen, as to not be able to answer their regular demands with his own stock. The manufacturer is then distressed, though he seldom meets with a total loss."[150] The writer points out two important features of the trade that perpetuated its existence despite the emergence of a less-risky model. First, the trade was premised on trust between the planters and their consignment firm, and that trust was reinforced by their personal relationship. Thus an alteration of the system typically was interpreted as a betrayal of trust on the behalf of the other party that disrupted the productive transfer of goods. Second, the observer points out that though

[150] Hope, *Letters on Credit*, 11.

the manufacturer might be concerned about the ultimate solvency of the system, "he seldom meets with a total loss." In this observation, John Hope illustrates perfectly how the inefficient consignment system, driven by the inertia of tolerable results, persisted until a shock forced change.

In the 1770s two major crises rocked the tobacco-trading world. The first was the credit crisis of 1772 in which a character of fear replaced the largely hopeful tone that had previously pervaded the system. By 1772, profligacy had come to characterize the market for bills of exchange. As a result, creditors began rejecting them in large quantity, corrupting the traditional system of credit based on trust and maintenance of interest payments.[151] Suddenly, the long credits offered by warehousemen that had been generous for decades began to dry up. The more overly-extended firms were forced to declare bankruptcy in large number. Between 1719 and 1775 the number of London and Bristol firms engaging in the tobacco trade declined by about half, falling from 117 to between 55 and 66 firms. [152] The Glasgow firms were not exempt from the contraction of credit, for they too relied on the warehousemen to provide them with goods on long credits. However, they seem generally to have escaped the harsh contraction relatively unscathed. Surprisingly, the number of Glasgow firms in the trade expanded around the time of the 1772 crisis, rising from 38 firms in 1770 to 46 firms in 1775.[153]

The crisis of 1772 might have been a sufficient catalyst for the decline of the consignment trade and ascendance of the store trade. However, this is hard to establish

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[151] Julian Hoppit, "Financial Crises in Eighteenth-Century England," *The Economic History Review 39* (2008), 54.
[152] Paul G. E. Clemens and Jacob M. Price, "A Revolution in Scale in Overseas Trade: British Firms in the Chesapeake Trade, 1675-1775," *The Journal of Economic History 47* (1987), 24.
[153] Ibid 32

with certainty because a greater shock than the contraction of credit hit the system in 1775 when the American Revolution began at Lexington and Concord. Most Scottish merchants fled the continent and the British blockade of the colonies, coupled with the colonial boycotts of British goods, completely shattered the networks developed during the eighteenth century. To some extent, this ending to the tale of the Chesapeake planters and the merchants of Glasgow and England seems unsatisfying. The post-1772 crisis but pre-war evidence seems to suggest that the more efficient Glasgow system was primed to continue its growth in market share to the detriment of the English consignment system. However, though this outcome seems less likely, it also seems possible that the luxury-oriented consignment trade might have contracted slightly, gained a more sensible credit base, and continued almost indefinitely. These compelling counterfactuals, however seductive, are ultimately unknowable. However, it is clear that intrepid Scottish capitalists took advantage of the inefficiencies of the consignment trade by providing the smaller planters with more diverse trading options and challenging the dominance of the English merchants.

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