

Mercantile Success: A Product of Principal-Agent Trust and Communication  
The Importance of Merchant Correspondence, Fiduciary Relationships, and Management  
in 18th Century British Overseas Trade

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### *Introduction and Historiography*

Britain's trade in the eighteenth century became increasingly global in scale. Merchants and companies were trading in foreign lands across the globe, expanding the presence of Britain's influence as a world power, albeit to different degrees in different geographical areas. Historians P.J. Cain and A.G. Hopkins detail the character of British imperial and economic expansion from the seventeenth through the nineteenth century, a time when "[t]he expanding scale and global reach of international trade encouraged trends towards concentration, and an oligopoly emerged in commerce which matched the oligarchy based on land," yet allowed for the emergence and success of "smaller private traders who had a part to play in advancing the frontiers of commerce beyond bases within the empire or under Britain's control."<sup>1</sup> British commerce was expanding, and its character took on a new, distinctive form – moving away from the standard of large commercial corporations with royal charters and monopolies on their trades and towards smaller, private companies with more dependence on principals and agents conducting trade.

There was ample encouragement of British overseas trade in the first half of the eighteenth century, from textbooks to Parliamentary acts. Merchant manuals and guidebooks were published compilations of the best contemporary British overseas trade practices, and they encouraged the education and commercial competence of merchants. Other commercial encouragement was provided by Parliament's enactment of the Navigation Acts in the late seventeenth century, acts that marked state-sponsored stimulation of export trading. According to economic historian Ralph Davis, these laws,

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<sup>1</sup> P.J. Cain and A.G. Hopkins, "Gentlemanly Capitalism and British Expansion Overseas I. The Old Colonial System," *The Economic History Review* 39:4 (November 1986): 519.

“which were not seriously modified before 1786, gave English merchants and shipowners an almost complete monopoly of trade with the colonies.”<sup>2</sup> The Navigation Acts, along with the protected colonial trade network, allowed exports to surpass “the wildest dreams of legislators [which] were modest when compared with the exuberant growth of the next [eighteenth] century,” as British economic historian Jacob Price claims.<sup>3</sup>

As the eighteenth century began a substantial increase in the volume of British overseas trade took place. Historian Conrad Gill attributes the eighteenth century’s commercial growth to the “freedom to experiment, and to follow up the most promising lines of trade” that British merchants and commercial trading firms had, something he believes was “an important factor in economic progress.”<sup>4</sup> Economic historian Jacob Price details the magnitude of this growth of British trade in the eighteenth century, when “[b]etween 1699-1701 and 1772-1774, English combined imports and exports increased 132 percent while population increased only about 33 percent.”<sup>5</sup> Exports alone “grew by 188 percent [in the] years (1699 to 1774) of very modest population growth.”<sup>6</sup> This growth of British overseas trade was accompanied by an increase in the activities of overseas trading companies, something that demanded an increase in competent merchants to conduct the trade abroad.

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<sup>2</sup> Ralph Davis, “English Foreign Trade, 1700-1774,” *The Economic History Review* 15:2 (1962): 296.

<sup>3</sup> Jacob Price, “What Did Merchants Do? Reflections on British Overseas Trade, 1660-1790,” *The Journal of Economic History* 49:2 (June 1989): 274.

<sup>4</sup> Conrad Gill, *Merchants of the 18th Century* (London: Edward Arnold (Publishers) Ltd., 1961), 11.

<sup>5</sup> Price mentions in a footnote that the data he uses are from the work of other economic historians including Ralph Davis, Henry Hamilton, Mitchel and Phyllis Deane, and Elizabeth Boody Schumpeter. Cited in: Price, “What Did Merchants Do? Reflections on British Overseas Trade, 1660-1790,” 269-270.

<sup>6</sup> Price, “What Did Merchants Do? Reflections on British Overseas Trade, 1660-1790,” 271.

Accompanying the increase in overseas trade was a correlated increase in the responsibilities and expectations of the merchants driving trade. As British trade historian David Hancock articulates,

[a] merchant's expanded commitments required him, at the center, to combine with other merchants in other ports around the globe. And they forced him to improve and raise the level of commercial communication – not only to keep in touch with the collection and distribution networks of existing peripheral areas but also to penetrate those of new ones as he had never done before.<sup>7</sup>

The significant increase in the amount of overseas commerce in the eighteenth century made merchant agents central and indispensable factors to the overall profitability of their commercial ventures. Merchants were responsible for conducting their company's trade abroad, relying on international correspondence from their principals for direction on how to conduct company operations abroad.

The evolution of the role of the international British merchant began in the early eighteenth century, parallel with the transformation of the traditional form of overseas trade into a competitive commercial market of smaller, private trading ventures. As Gill supports with his research, “[t]owards the end of the seventeenth century the old monopolies which had hampered enterprise had largely disappeared, either abolished by statute or defeated by the resistance of the law courts to any action in restraint of trade.”<sup>8</sup> Large, chartered trading companies had lost their competitive advantage of trading networks and monopolies in the eighteenth century. Patrick Crowhurst remarks on the shift in the commercial trading environment, observing that,

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<sup>7</sup> David Hancock, *Citizens of the World* (New York: Cambridge University Press, 1995), 37.

<sup>8</sup> Gill, *Merchants of the 18th Century*, 10.

The chartered companies had been replaced by groups of merchants in London and by the outports who were free to participate in trade without the restrictions of company regulations. They formed associations in the ports and acted as pressure groups influencing government policy. They were led by bonds of interest and marriage.<sup>9</sup>

Private trading companies, often times family-run, established themselves in the eighteenth century as important facets of British trade. The emergence of private ventures was due to the additional trading opportunities for British merchants in the eighteenth century.

There is some disagreement amongst scholars with regard to how much the character of British commercial ventures changed in the eighteenth century, and specifically how many opportunities there were for enterprising men to enter overseas trade. Historian Stanley Chapman finds that the merchant class was a rather small group of commercial elites.<sup>10</sup> Despite the evidence he provides to support his claim that the merchant class should be considered smaller and more concentrated than it sometimes is conceptualized, Chapman concedes that the merchant class was fluid to a certain degree. Especially since “[t]he rapid development of the Atlantic economy through the eighteenth century and the improvements in British manufactures sold in other markets frequently suggested new trading opportunities,” upward mobility was feasible for those men who entered into overseas trading enterprises.<sup>11</sup>

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<sup>9</sup> Patrick Crowhurst, *The Defence of British Trade, 1689-1815*, (Chatham: W & J Mackay Limited, 1977), 44.

<sup>10</sup> Chapman uses statistics from Schumpeter, Davis, and Westerfield to explain how, compared to other sectors of the economy, the merchant class was small and how “for most of the eighteenth century overseas trade was an elite activity because of the large capitals required to enter and continue in the occupation.” Cited in: Stanley Chapman, *Merchant Enterprise in Britain: From the Industrial Revolution to World War I*, (New York: Cambridge University Press, 1992), 27.

<sup>11</sup> Chapman, *Merchant Enterprise in Britain*, 28.

The increased volume of British trade altered the manner in which overseas commerce was conducted between a company principal and his agent. Hancock studies seventeenth and eighteenth century overseas merchant trade practices and how these influenced the success a commercial operation, asserting that, “[a] successful merchant had to manage not just individual transactions but also a portfolio of simultaneous operations, [...] and he increasingly did so under the guise of institutionalized multimember firms and informal consortia of several such firms.”<sup>12</sup> Eighteenth century overseas trade required British merchants to maintain an exceptional mercantile network of their own, as well as it required an informed company correspondence and trust between merchant agents and principals. Communication and trust between company principals and agents allowed overseas commercial ventures to remain well managed and efficient in their trading, despite the growing scale of their operations.

This paper aims to demonstrate how merchants managed international trade and mitigated the problems associated with extensive overseas trading operations in the eighteenth century. First, this paper will look at the broader characteristics of eighteenth century overseas trading companies, grounding the reader in an understanding of the components and requirements for managing overseas commercial companies and trading ventures. Next, the principal-agent problem and its impact on overseas commercial correspondence and trust will be introduced. The third section of this paper will examine merchant manuals and handbooks published in the eighteenth century and the best practice guidelines they championed regarding overseas trade and commercial management. Subsequently, the recurring themes of principal-agent communication and

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<sup>12</sup> Hancock, *Citizens of the World*, 37.

trust will each be briefly discussed. Finally, a study of genuine eighteenth century merchant correspondence is offered to exhibit how merchant practices actually compared to those popularly advocated.

### **Management of Eighteenth Century Overseas Trading Companies**

The organizational structure of overseas British trading companies at the beginning of the eighteenth century was changing, with specialized distinctions being made between the growing commercial roles and responsibilities of men contributing to trading ventures. Thomas Neale commented in the beginning of the century on the changing definition of a merchant, noting, “it often happens that these three distinct persons are involved in one; and he that is Master, is Out-trader, and Owner. Though more commonly they are distinct, and consequently their Offices are so.”<sup>13</sup> The evolution of the roles within British commerce have been extensively studied by historian Ray Bert Westerfield, a scholar of eighteenth century merchants and other ‘middle men’ integral to trade. Westerfield concludes that, in terms of the evolution British of international trade,

during the [eighteenth] century the foreign connections were developed and extended. The merchants began to differentiate, some serving themselves only, others acted as factors and merchants and still others pursued the pure commission house business. The increase of communication and mutual understanding among the merchants, the specialization of commission merchants, and the very variety of merchants all tended to a larger commerce.<sup>14</sup>

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<sup>13</sup> Thomas Neale, *An Abstract of the Sea-Laws, As Established in most Kingdoms of Europe, But more particularly in England and Scotland*, (London: for Isaac Cleave next Serjeants Inn in Chancery-Lane, 1704), *Eighteenth Century Collections Online*, (accessed 4 March 2013), 2.

<sup>14</sup> Ray Bert Westerfield, *Middlemen in English business, particularly between 1660 and 1760*, (New Haven: Yale University Press, 1913), 360.

The expansion of British overseas trade produced new or increased commercial networks and responsibilities, prompting a subsequent specialization of commercial roles. Organizational distinctions made between various merchants of trading ventures allocated responsibilities in order to promote efficiency and consequently ‘enlarge commerce.’ Despite this specialization, merchant agents, principals, and others involved in the company remained, in theory, unified in their mission to deliver profitable returns on commercial ventures.

Broadly speaking, British merchants and mariners in the eighteenth century acknowledged a set of commercial standards that provided a sense of decorum and business ethics to their respective trading networks. The existence of this rather informal ‘code of conduct’ in British overseas trade is a fact that speaks to the increasing importance of proper management in eighteenth century British overseas commercial ventures. As early as 1704, Thomas Neale explained in his *Abstract of Sea-Laws* that:

No Ship sho’d be freighted without a Charter-party written and subscribed, containing both the Master and Merchant, and the Name of the Ship to prevent any doubt that may arise [...]. And this Charter-party, among the Western Merchants and those of the great Ocean, usually is made to perform all things requisite by the Laws of *Oleron*.<sup>15, 16</sup>

Company charters were important contracts that set out the aims of the venture and declared the shared interests of investors and company officials. Combined with traditionally accepted trade standards like the Laws of Oleron, early eighteenth century

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<sup>15</sup> Thomas Neale, *An Abstract of the Sea-Laws*, 17.

<sup>16</sup> The Laws of Oleron, summarized by George Potter, “were published about the year 1150, and relate to the navigation and sale of a ship, the duties of the master and mariners, wreck, freight, salvage, jettison, injuries to cargo, quarrels on board ship, collisions, supplies, stranding, etc., but do not mention the important subject of marine insurance.” They have been the foundation for national and international maritime laws for centuries. George S. Potter, “The Sources, Growth and Development of the Law Maritime,” *The Yale Law Journal*, 11:3 (January 1902), 148.

trading companies inspired the development of a more standard, codified manner of teaching, procuring, and managing trade.

A conflict of interests between a merchant agent and his master or company was not only detrimental to the quality and efficiency of trade, but could negatively impact the profits realized or the international mercantile networks a company had. Game theory economists have concluded that private values are the source for such adverse consequences in principal-agent relations. When “the agent [...] does not care ‘directly’ about the principal’s type or information [e.g. profitable trade],” then the possibility exists that “the agent’s expected payoff is a function only of the principal’s behavior, not of her information.”<sup>17</sup> Considering this generalization in terms of eighteenth century British overseas trade, it can be said that when a company agent did not act in accordance with the common interests of his company then problems occurred in the overall success and profitability of the trading venture.

Conversely, company principals and directors with conflicting interests were equally unfavorable for the integrity and success of trade. A pamphlet from 1707, composed by an anonymous ‘London Merchant,’ articulated the dangers that accompanied conflicting interests within a trading enterprise, using the East-India Company and its directors as an example:

Many of the Directors of the *East-India* Company are Chief Directors in the Bank, and have very great Cashes of their own, besides the Command of the Bank Cash, by giving Notes to one another for incredible Sums, and therefore having such great Estates, and Credit, have different Interests in view; so that the Interest of the Company is not always the Interest of *those Directors*, who, having the Power of Issuing out both Bonds in the *East-India* Company, and Bills in the Bank, (as being Leading Men in

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<sup>17</sup> Eric Maskin and Jean Tirole, “The Principal-Agent Relationship with an Informed Principal: The Case of Private Values,” *Econometrica* 58:2 (March 1990): 381.

both) will unquestionably do it in Favour of their Separate Interest; and that this is so in Fact, many Instances may be given.<sup>18</sup>

Addressing the diverging interests company directors may have had, or developed, from their stakeholders, the ‘London Merchant’s’ example illustrates how conflicts of interest could plague company directors. The temptation to find profits in forms besides governing an honest trade was real, and avoided only when principals could place their loyalty to company interests above their own interests.

### **The Principal/Agent Problem**

Problems between principals and agents have existed and had serious economic implications for centuries. Economists Eric Maskin and Jean Tirole study the historically ubiquitous difficulties of principal-agent relations in their work on the game theory accompanying principal-agent relationships. Maskin and Tirole define the basic fundamentals of a principal-agent partnership, characterizing the economic motives driving each party. Firstly, they present the principal as the one to dictate the terms of partnership while the agent is the unknown variable of the partnership negotiations. Although “[t]he principal offers a contract, [...] the agent decides to accept or reject.”<sup>19</sup> The principal has power in terms of selecting his agent, but ultimately it is his agent’s actions or inactions that determine the subsequent trade. Maskin and Tirole attribute an agent’s decisions to the ‘private information’ he has and his principal does not. As they explain, “[t]he agent has private information about some parameter of his utility function.

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<sup>18</sup> Merchant of London, *The Reasons of the Decay of Trade and Private Credit*, (London: J. Morphew, 1707), 10-11.

<sup>19</sup> Maskin and Tirole, “The Principal-Agent Relationship with an Informed Principal: The Case of Private Values,” 379.

This parameter determines his ‘type.’ The parameter affects the principal’s payoff at least indirectly, since the agent’s type establishes the class of contracts that he will accept.”<sup>20</sup>

Maskin and Tirole suggest that the agent has the upper hand over his principal – possessing the knowledge to explicate his motives for operation that his principal can never really know.

Principal-agent relations in the eighteenth century were strained by the expansion of British overseas trade, with the increased practice of remotely managed trade breeding problems concerning the coordination of commercial operations between company principals in Great Britain and their merchant agents overseas. As Hancock’s thesis submits, “many of the institutions of the commission merchandising system that dominated transatlantic commerce developed organically and early, as attempts to mitigate the principal/agent problem inherent in seventeenth-century long-distance commercially oriented agriculture.”<sup>21</sup> Mercantile success depended on the development of modern trading practices that recognized and corrected any communication or managerial problems.

The ‘principal/agent’ problem was a concern for commercial trade as long as there existed a geographic distance between the company principal and his merchant agent. Historian Stanley Chapman discusses the difficulties of international trade management, remarking, “[s]o long as communication between trading centres continued to be slow and uncertain, the only way in which merchants could repose confidence in

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<sup>20</sup> Maskin and Tirole, “The Principal-Agent Relationship with an Informed Principal: The Case of Private Values,” 379.

<sup>21</sup> David Hancock, “‘A World of Business to Do’: William Freeman and the Foundations of England’s Commercial Empire, 1645-1707,” *The William and Mary Quarterly* 57:1 (January 2000), 6-7.

their correspondents' discretionary decision making was to employ members of their own families, or, failing that, the 'extended family' of co-religionists."<sup>22</sup> Chapman proposes the idea that merchant correspondence was only effective when combined with an established principal-agent trust. The communication of a company principal's direction required a letter's safe international transport to the overseas merchant agent who then was accountable for comprehending and implementing the orders – a lengthy process involving three elements that all had to happen together in order for a principal's bidding to be accomplished. Without an established, confident rapport with his merchant agent, a principal had no certainty that his trade would be carried on as he ordered from abroad.

From the scholarship and primary sources available, it is apparent that a principal in Great Britain had two methods with which to manage his overseas agent: international correspondence and genuinely trusting the competencies of his agent. A fruitful principal-agent relationship was contingent on the principal's respect for and trust in his agent's commercial capabilities, and through regular, effective principal-agent correspondence.

### ***Eighteenth Century British Merchant Manuals and Guidebooks***

The increasing magnitude of overseas trade generated a demand for merchants adept in the processes involved in overseas trading ventures. British overseas trade was booming at the beginning of the eighteenth century, with abundant opportunities for rapid mercantile network expansion into new territories across the globe.<sup>23</sup> Price recognizes an

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<sup>22</sup> Stanley Chapman, *Merchant Enterprise in Britain*, 93.

<sup>23</sup> Historian Stanley Chapman's research leads him to conclude, "[t]he number of merchants was rising [in the eighteenth century], but apparently not nearly so fast as the

important fact, that “the commercial dynamism of the eighteenth century left behind” more than mere trading routes and networks, but the institutions born from these ventures, the “commercial practices and law, commercial education, an improved postal system, to say nothing of the human capital and good will created by the worldwide experience of hundreds, even thousands, of firms.”<sup>24</sup> The abundance and organization of printed resources for the education of company masters, merchant agents, and apprentices is one such consequence of eighteenth century overseas trade.

For an adequately enterprising, ambitious, and intelligent merchant the possibility of commercial prosperity abroad was real. The key to reaping abundant profits from overseas trade was founded in a man’s ability to conduct his mercantile trade in foreign lands. Joshua Gee outlined the commercial environment in the eighteenth century, describing:

the Colonies [...] [as] a Receptacle for young Merchants who have not Stocks of their own; and therefore all our *Plantations* are filled with such who receive the Consignments of their Friends from hence and when they have got a sufficient Stock to trade with, they generally return home, and other young Men take their Places; so that the continual Motion and Intercourse of our People have into the Colonies may be compared to Bees of a Hive, which go out empty, but come back again loaded, by which Means the Foundation of many Families is laid.<sup>25</sup>

Gee’s account of the contemporary overseas trade atmosphere and opportunities demonstrated how a man was able to begin with nothing, accumulate his own commercial

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volume and value of overseas trade.” He finds a disconnect between the increase in trade and the coinciding increase in the number of merchants it involved. Cited in: Chapman, *Merchant Enterprise in Britain*, 22.

<sup>24</sup> Price, “What Did Merchants Do? Reflections on British Overseas Trade, 1660-1790,” 283-284.

<sup>25</sup> Joshua Gee, *The Trade and Navigation of Great-Britain Considered*, (London: Printed by Sam. Buckley, in Amen-Corner, 1729), *The Making of the Modern World*, (accessed 19 February 2013), 100-101.

network, wealth, and eventually return ‘home’ with his fortunes. However, as Gee’s merchant cycle also described, many men flooded the newly available commercial trading opportunities.

Young merchants in the eighteenth century had the opportunity to establish themselves in international trading roles, but those merchants with a credible background of commercial education were the men whom trading companies sought to hire. Having extensively studied eighteenth century British overseas merchants, Westerfield is qualified to summarize the common life cycle of a merchant:

The merchant of the seventeenth and eighteenth centuries gained his foreign experience as supercargo and factor for London principals. The regular course of training consisted of (a) attending a grammar and writing school, (b) serving an apprenticeship to some London merchant, (c) shipping as supercargo, (d) acting as resident factor abroad, and (e) doing private business out of the factory abroad; after which the trained merchant-elect returned to London and set up as merchant to those parts of the world with which he had gained acquaintance.<sup>26</sup>

Most British merchants were educated from an early age in preparation for participating, in some capacity, in the field of commerce. As the century wore on and international trade continued to expand, a mercantile education was more relevant and requisite for men attempting to enter into trade.

Published and comprehensive books containing organized, codified commercial knowledge for the education of young merchants were imperative as the expansion of British trade took place. As one author of such a merchant guidebook suggested,

should a merchant, or his principal clerks on whom he depends, have both leisure and inclination to instruct a young *Gentleman*, they may neither of them always have ability suitable. It is one thing to be capable of carrying

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<sup>26</sup> Ray Bert Westerfield, *Middlemen in English business*, 396.

on a proportion of business in a narrow branch, a very different, to qualify others for any, even the most extensive.<sup>27</sup>

The demands of eighteenth century British overseas trade left active merchants too busy to personally attend to their merchant apprentices. Thus, merchant manuals and guidebooks filled a critical void in the formative process of young merchants. Merchant manuals and guidebooks in the eighteenth century aimed to educate the next generation of merchants as well as to inform all merchants about the best trade and mercantile practices of contemporary overseas commerce.

Publications offering instruction on all aspects of commercial trade were themselves not a new development, but the increasingly important role of international commerce in the eighteenth century was. A considerable number of educational tracts on merchant practices had been published by the mid-eighteenth century. To demonstrate how many of these publications were available, scholar Julian Hoppit provides insight into Joseph Massie's contemporary collection of eighteenth century 'commercial knowledge' texts – a library of 2,418 titles compiled in just over a decade.<sup>28</sup> Massie's collection exemplified the overall eighteenth century movement to organize and codify commercial knowledge and proper mercantile practices. Edward Hatton, Martin Clare, and Malachy Postlethwayt were three particularly notable authors of merchant guides. Writing at different times throughout the first half of the eighteenth century, each of these authors found similar qualities important for merchants and merchant trade practices,

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<sup>27</sup> Malachy Postlethwayt, *The British Mercantile Academy: Or the Accomplished Merchant*, (London: 1750), *The Making Of The Modern World*, (accessed 19 February 2013), 7.

<sup>28</sup> Hoppit explains how Massie started his collection in 1748, adding a wide array of all texts related to commerce and its management to this collection for nearly twelve years. Cited in: Julian Hoppit, "The Contexts and Contours of British Economic Literature, 1660-1760," *The Historical Journal* 49:1 (March 2006), 84.

including the importance of principal-agent correspondence and an established principal-agent trust in the success of overseas trading ventures.

Publishing *The Merchant's Magazine: or Trades Man's Treasury* in 1719, Edward Hatton provided a detailed textbook for his merchant audience. He explained in depth many of the topics required every day in mercantile operations, educating his readers on arithmetic, coinage, weights and other measures, exchanges, and even including instructions and examples for how to organize a proper merchant's ledger. Hatton's 'how-to' guide comprehensively demonstrates of how to compose a bill of lading, providing a complete example of a bill of lading text with space for his merchant audience to enter their own information.<sup>29</sup> A dictionary of commercial terms concludes Hatton's guidebook, offering a final, convenient point of reference for the mercantile jargon his readers would need to know. Throughout *The Merchant's Magazine*, Hatton covered a multitude of subjects all relating in some way to trade – on both the master and the merchant side of trade. Delving into explanations of each individual topic, *The Merchant's Magazine* strove to equip readers with a proficient knowledge of every topic involved in eighteenth century trade.

In the second half of the eighteenth century, Martin Clare's 1727 *Youth's Introduction to Trade* was published as a culmination of the best British merchant trade practices into one pedagogic volume. The *Youth's Introduction* was written for the merchant and his apprentice, two men central to the trading process. Clare's text is similar to *The Merchant Magazine* in its delineation of the best practices of merchant

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<sup>29</sup> The complete bill of lading model text is found on pages 259 through 260 in Hatton's work. Cited in: Edward Hatton, *The Merchant's Magazine: or Trades Man's Treasury*, (London: for C. Coningsby, 1719), *The Making Of The Modern World*, (accessed 19 February 2013), 259-260.

trade and how a man could adopt those practices in his own daily business pursuits. However, *Youth's Introduction to Trade* differs from Hatton's guide because it was intended to inform specifically young merchant apprentices and new merchants how to efficiently and prosperously conduct their trade. Clare includes several sections covering the many aspects of a young merchant's responsibilities, from how to appropriately correspond with other merchants and people from other parts of business or society to providing guidelines for drawing up business documents.<sup>30</sup> *Youth's Introduction to Trade* also includes a wide array of 'Recreations,' which are "intersperse[d] little Exercises, partly in the Way of Business, partly of Amusement and Information, to exemplify and apply what they [young merchants] more methodically learn."<sup>31</sup> All of the information Clare included in his publication was designed to ensure his audience of young merchants was educated on contemporary mercantile standards, capable of conducting themselves in important, everyday commercial situations.

Postlethwayt's *The British Mercantile Academy: Or the Accomplished Merchant*, published in 1750, is another merchant manual that attempted to create a comprehensive volume of proper commercial practices. The knowledge of foreign exchange, duties, and customs, adept negotiation skills, and overall inherently fair judgement of trade were all

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<sup>30</sup> Clare's "Directions for Superscriptions" chapter provides examples of how his young merchant audience should address their correspondences to important people (e.g. Parliament, the Royal Family). He includes this section because of his personal experience, "[h]aving observed the Mistakes young Persons are liable to, for Want of an Opportunity of informing themselves of the Stile and Title due to Persons in Office, and those of elevated Rank and Fortune, it cannot be improper, in this Place, to shew the fitting Directions and Address to Persons of Distinction; the chief of which being known, the rest will be attained without much Difficulty." Cited in: Martin Clare, *Youth's Introduction to Trade*, (London: for E. Symon, 1769), *The Making of the Modern World*, (accessed 19 February 2013), 9.

<sup>31</sup> Clare, *Youth's Introduction to Trade*, 1.

competencies Postlethwayt championed.<sup>32</sup> What set *The British Mercantile Academy* apart in comparison to other eighteenth century merchant manuals and guidebooks was how it addressed a subject the previously mentioned books by Hatton and Clare did not regard: the characteristics of successful and unsuccessful merchants. Postlethwayt understood a successful merchant as someone well-versed and capable of conducting all matters involved in overseas trade, while the unsuccessful merchant was a man, “destitute of [commercial knowledge], and talents to apply it to the most beneficial purposes in every shape, [who] can never hope to reap any considerable advantages from his profession, or sustain the character he bears with any sort of dignity.”<sup>33</sup> The successful merchant for Postlethwayt was someone who had completed a rigorous and comprehensive mercantile education and could thus proficiently maintain his merchant network.

### *Principal-Agent Correspondence*

Principal-agent communication was undeniably important eighteenth century commercial, an argument this paper espouses. A merchant’s success was heavily

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<sup>32</sup> Malachy Postlethwayt argues for merchants to stay informed on pertinent international trading information, questioning the quality of trade a merchant can manage, for “without knowledge of the *duties, imposts, subsidies, drawbacks, bounties*, and all other charges and allowances at home, and abroad, to which trade is subject, it is possible any previous calculate can be made, whether an adventure will turn to account or not? If the merchant be not thoroughly skilled in *foreign monies*, and *exchanges*, as also in *foreign weights*, and measures, and the methods of reducing those of one nation, reciprocally into those of others, how shall he be able to judge of foreign *invoices*, and *accounts of sales*? And if he be not perfectly acquainted with the arts of *arbitrating* and the *foreign exchanges* with demonstrative accuracy, he cannot embrace those daily advantages, by the negotiation of them, which their perpetual fluctuation affords: nor is a knowledge in the *intrinsic* value of foreign specie less necessary than in the *extrinsic* par of exchange.” Postlethwayt, *The British Mercantile Academy*, 5.

<sup>33</sup> Postlethwayt, *The British Mercantile Academy*, 5.

dependent on his ability to correspond both with his commercial network in the foreign land he was trading as well as with his managing principal and company office in Great Britain. Daniel Defoe's 1730 definition of a merchant illustrated him as an intermediary man of trade, who:

moves in another Sphere; and he being a Man of Correspondence, besides his own Adventure, receives Commissions from Abroad to buy such and such Goods, and good Remittances by Bills to pay for them, then he ships them according to Order, sends his Invoyses and Bills of Loading by the Post; and there's his Circle finish'd.<sup>34</sup>

The role of an eighteenth century British merchant agent was, based on the representations presented by Defoe and the authors of merchant practice publications, to possess, among other skills, a proficiency in developing and maintaining communications with a commercial network.

The eighteenth century overseas merchant agent was responsible for maintaining transatlantic relationships, cultivating commercial opportunities, and reaping the benefits of trade. Kenneth Morgan, a historian of the eighteenth century West Indies slave trade, explains the central function of a merchant agent, noting that “[f]actors and correspondents in the colonies (‘the periphery’) negotiated terms of payment with colonial merchants and factors, and these businessmen liaised and renegotiated remittances with merchant principals in the metropolis (‘the core’).”<sup>35</sup> Another historian to offer insight on the role of a merchant agent is Westerfield, who posits the idea that, “the very success of a merchant hinged upon his ability as a ‘commercant,’ i.e., his ability to develop connections, relations, organizations and dependencies in the empire of

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<sup>34</sup> Daniel Defoe, *A Plan of the English Commerce*, (London: 1730), Preface iv.

<sup>35</sup> Kenneth Morgan, “Remittance Procedures in the Eighteenth-Century British Slave Trade,” *The Business History Review* 79:4 (Winter 2005), 718.

business”<sup>36</sup> Overall, it appears that merchant agents acted as company intermediaries between principals at home and factors abroad. Thus, the trade conducted by eighteenth century merchant principals and agents both relied entirely on their commercial correspondence and ability to conduct profitable commercial negotiations.

The importance of principal-agent correspondence is supported by eighteenth century merchant guidebooks. Hatton offers a key rule in *The Merchant Magazine*, that,

[b]esides these Books [e.g. ledgers, log of invoices], the merchant ought to have a Book, wherein to Enter a Copy of all Letters he sendeth or receiveth upon Account of Trade: Also, A Pocket-Book, to take the Minutes of what Business he does Abroad, for the Ease of Memory, and to avoid Error.<sup>37</sup>

Although *The Merchant Magazine* offers a substantial amount of information relating to commercial math and foreign exchange measurements and processes, Hatton still dedicated a portion of his text – albeit not as large a portion as some other eighteenth century authors – to the education and encouragement of adept merchant management. He emphasized the significance of trade letters and their organization as a part of the overall process of maintaining a successful overseas commercial venture.

Differing from Hatton’s arithmetic-heavy instruction, Clare focused on preparing merchants to interact with the people and problems involved in overseas trade. *Youth’s Introduction to Trade* provided pages of lessons on how to competently conduct correspondence and manage overseas trading ventures. Through this educational publication, Clare offered mercantile instruction in a manner that proactively addressed the principal-agent problem that often appeared in eighteenth century overseas trade and

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<sup>36</sup> Westerfield, *Middlemen in English business, particularly between 1660 and 1760*, 350.

<sup>37</sup> Hatton, *The Merchant’s Magazine*, 163.

communication. Clare recognized correspondence as a crucial part of the overall practice of trade, stating that,

[w]riting must always be regarded as an essential Part of every Day's Employment; because the free and Clerk-like Manner of Writing, fit for the dextrous Dispatch of Business, is not attainable by speculative Notions, or on a sudden, but by Practice gradually, under the Direction of an able Master; nor can any other Means be depended on, to make the Hand easy, bold, and masterly.<sup>38</sup>

Clare made the statement outright that the quality of merchant correspondence – not only in terms of what was being communicated, but also how it was physically written – was an ‘essential part of every day’s employment.’ Principal-agent communications were undeniably central to the successful management of overseas trading ventures.

### **Principal-Agent Trust**

The role of trust in overseas trade was substantial, especially considering the amount of autonomy merchant agents possessed in terms of their responsibility to govern company cargoes. The trust that existed between a merchant principal and his overseas agent was equally as important as a merchant agent well-disciplined in communicating his progress. Maskin and Tirole present an idea of ‘common values’ shared between a principal and agent, which tend to develop in “the cases where the agent cares [...] about the principal’s type or information.”<sup>39</sup> When a merchant agent had aligned interests with his principal and company’s trading venture, caring about the same ‘information,’ then a

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<sup>38</sup> Clare, *Youth's Introduction to Trade*, v.

<sup>39</sup> Maskin and Tirole, “The Principal-Agent Relationship with an Informed Principal: The Case of Private Values,” 381.

mutual sense of trust and cooperation was established in the principal-agent relationship. Without that, doubts could arise regarding the true economic motivations of either party.

A merchant principal's confidence in the timely, reciprocal correspondence from his agent was another vital aspect of eighteenth century overseas trade. Martin Clare informed young merchants and merchant-apprentices of the fundamental importance of communicating with remote principals, advising his readers,

Nor ought the Correspondent, on the Receipt of Letters, to be less punctual in answering every Article therein refered to him; to each Particular whereof he is to reply distinctly and directly. Nothing must be omitted by him, or left in Suspence, lest the Correspondence should suffer for want of proper Intelligence.<sup>40</sup>

Punctuality in response time was important, as emphasized by Clare, in maintaining an adequately informed principal-agent correspondence. Commercial communication was integral to trade, being virtually the sole vehicle a principal could employ to direct his company's operations abroad. Conrad Gill expresses the dependency that existed between principals and their overseas agents, for, "[a]s long as a ship was at sea responsibility lay with the officers and supercargoes, and only occasional letters kept the husband and owners informed of the progress of their venture."<sup>41</sup> Hence, an agent's correspondence was one of the only ways a principal could be updated on the progress of his company's ventures. In the time between correspondences, principals had to trust their agents were appropriately conducting the company's trade.

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<sup>40</sup> Clare, *Youth's Introduction to Trade*, 92.

<sup>41</sup> Gill, *Merchants of the 18<sup>th</sup> Century*, 70-71.

*Merchant Correspondence: A West Indies Case Study*

The significance of correspondence and trust in the relationship between merchant principals and agents in commercial ventures is demonstrated by an analysis of eighteenth century principal-agent communications. Here, a case study is offered of merchant correspondences from the letters of trade principal Richard Meyler to one of his West Indian merchant agents, William Wells. Meyler was one of many British merchants trading to the West Indies, a geographic area that made significant economic contributions to the development and increase of British commerce.<sup>42</sup> This paper's examination of the Bright-Meyler Company's trade correspondence in the West Indies particularly aims to provide a lens for considering and making broader historical claims about the changes in principal-agent communications and trade practices over the course of the first half of the eighteenth century.

The correspondences this paper will examine are all from the 1730s, a time period overlapping with the previously analyzed mercantile educational publications. The Meyler communications serve as tangible representations of how British merchants applied the contemporary mercantile best practices detailed by merchant guidebooks and manuals. By examining the correspondence of principal and company owner Richard Meyler of Bristol to his overseas merchant agent in the West Indies, principal-agent

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<sup>42</sup> Caribbean slave population data compiled by Eltis, Lewis, and Richardson (and originally produced by McCusker, Stein, Schnakenbourg, and Engerman and Higman) shows a total slave population increase of over 122% from 1670 to 1700, and another increase of over 300% from 1700 to 1750. The growth in the slave population was due to increased demand by Caribbean plantation owners for more plantation labor, thus driving an increase in the slave trade. Therefore, data on the slave population can be used to demonstrate the overall increases in Caribbean trades. Cited in: David Eltis, Frank D. Lewis, and David Richardson, "Slave Prices, the African Slave Trade, and Productivity in the Caribbean, 1674-1807," *The Economic History Review* 58:4 (November 2005), 690.

relations and the common priorities and concerns of British company principals can be broadly observed and discussed. Compiled by Kenneth Morgan into one volume, *The Bright-Meyler Papers: A Bristol-West India Connection 1732-1837* is a collection of merchant letters historically significant in their,

[illustration of] the changing social status of those venturing into the Caribbean, with particular reference to the growth of gentility over time. They emphasise the need for certain personal behavioural traits as the means to acquiring these ends. [...] The conduct of foreign trade before the advent of modern communications depended on personal probity, character and reputation because transactions were carried out in a face-to-face setting and through correspondence with people with whom one had little or no personal dealings.<sup>43</sup>

The Bright-Meyler company correspondences shed light on the state of merchant communication, management, relations with agents, and general commercial practices, allowing for the analysis and recognition of patterns in principal-agent communications.

Upon examination, the best practices of commercial conduct and management championed in eighteenth century merchant manuals and guidebooks are exhibited in Richard Meyler's letters. The succinct format of his letters demonstrates the application of the type of mercantile advice Martin Clare offered in his merchant handbook, *Youth's Introduction to Trade*. Clare suggested that in order to successfully communicate commercial matters,

A Tradesman's Letters should be plain, concise, and to the Purpose; free from quaint or studied Expressions; always pertinent, and conceived in so clear Terms, as may neither give his Reader Hesitation or Doubt. And, as there ought to be nothing obscure or superfluous in them, so ought they to have no affected Abbreviations; for these will often make them ambiguous, or too generally expressed.<sup>44</sup>

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<sup>43</sup> Kenneth Morgan, ed., *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, (Oxford: The British Academy by Oxford University Press, 2007), 79-80.

<sup>44</sup> Clare, *Youth's Introduction to Trade*, 92.

Additionally, Clare mentions the importance for:

[a]ll Orders, Commissions, and material Circumstances of Trade, are to be plainly and explicitly delivered; nothing should be presumed, understood, or implied [and y]our Correspondent is to be expressly told, what you would have done on his Part, and what he may depend on yours.<sup>45</sup>

All of Meyler's letters followed a similar format, never more than four to five paragraphs of two to three sentences each – the contents of which this paper will discuss. A concise, clear, yet thorough correspondence contributed, in Clare's theory and in Meyler's practice, to the successful communication of commercial orders abroad.

Each of Richard Meyler's letters began with an update on the overall status of the company's trade. The type of information Meyler found pertinent to share with his transatlantic merchant agent included the news that the company in early March 1732 was "forced to rip up the *Marlborough* & that we [the Bright-Meyler Company] were building a new ship in order to use the Leeward Islands trade."<sup>46</sup> This would be important information for an overseas merchant in the West Indies to know, considering how intricately entwined Caribbean trade was. "Successful trading depended on inter-island [West Indies] commerce," as Patrick Crowhurst explains, because "[m]erchants had to sail from island to island to make up their cargoes, for a glut or crop failure at one island was seldom if ever general. [...]."<sup>47</sup> The interconnectivity of West Indies commerce meant Meyler's agent's trade and trading network would have been impacted by the addition of another Bright-Meyler Company ship.

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<sup>45</sup> Clare, *Youth's Introduction to Trade*, 92.

<sup>46</sup> Richard Meyler, letter to William Wells, 3 March 1732, in *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, ed. Kenneth Morgan (Oxford: The British Academy by Oxford University Press, 2007), 155.

<sup>47</sup> Crowhurst, *The Defence of British Trade, 1689-1815*, 178.

In another letter dated December 1732, Meyler wrote to the same agent in St. Kitts to provide information on the market conditions for sugar. This letter aimed “to let [him, the merchant agent] know twill be impossible to trade without profit and twill not be reasonable to expect that except can package [the Bright-Meyler Company’s] sugar without such extravagant charges as the factors charge [the company].”<sup>48</sup> By furnishing the merchant agent with current and accurate information on sugar prices, the Meyler was providing the information his agent needed in order to use his own commercial judgement and make the most profitable cargo. These two examples both demonstrate how a principal-agent communication based in mutual trust enabled both parties to practice their respective trades effectively.

After a general economic overview, Meyler would then articulate the terms of his orders, if there were any changes to his previous instructions, or if he had options for his agent to consider – in light of his agent’s first-hand knowledge of the West Indies market – and decide independently. In his previously mentioned March 1732 correspondence, Meyler commented, rather than inquired outright, on instructions he had previously conveyed to his agent. He remarked, “I hope long ere this you have disposed with my effects and I desire you ship me the produce on some good ship if possible in cotton.”<sup>49</sup> The tone of the letter was formal rather than necessarily demanding anything of his agent, and Meyler acknowledged the autonomy that naturally accompanied, to a certain extent,

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<sup>48</sup> Richard Meyler, letter to William Wells, December 1732, in *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, ed. Kenneth Morgan (Oxford: The British Academy by Oxford University Press, 2007), 156.

<sup>49</sup> Richard Meyler, letter to William Wells, 3 March 1732, in *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, ed. Kenneth Morgan (Oxford: The British Academy by Oxford University Press, 2007), 155.

overseas commercial trade when he ‘hoped’ and ‘desired [...] if possible’ with regards to his commercial bidding.

Overseas merchant agents possessed a considerable amount of autonomy in terms of their responsibility to govern their own cargoes and trade network, a fact that made principal-agent correspondence and trust increasingly important to the management of a trading company. Beyond being able to send commercial orders to his merchant agent via post, a principal largely relied on his trusted merchant agent to conduct the company’s trade properly and profitably. A letter from Richard Meyler dated May 1733 displayed this type of principal-agent trust, with Meyler writing to his agent:

I doubt not but she may be with you before the middle of September.  
Twill be very great loss to have her lye there for freight till following crop.  
We judge you may persuade your friends to make a reserve of their sugar,  
now you know of her coming. The greater the dispatch the more twill  
oblidge sir your most humble servant.<sup>50</sup>

Meyler indicated his reliance on his agent’s commercial network when he suggested the agent call in his connections and “persuade [his] friends to make a reserve of their sugar” to benefit the Bright-Meyler Company trade. The autonomy Meyler’s agent had to create and maintain his own network was ultimately what profitably benefited the company. This example demonstrates how, when a merchant principal trusted the competence and interests of his merchant agent, a successful trading venture was possible.

Finally, Meyler concluded his correspondences with a parting note and a request for continued reports of his agent’s progress overseas. In a March 1732 letter, Meyler expressed his anticipation for reciprocal correspondence, writing: “I expect a line per first

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<sup>50</sup> Richard Meyler, letter to William Wells, 3 May 1733, in *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, ed. Kenneth Morgan (Oxford: The British Academy by Oxford University Press, 2007), 157.

ship in answer to what we formerly wrote you which will much oblige.”<sup>51</sup> Cordial yet concise, authoritative yet encouraging, Meyler’s correspondence with his West Indies merchant agent thoroughly demonstrated the commercial best practices of the eighteenth century.

### Conclusion

In the eighteenth century, British overseas commerce experienced a shift in character. Peripheral markets emerged as the British Empire expanded, leading to an increase in commercial opportunities. Small merchant trading enterprises with the financial and human capital to venture into new markets took advantage of the increase in overseas trade prospects. Those private ventures broke down the characteristic monopolies of seventeenth century royally chartered, joint-stock companies. By employing well-educated, well-trusted young merchants to be their agents abroad, small private firms were better able to mitigate the principal-agent problem of divergent financial interests and motives between company merchants.

Merchants of the eighteenth century had an increased importance in their role within the company. The British overseas merchant was the liaison between company principals and international trade accounts, acting as the foundation of trading networks. In private companies, relationships between principals and agents were fostered through establishing mutual trust and encouraging merchant correspondences, as the Meyler

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<sup>51</sup> Richard Meyler, letter to William Wells, 3 March 1732, in *The Bright-Meyler Papers: A Bristol-West India Connection, 1732-1837*, ed. Kenneth Morgan (Oxford: The British Academy by Oxford University Press, 2007), 155.

correspondence example demonstrated. As Postlethwayt remarked in his own commercial guidebook:

As trade can only be carried on by an epistolary correspondence, a good mercantile stile may, perhaps, be as necessary a part in the education of the merchant, as any thing else. Thousands, in foreign trade, correspond, for many years, without ever seeing one another; but they can see the intelligent man of business as thoroughly by his letters as by his conversation; and sometimes better indeed; for many may get the light knack of prating, who are not able to write a correct and pertinent letter of business.<sup>52</sup>

It was imperative, according to Postlethwayt and many others, that a merchant be able to conduct himself and his business effectively through long-distance correspondence. A merchant's ability to conduct himself, his trade, and his network through long-distance correspondence in the expansive opportunities of eighteenth century British overseas trade defined his and his company's ability to realize commercial success.

Mercantile correspondence, particularly between company principals and agents, was the determinant of the quality of trade that a company could conduct. What is more, the commercial knowledge possessed by a merchant was the determinant of the quality of correspondence he could conduct. The vast quantity of merchant manuals and other commercial publications that emerged in the eighteenth century indicated the increased importance of educating merchants to trade and communicate efficiently and successfully in increasingly competitive overseas commerce. Principal-agent relations, trust, and correspondence underpinned the development of a more modernized, codified – in terms of publications on mercantile practices – and profitable eighteenth century British overseas trade.

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<sup>52</sup> Postlethwayt, *The British Mercantile Academy*, 21.

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