THE ORGANIZATION OF BUSINESS IN COLONIAL PHILADELPHIA

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The key figure in the British business world of the eighteenth century was the exporting and importing merchant, whose significant position was in sharp contrast to that of other agents in the economy of the age. At the one end of the business system were the manufacturers, small-scale producers dependent on the merchants for markets and often for capital. At the other were the retailers, operating on an even smaller scale than were the manufacturers and relying on the merchants for the credit which enabled them to secure the goods they marketed. Between the two lay the wide domain of the merchant. The functions which he performed therein included such important phases of production and distribution as supplying capital, assuming marketing risks, and opening new markets in distant parts of the Empire. He might be at once shipowner, banker, and insurance underwriter; often he served others as well as himself in these capacities. While he usually acted as a wholesaler, he occasionally turned retailer. All these varied operations he performed in the confines of his own countinghouse, utilizing as the occasion arose the services of agents scattered throughout the trading world. The discussion which follows is an analysis of the business mechanism which the Philadelphia representatives of this important group used and in a measure helped to create.

Partnerships and single proprietorships rather than stock companies were the prevailing forms of business organization in
Merchants and others starting new firms would probably give considerable attention to the relative merits of these two dominant forms, although transition from one to the other was comparatively easy and not infrequent in the history of an establishment. A partnership had the advantage of doubling the amount of invested capital, for generally each member contributed in equal amounts. On the other hand, a disadvantage arose from the fact that one unscrupulous or irresponsible partner could ruin the other, for then, as now, each member of a partnership was unlimitedly liable for the commitments of the firm. Partnerships as such could incur debts, grant credit, and buy and sell. A partnership was made for a specific number of years, ordinarily from two to seven. On the expiration of the stipulated period either partner had the right to withdraw without the consent of the other. Upon dissolution all debts were called in, the remaining stock was sold, and a division of the assets was made according to the share each individual had in the business.

Family relationships frequently furnished a basis for the formation of partnerships. A merchant was apt to be more disposed to make a partner of one of his kin than to take in an outsider. Many of the most prominent firms in Philadelphia were based on family connections. The elder Willing and his son Thomas were associated in business together until the death of the former. Samuel Coates of the firm of Reynell and Coates was the nephew and adopted son of John Reynell, and it is an interesting indication

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1 The "Free Society of Traders," which existed from 1682 to 1722/23, is said to have been the only corporation erected in Pennsylvania for trading purposes. It was interested also in real estate. S. E. Baldwin, "American Business Corporations before 1789," American Historical Review, vol. VIII, p. 455. This statement is corroborated by J. S. Davis, who says, "Corporate privileges for business purposes were so uncommon in the colonies that without fairly definite and reliable data the presumption must be against their existence." J. S. Davis, Essays in the Earlier History of American Corporations, vol. I, p. 91.

2 The amount of capital originally invested in a merchant's business is somewhat indicated as follows. At the start of business Charles, Samuel, and Isaac Norris invested equal amounts to make up a total stock of £5332/32. Norris Ledger, 1735-1750. Each member of the firm of Jones and Wister invested £2169/15 to make up their original capital stock. Jones and Wister Daybook A, 1759-1761. Two years after starting in business John Reynell informed Michael Lee Dicker that he had invested £500 in an adventure to the West Indies which he stated was "only a quarter of what I am worth." Reynell Letter Book, September 25, 1731.


4 Heaton, Economic History of Europe, p. 355.
of the strength of family ties that Reynell operated without a partner from 1729 until 1771, when he took in Coates. At one time there were three members of the Norris family associated in the same establishment. If a close relative was not available, an especially promising young man who had gained experience with the firm might be brought in. This was the case of Robert Morris, who after serving as apprentice and supercargo for the Willings was made a partner in 1757.

A project which was especially appealing but involved considerable risk would sometimes cause merchants to transcend single proprietorship or partnership lines to take recourse to an older form of organization, the joint venture. By this device ten or a dozen firms could by contributing small amounts of capital charter a vessel and send a stock of goods to some distant market without a great deal of risk for anyone concerned. Such associations were temporary and were dissolved when the specific venture at hand had been consummated, although they were sometimes renewed at a later time for similar purposes. The interest with which ventures of this nature were followed leaves one with the impression that commerce had not yet outlived its adventurous earlier days.

The system of numerous independent enterprises organized as partnerships and single proprietorships tended to place a premium upon individual initiative. Under this circumstance it was to be expected that prices and the number of establishments would be sensitive to changing supply and demand factors. There was a tendency for the number of firms to mushroom during boom times and to contract sharply when conditions were depressed. Competition may be the life of trade, but the possibility of ruinous competition was not looked upon with equanimity by merchants already in the field. In the absence of other protective controls these established merchants felt compelled to resort to indirect means of preventing trade from getting into "too many

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8 A cargo of provisions sent to Newfoundland in 1757 was valued at £1721/2/8 and owned in the following proportions:

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
<th>Name</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Evan Morgan</td>
<td>£100</td>
<td>John Groves</td>
<td>100</td>
</tr>
<tr>
<td>William Bard</td>
<td>£300</td>
<td>James and Drinker</td>
<td>210/11/4</td>
</tr>
<tr>
<td>Robert Field</td>
<td>250</td>
<td>William Lightfoot</td>
<td>210/11/4</td>
</tr>
<tr>
<td>John Sibbald</td>
<td>250</td>
<td>John Biddle</td>
<td>150</td>
</tr>
<tr>
<td>John Baynton</td>
<td>150</td>
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*James and Drinker Letter Book, September 1, 1757.*
hands," as they so frequently put it. Among the most important expedients was control of training facilities, for the typical merchant, unless he had been favored in his youth with wealth and position, could look back upon the days when he had served as apprentice and supercargo. Another was their influence with the British merchants who supplied them with goods.

An apprentice in the service of a merchant was apt to be either the merchant's own son or the son of a business acquaintance in England or the colonies. If the youth was not a personal acquaintance or a relative, his character was carefully investigated before he was accepted. Once approved he was commonly taken into the merchant's own home, the merchant thereby making himself responsible for the lad's conduct as well as his training. For assuming these obligations the merchant was in most cases well paid, even though the services the apprentice was capable of rendering might be considered sufficient or at least partial payment. James and Drinker, when refusing as an apprentice a boy whom Neate and Pigou of London were recommending, stated that "the merchants of this place do their business either by apprentices with whom they have handsome fees or clerks well versed in Bookkeeping and Business so that there is no likelihood notwithstanding his willingness and endeavors to obtain employ to answer any other purposes."6

After the period of apprenticeship the embryo merchant gained additional experience, began the accumulation of a stock of capital, and perhaps satisfied a feeling of wanderlust by serving his firm and others in the capacity of supercargo. Once he became a full-fledged merchant, the opportunity to see distant places and become directly acquainted with their markets was considerably lessened. A merchant with many ventures to different places under his direction simultaneously could not afford to expend his time and energy by personally following any one of them.7 Experience

6 James and Drinker Letter Book, November 29, 1762.
7 After becoming a merchant John Reynell personally followed an adventure to the West Indies. For doing so he was reprimanded by his principal, Michael Lee Dicker, who feared that his interests would suffer despite the fact that Reynell had left them to be managed by another person for half commissions. Reynell Letter Book, September 27, 1732. Other letter books show that it was only rarely that a merchant made a trip abroad.
as a supercargo was equally valuable but of a different nature from that as an apprentice. The apprentice learned to keep accounts, write proper business letters, and take care of routine tasks. The supercargo was entrusted by his employer with an order of goods and expected to dispose of it to advantage. To do this he had to acquire a knowledge of markets of and means of making remittances, which he could use later in his own interests. The supercargo who carefully invested the commissions he received for buying and selling on his employer’s account was able in a few years to settle down as a resident factor or merchant. Because their activities were largely in the island markets, many stayed in the West Indies for a time before moving back to Philadelphia, and some remained there permanently. Those who established permanent residence commonly continued to do a commission business for their old principals and other Philadelphia firms.  

In some instances, particularly when business was flourishing, retailers and even people with no business background whatsoever entered immediately upon a mercantile career. Their number was probably small, however, in comparison with that of those who had received their training in the orthodox manner. Established merchants looked upon retailers as legitimate customers who occupied a distinctly subordinate economic position, regarding with disfavor any attempt on the part of their English correspondents to sell them in wholesale lots and at wholesale prices. Illustrative of this view is the sharp warning not to sell to a retailer on credit given by James and Drinker to the firm of Neate and Pigou: “We have no objection to your serving S Crouthers provided he send Remittances with his order, and on other terms we think you will be wrong to serve him, as what we have from time to time ordered for him we have been induced to do merely to prevent your doing his business on other terms, which we conceive would end to your prejudice with your best customers, not but what we esteem him an Honest Man and one to whom we give credit, but

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8 Robert Morris, later of the firm of Willing and Morris, considered forming a partnership in Jamaica after traveling for the above firm as supercargo. He was dissuaded from doing so by Thomas Willing. *Willing and Morris Letter Book*, March 2, October 30, 1756. David Fogo, a former supercargo of John Reynell, wrote, “I intend to Settle here [Antigua] as a piece of a factor for those of North America that may please to employ me.” Fogo continued to receive orders from Reynell after establishing his own firm. *Reynell In Letters*, January 14, 1754.
he is only a Retailer.”

One can imagine the local merchants informally discussing at the London Coffee House such means of controlling the number of their competitors.

The beginning merchant probably found it most advantageous to function solely as a factor—that is, derive his income from commissions received for selling goods belonging to someone else. By being satisfied with the profits secured in this manner, which were smaller than in the case of outright purchases, he was able to conserve capital and avoid the risks of bad debts and unprofitable sales to which he would otherwise be liable, and then, as experience and capital increased, he could with greater safety make the transition to merchant purchasing on his own account. John Reynell affords a good example of one who started in this manner. Reynell made his first sales entirely on goods consigned to him by his cousin, Michael Lee Dicker of Exon, England. In 1735 he was still satisfied with an income based on commissions. Six years later he was selling partly on commissions and partly on his own account, and by 1744 he had apparently departed from the commission business to such an extent that his principal, Dicker, who sold solely on this basis, considered severing business relations with him.

It would be a mistake, however, to consider the commission business solely as an expedient for young merchants with little experience and capital. Wealthy and well-established firms in both England and America engaged in factoring, and the typical Philadelphia merchant had on his shelves at the same time identical goods some of which were held on sale for his own account and some for which the title reposed in his over-sea correspondent. Despite the aforementioned shift in the nature of his business John Reynell as late as 1750 was receiving consignments from William Hillary of England and had been told by Samuel Mellor, also of England, that “he should not disdain selling on commissions for the richest merchants in Britain do it frequently.” It is also of significance that the commission business required the use of capital on the part of the factor to an extent sometimes equal to that necessary if he had purchased the goods involved. This con-

10 Reynell Letter Book, 1729-1732; Reynell Letter Book, September 15, 1735; Reynell In Letter Book, September 26, 1741, and October 24, 1744.
dition arose out of the fact that it was often necessary for a factor to be in advance for his principal—that is, to make remittances prior to the sale of the commodities.

The system of advances came from the universal desire of merchants to have remittances made as rapidly as possible, thereby keeping their capital in constant use, and also out of the responsibility of factors to secure remittances when they could be obtained most advantageously. The goods which the Philadelphia merchants sold were commonly handled on credit, while those which they bought for remittances were always for cash. As a result, if a principal desired an immediate remittance, it could in most cases be made only through an advance out of the pocket of the factor, who was recompensed on the ultimate sale of the consigned goods. Willing and Morris explained the problem by saying, "We never barter for the Country produce because the Farmer and Miller will have money on delivery and frequently before they have delivered their articles. Ever since I've been in Business I never have known one Instance where we have been able to dispose of an Inward Cargo or Receive one half the Cost of the Outward one before we dispatched the Vessell and have always been in advance."  

John Reynell told Michael Lee Dicker six years after starting in business that he was always willing to be five hundred pounds in advance for him. The factor who was unwilling to make such advances found himself handicapped in establishing business relations; if he did not want to make them, there were others who would. Since the merchant when purchasing for his own account could secure a lengthy term of credit and when selling on commissions often had to be in advance, capital was not always the deciding factor in the choice of the two modes of securing goods. The reasons for the prevalence of factoring deserves further attention.

Shipping goods without orders, or "adventuring," as this procedure was called during the eighteenth century, helps account for much of the commission business. Because of the uncertain and speculative nature of colonial commerce it was clearly recognized by both English and American merchants that if they were to tap

11 Reynell In Letter Book, May 21, 1755.
13 Reynell Out Letter Book, September 15, 1735.
unrevealed markets and introduce new commodities, it was mandatory for them to assume their own marketing risks. It is obvious that when goods were shipped without orders and sometimes even against orders, the importer could not be expected to take them on his own account; such goods were ordinarily sold on commission with the adventuring merchant sometimes making an extraordinary profit and sometime sustaining serious loss. In general adventuring furnished merchants with an instrument by which they could from the countinghouse open new markets and thereby enlarge the scope of their business. By its use English merchants could furnish the original impulse of capital and initiative by which intricate patterns of trade were built. For example, John Reynell on orders of Michael Lee Dicker received "adventured" goods from Madeira and the West Indies as well as England. Reynell in turn sold them and made commodity remittances to the places from which they were received, again all on Dicker's credit. The willingness of Philadelphia importers to receive goods in this manner was activated by their desire to benefit by the relationships in reverse. Contemporary correspondence shows that these merchants too adventured quantities of goods most of which went to the West Indies but much of which went to the mother country. These reciprocal relationships go far toward explaining the extensive existence of factoring. Through its use firms in various parts of the empire could be of mutual assistance to one another.

Factoring was absolutely essential to the conduct of business at its speculative fringe; it was utilized also at its more conservative and regularized core. In the agreements which outlined the conditions under which firms would do business with one another is often found the provision that all sales, even of staple goods, should be on a reciprocal commission basis. In many respects this mode of doing business was more satisfactory than any other. The importing merchant in a day when quality varied greatly and ordering was difficult could be more certain than otherwise that he would not have unsalable goods on hand. In so far as profits were concerned, there is evidence that returns from the two ways of doing business were about equal. James and Drinker, who engaged in both types of dealing, informed a correspondent in 1758 that "in peace we sell European and India Goods at about 100-125
advance or about 112½ on an average—which is about equal to a commission on sales & remittances, vizt 6-7½ per cent on the former & 5 on the latter.' When it is considered too that the factor was free from the burden of bad debts, the cost of making remittances, and the loss that might occur on account of a fluctuation in the currency between the time of purchase and that of remittance, the probability of the truth of this statement is evident.

When functioning as a factor the merchant was given extensive powers in determining how to execute the commissions placed in his hands. Inasmuch as the principal could have but an inadequate knowledge of marketing conditions, he was obliged to rely on the judgment and integrity of his agent. The factor in turn ordinarily justified the trust; not to do so invariably resulted in a decline in the amount of goods entrusted to him and perhaps in retaliation when the relationship was reversed. John Reynell expressed the obligations of a commission merchant in this manner: "I hope that as long as I accept commission business these will always be my sentiments—that a person acting in that state ought to be strictly honest, to serve them that he is concerned for as well as he would himself so far as it is in his power to do so and never to make use of their money but rather to use his own for them." The factor was much more than a broker. He had possession of the principal's goods, and he sold them in his own name. In many instances after being informed of their first cost and charges he was allowed to put his own price on them. The exercise of this power might involve holding for a higher price or even selling at a loss.16 In 1754 Willing and Morris informed Day, Bristow and Stratton, an English firm, that "we see our neighbors daily selling of thy Goods they have on factorage at 10, 15, 20 & 30 Per Cent loss." Frances Rybot told John Reynell in

14 James and Drinker Letter Book, June 14, 1758.
16 Factors resented having their principals unduly interfere with their disposal of goods. In defense of their rights James and Drinker wrote to Neate and Pigou, London, "Let us inform you that it is needless to propose to us any concern with you in shipping or anything else in the future unless you allow us to dispose thereof when an offer presents on this side of the Water that is evidently to you advantage." James and Drinker Letter Book, April 27, 1763.
17 Willing and Morris Letter Book, October 25, 1754.
regard to a venture he had sent him, "I leave you entirely Master to sell them as you see good in every respect, only recommend if possible you sell at once and for cash or short credit and make money returns in good bills." It was more common, however, for principals to set lower limits below which their goods should not be sold. Factors could sell goods on credit but were not responsible for bad debts unless a del credere arrangement had been made. In addition, they were usually allowed some latitude in determining what form remittances should take. The most common procedure was for the principal to specify a first choice and then name several alternatives.

Disposing of an order of goods required a series of services, for each of which the factor received a commission proportionate to the cost and difficulty of its performance. Of the commissions received those for making sales and commodity remittances were the largest and most important. In every case commissions were reckoned at five per cent, but an additional charge of one per cent was added if goods were placed in storage to await the best opportunity for sales or remittance. Other common services for which commissions were charged were remitting specie, negotiating and indorsing bills of exchange, effecting insurance and recovering losses, and procuring shipping facilities. Commissions were about twice as high as those charged in England for the same services, slightly higher than in Madeira, and about the same as those in the West Indies. The higher commissions received in Philadelphia may be partially explained by the statement in a letter of John Kidd to Rawlinson and Davison, London, to the effect that "it is no easy matter to give you an Idea of the difficulties we labour under here to performing of Contracts for it would be

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18 Frances Rybot, London, to John Reynell, December 1, 1759, Reynell In Letter Book.

19 The following table contains the services commonly performed by factors and the commissions commonly received for them.

<table>
<thead>
<tr>
<th>Service</th>
<th>Phila</th>
<th>England</th>
<th>West Indies</th>
<th>Madeira</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling goods</td>
<td>5</td>
<td>2½</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing goods</td>
<td>5</td>
<td>2½</td>
<td>5</td>
<td>3½</td>
</tr>
<tr>
<td>Storing</td>
<td>1</td>
<td></td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Remitting Bills</td>
<td>5</td>
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<td></td>
</tr>
<tr>
<td>Effecting Insurance</td>
<td>½</td>
<td>½</td>
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<tr>
<td>Del Credere</td>
<td>5</td>
<td>2½</td>
<td>5</td>
<td>1½</td>
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<tr>
<td>Negotiating Bills</td>
<td>2½</td>
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<td>½</td>
<td></td>
</tr>
<tr>
<td>Recovering Losses on Insurance</td>
<td>2½</td>
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</tbody>
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well for any factors here to give up one half of his commissions to be sure of finding the same Honour in Trade here as you do in London."

Because there were no other means of securing knowledge of market conditions, it was the duty of the factor to keep his principal apprised of prices and their probable trends, what goods were in greatest demand, and rates of exchange. Correspondence between merchants was heavily weighted with this type of information, and, even if they were concerned with matters other than business, letters had price lists appended to them as a matter of course. By carefully studying these data a merchant could determine the quantities and character of his shipments. Another duty of the factor was to keep his principal advised on the progress of sales. The latter expected to be notified of the persons to whom sales were made, the quantity of goods sold, the prices received for them, and the credit given. Principals were explicit in demanding these details since at best the slow means of communication made it difficult for them to know the state of their affairs.

The merchant's natural inclination in that direction and the absence of any alternative if growth was to take place led to rapid development of his business from one which was specialized to one which was diversified. Lack of contacts and capital usually caused one's first ventures to be the exchange of a few articles with one or two correspondents. But within the space of a few years the merchant had in his store nearly every article for which there was a demand and was making remittances in a variety of products. Daniel Clark when just starting business in 1760 wrote William Neate that he corresponded with no one else. The next month he was purchasing tobacco in Virginia, and shortly after that he was trading in rum and sugar procured in the West Indies. In 1761 he was dealing with another English firm, Mildred and Roberts, which he called "the firm of the house." Later in 1761 he added

Kidd Letter Book, August 27, 1752.

James and Drinker reprimanded Harris and Armstrong, Barbados, for their laxity in keeping them informed of sales in these words: "We notice you don't render a particular Sales of each Article as you sold them and the Purchasers Names which is the practice of Merchants and would have been more satisfactory especially as you charge us with a bad debt." James and Drinker Letter Book, June 4, 1763.
to his list of correspondents a merchant in Sligoe, Ireland, to whom he suggested that he might be willing to build a ship to carry flaxseed to Ireland. During this same year Clark wrote to Neate that he "intended commencing an Indian Trade next Spring." Such a development was not at all unusual.

Newspaper advertisements show that the typical mature merchant sold everything from nails to anchors and from silk handkerchiefs to sails. Willing and Morris, for example, informed their customers that in addition to all sorts of metalware and dry goods they handled refined London loaf sugar, Barbados lump sugar, rum, coffee, choice old Madeira wine, and "many other things too tedious to mention." Advertisements containing from one hundred to two hundred items, all given in a column not over eight or ten inches in length, were common. Anyone who did a considerable amount of commission business obviously found it difficult to engage in a specialized trade. As previously explained, a factor was expected to dispose of all goods consigned to him and was given rather definite instructions as to the remittances he was to make. The situation was probably not a great deal different for a person purchasing primarily on his own account. To pay off his unfavorable balance with British merchants he was forced to scour all markets for means of making remittances.

There was still another reason for lack of specialization. The local merchant found it greatly to his advantage in selling to his customers to have on hand a varied stock. The long and monotonous lists of goods which made up his newspaper advertisements served a definite purpose—to attract customers by informing them that every possible economic want could be satisfied at his store. The country retailer in the back parts of Pennsylvania preferred to trade with only one merchant in Philadelphia, just as the latter preferred to secure the bulk of his manufactured goods from one principal supplier in England. And because country retailers were unspecialized, the Philadelphia merchants were obliged to be so too. A city wholesaler who was not able to supply his customers with goods out of stock—goods which in likelihood had been secured on credit—had to purchase them from his associates for cash if he was not to suffer a decline in trade.²a A

²a Daniel Clark Letter Book, passim.
store which was “unsorted” was considered to be in an unhealthy financial condition.

Within this unspecialized framework, however, there was often a degree of specialization. This took the direction of a concentration of trade to certain ports, limitation of sales and purchases to certain products, or a combination of both. Charles William, although he did a general business, said, “Our chief business is in the export way of our commodities or goods imported from other colonies.” John Kidd dealt primarily in tea, sugar, and spices imported from England. Nearly all merchants traded to the West Indies, Madeira, and England, but this statement is not so true of trade to other places. James and Drinker did an unusually extensive business in North Carolina, John Reynell in New England, and Thomas Clifford in New York.

To be able to trade to a particular port in specific commodities at the most advantageous times made it imperative that the Philadelphia merchant have numerous and widely scattered agents. The first contacts abroad, if they were not with relatives, which was common, were solicited through other local merchants charged by their principals in England with keeping them informed of promising new customers and the credit standing of old ones. Quality of character and family as well as sufficiency of capital and training furnished the usual basis for judgment. James and Drinker in recommending Samuel Pleasants to Edward Lloyd, England, said, “He is from Virginia, son of a Wealthy planter there and lately married to a daughter of our Friend Israel Pemberton. Joseph Smith the other partner [is the] son of our Particular Friend Samuel Smith of Burlington.” Of another prospective customer this same firm stated, “He has been an industrious young man, several Years followed the Sea and has been successful... is said to be worth at this time £3000 currency most of which he Sayd he Intends in a little Time to enter into Dry Goods Trade... if he don’t order very great cargoes we think he will be a Profitable Correspondent to you.” Once a few merchants had entered into relations with a company, others followed rapidly, without solicitation. English houses recommended firms, often their own branches, in the West Indies and Madeira. Occasionally

26 James and Drinker Letter Book, October 9, 1763.
an American merchant made a trip to England or to the West Indies to establish new contacts, and occasionally an English merchant or his agent came to America for this purpose.

Manufactured goods were ordered from shipping merchants located in the great ports of England: London, Bristol, and Liverpool. The London merchants were preferred in Philadelphia because of their prompter service, lower insurance rates, and greater acquaintance with colonial needs. The following excerpt from a letter of James and Drinker to Christopher Rawson in Liverpool tells why London was favored and gives a good idea of what the Philadelphia merchant desired in the way of service.

We are inclined [it reads] to prefer the port of London for Shipping our goods from as well as Insuring our Interest there, for these Reasons, the ships established in the Trade between that port and this are all good vessels and careful Masters & its rare any damage happens in them Ships, but ships from Liverpool are often ordinary, detained an unreasonable time in Port, for want of Experience or Judgment in the Masters deliver their goods in bad order. From London our Insurances come considerably lower than from Liverpool.27

On another occasion this same firm wrote to John Lindoe, Norwich:

From London we have 12 Months credit for our Goods, from the time they are Shipp’d off, add to this carriage from Norwich and that the Merchants in London, who usually supply this place are well acquainted with the Patterns and colours best suited to this Market which it can’t be expected thou art.28

The commodities put aboard ship for Philadelphia by the shipping merchants were probably secured from a number of warehouse keepers who had obtained them from manufacturers located in various parts of the country. To reduce intermediate charges efforts were made to eliminate all or some of the middlemen. Such attempts sometimes consisted of securing metalware directly from Birmingham and Sheffield and cotton goods from Manchester.29

27 James and Drinker Letter Book, December 12, 1762.
28 James and Drinker Letter Book, August 26, 1760.
29 That James and Drinker had some dealings with the inland towns is indicated by a letter of reference sent to Preston Bowdoin of Virginia, who
However, the resulting relationships with manufacturers were unsatisfactory. It was vital to the Philadelphian that he be given extensive credit and that his orders be dispatched promptly. Shipping merchants were in a position to render these services, while manufacturers were not. In addition, the shipping merchant by assembling goods of every variety could fill an entire order, thereby saving his customers considerable bother and expense. John Reynell and Thomas Wharton, merchants of long experience, came to the conclusion that service was of prime importance and that it was therefore best to secure their goods from one English house even though they might have to pay slightly higher prices than otherwise. The merchant who shopped around a great deal often found that in doing so he prejudiced his standing with his principal supplier.

The length of time required for sending and filling an order and for transporting the goods made it desirable that the Philadelphia merchant anticipate demand long in advance and inform his English agent what merchandise was likely to be most salable. Usually the desired goods were described and perhaps samples sent. Somewhat of an improvement over this procedure was made when English merchants supplied samples and requested that ordering be done by number. To introduce new commodities English merchants frequently sent an order for trial, the local merchant having the privilege of returning it if it did not suit his market. More infrequently English merchants or their agents made the trip to the colony to exhibit their wares, and sometimes Philadelphia merchants went to England to place orders.

was considering a trip to England: "We have wrote to the principal Houses we deal with in London & Bristol tho' there are others in both Places as well as at Norwich, Leeds, Birmingham & Sheffield that we have at times imported Goods from." James and Drinker Letter Book, August 12, 1763. John Reynell secured some metal goods directly from Welch, Wilkinson and Startin in Birmingham. Reynell Out Letter Book, passim.

"There is no way to send goods with any certainty of sale but by sending Patterns of the several colours in vogue with you in the several kinds of stuff ordered for in which case they should be stiched on to a piece of paper & the number of pieces of every colour writ against each of the patterns." An English merchant to John Reynell, Reynell In Letter Book, December 29, 1756.

In 1756 Godfrey Leacock, representing several merchants in Yorkshire and Lancashire, visited a number of merchants in Philadelphia to establish new correspondences. The merchants whom he represented desired to divert some of the trade which had been going to London and Bristol to
None of the devices for ordering functioned satisfactorily. Complaints from both buyer and seller were common. The Americans were in the habit of comparing their imports with those of other merchants or with those received from another English house. If the goods in question were considered to be priced too high or were not what had been ordered, a protest was sent. English merchants replied that orders had been vague, prices had changed, or that their wares were superior to those of others. Both parties may have been sincere in their contentions, for lack of standardization and slowness of communication made it difficult for the colonial merchant to order and the English merchant to fill an order with exactitude.

When a merchant received a cargo, he inserted an advertisement in a newspaper to advise prospective buyers of the items and the terms on which they were to be sold. Customers who were able to buy in wholesale quantities for cash or short credit were preferred. Selling wholesale meant selling not only to those who purchased for resale but to all who were able to buy in the original package. Probably most of the buyers, however, were retailers. Among them were small dealers in the back country of Pennsylvania, Delaware, and West Jersey and merchants in North Carolina who secured a large part of their manufactured goods from Pennsylvania.

Prices were determined almost solely by supply and demand. During times when goods were scarce, a large profit might be made, whereas when markets were flooded, goods were sometimes sold at a loss. If we are to believe the merchants, local retailers were prone to go from store to store to make comparisons and haggle over prices. An entry in the letter book of John Swift made in 1749 reads that “the trade is got into so many hands &
such large quantities of goods imported that the shopkeepers will have them at their own price and I believe there are many of them that buy their Goods for less than they can be imported & they have all got such a trick of lying, that one ought to have more patience than Job to have them with any sort of temper."34 It was to maintain some control over such situations that established merchants implored their British correspondents not to be too generous in the extension of credit to new customers.

Ordinarily the original asking price for a shipment was decided upon after a careful study of the quality of the goods, the costs, and the condition of the market. If it was greater than offers received, it was progressively lowered or other means of sale were used. Merchants, while they disliked retailing because of the time it took and the long credit terms which had to be given, had to turn retailer if they could not dispose of their merchandise by wholesale.35 For the additional trouble of selling goods in this manner they asked but did not always receive slightly higher prices.

British principals and American merchants were ultimately impelled by their antipathy toward having stock lying dead when the money involved could be invested in other ventures to take drastic steps to move their goods. When wholesaling or retailing did not suffice, there remained two possibilities—sale at auction and shipment back to England or to some other colony. The latter was generally preferred to auction, even though it necessitated taking greater chances because of the problematic condition of other markets and the costs of reshipping. In comparison with those sold at auction the commodities which were reshipped were usually good in quality yet not suited to the first market. At auction goods were sold for cash but almost always at a loss. As a consequence this method of sale was not resorted to unless the stock had been long lying on hand or was defective for one reason or another.36 Such goods must have been plentiful in Philadel-

34 John Swift Letter Book, October 25, 1749.
35 In reference to some goods sent to them for sale on commission Willing and Morris stated, "If I had retailed them you could not have had your money in two years & the sale not more than 5 P ct advance more than now sold at." Willing and Morris Letter Book, November 4, 1756.
36 There is some evidence that the northern colonies were at times used as a dumping ground for merchandise unsalable in England. See particularly Joshua Gee, Trade and Navigation of Great Britain Considered, p. 171.
phia, however, for auctions flourished to such an extent that the merchants themselves thought that steps should be taken to curb them if the regular means of sale were to be maintained.  

Making remittances for the manufactures received from the mother country was a perennial problem of the Philadelphia merchant. Had an equal exchange of products been possible, the situation could have been eased by a mutual balancing of accounts. As it was, various methods of securing suitable commodity remittances, specie, and bills of exchange were exploited. At times arrangements were made for indirect barter. Each of these chief devices had advantages and disadvantages and varied in their suitability from time to time. The matter was further complicated by the fact that the form of remittance which the Philadelphian desired to use was not always equally satisfactory to his creditor.

Barter when not refined through the use of bills of exchange is an inflexible and time-consuming means of balancing accounts. It was used extensively, however, during the eighteenth century. By sending a stock of goods to the West Indies or Madeira and exchanging it for products desired in England and then exchanging these in turn for manufactured articles the desired object could be achieved. A combination of barter and bills of exchange was sometimes used. In this case a cargo of provisions sent to the West Indies could be exchanged for both a return cargo and bills on London. Some firms in Madeira and the West Indies would agree to trade only on the condition that "wine pay" or "rum pay" be accepted. Generally, even when direct barter was engaged in, a money value was placed on the products exchanged and some latitude given in the choice of the commodity in which the return was to be made. A Philadelphia merchant, for example, might ask his West Indian agent to send him rum, sugar, or molasses as desired in return for a cargo of provisions.

On account of the nature of the balance of trade the specie which was sent to England for the payment of debts was largely Spanish or Portuguese coin from the West Indies. It was ac-

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*Pemberton Letter Book, April 29, 1751.*

*When rates of exchange were high, English merchants advised their American factors to make commodity payments. Such requests as the following are common: "As your exchange runs pretty high I should be glad to have some skins or any other commodity . . . rather than always bills of exchange." Joseph Ingram, London, to John Reynell, September 29, 1740, *Reynell Letter Book.*
accepted in England not at face value but as a commodity whose value varied according to the price which it would bring on the market. This was true because the money did not circulate freely in the mother country and also because the common practice of clipping and sweating made difficult any computation of value except by weighing. To facilitate a decision as to whether this means of making remittances was preferable to another, the costs of bills of exchange and the prices of specie were added to the prices current of business houses. Certain constant charges such as insurance, commissions for buying and selling, and freightage had to be paid when specie was shipped. The burden of these costs had to be assumed by the person on whose account the goods were sold. Specie was ordinarily difficult to secure in Philadelphia, and in time of war the attendant shipping costs were prohibitive.

Much more common than the use of specie for remittances was the use of the bill of exchange. This significant instrument was an order of a first person, the drawer, upon a second, the payer, to pay a specified sum in the currency of the payee's country to a third, the payee. To these three parties was often added a fourth, the indorser, who guaranteed payment, thereby making it possible for the bill to circulate much in the manner of a modern check. This quality of negotiability was especially fortunate for the Philadelphians, for the bills which came to them were for the most part orders of merchants in the West Indies upon England. To insure safety four bills were usually sent; the first to arrive automatically canceled the other three. When a Philadelphia merchant drew upon an English correspondent without sufficient balance for payment—something frequently done—the bill was in effect converted into a credit instrument. Such use of the bill, the reverse of the system of advances, involved the inclusion of a letter of advice setting forth the reasons for the premature drawing. More acceptable by English merchants was the drawing by Philadelphians for funds to purchase a cargo or to transact other business for the account of the former.

When a bill of exchange was received by the payer, it was noted for either acceptance or nonacceptance. To be favorably noted meant that the bill would be paid when the period for which it was drawn had elapsed. A bill noted for nonacceptance also was allowed to lie for its period, but it ceased to circulate freely. If
by the end of the time for which a nonaccepted bill had been drawn the drawer had not sent effects, the bill was noted for non-payment, which meant that it would be sent back for protesting to the original purchaser. Damages as well as the face value could be collected from the drawer of such a bill. What these damages were was determined by the local laws of the country in which the drawer resided. In Pennsylvania they were twenty per cent of the amount and in the West Indies ten per cent of the amount plus ten per cent interest per annum. The payment of heavy damages was considered equitable since the purchaser might have suffered heavy loss in the meantime. After damages were paid, the bill could be renewed and again placed in circulation.

The prices at which bills of exchange sold in Philadelphia were determined by supply and demand. Theoretically it should have been easy to decide on their exact prices at any time, but actually it was not. Because of the absence of banks bills were sold by individual merchants, each of whom had some idea of what they should bring. A merchant who wished to purchase a bill usually shopped around until he found someone willing to sell at a price he considered reasonable. When there were few bills on the market, it was particularly difficult to determine their price. All were not equally desirable. Protested bills were so common that a prospective buyer was apt to be willing to pay a premium to secure one which he was certain would be good. A premium might be paid also for one which was in the exact amount desired. Bills drawn for thirty days, the usual sight, were preferred to those drawn at forty, sixty, or ninety days. When bills were plentiful, those drawn at long sight were commonly sold at a discount.

The place on which a bill was drawn influenced its desirability and consequently the price it would bring. In making their remittances to Philadelphia, agents in the West Indies were instructed to secure bills on England rather than on the Quaker City. Since nearly all remittances ultimately centered in England, bills on Philadelphia had to be resold. Nor were all bills on England equally acceptable; those on London were preferred. London mer-

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This fact is well brought out in the following excerpt from a letter of James and Drinker to William Neate: “In answer to the rate of exchange with us it is hard saying there being but few Bills to be bought, some have been sold within these few days at £162/10 and we believe some at £160 and some as high as £165 on credit.” James and Drinker Letter Book, August 4, 1760.
chants at times charged a commission for negotiating bills not on
their city, or, if they did not do this, they at least requested their
customers in the future to buy bills payable there.40

The Philadelphia merchant found that his transactions were
facilitated and his interests best served if he designated one
merchant in England to act as his banker. Creditors, wherever
they were, were instructed to draw on this agent and debtors to
send remittances directly to him. When there was a surplus, the
banker was sometimes told to invest it according to his best judg-
ment. For instance, Thomas Willing of Philadelphia requested
Thomas Willing of London to take such action whenever a balance
of over £500 existed.41 On the other hand, the Philadelphia mer-
chant when in straitened circumstances often took the liberty of
drawing on his English agent even though he had no funds to his
credit for paying the drafts. This English merchant was gen-

eral the one from whom the most goods were ordered and who
performed a variety of other services such as securing freights,
making insurance, and collecting debts—services which the Phila-
delphia merchant was able to repay in kind. Intimate relationships
which lasted for years resulted from the many opportunities of
those on opposite sides of the Atlantic to be of use to each other.

On the whole one cannot help being impressed by the fact
that by the middle of the eighteenth century an intricate, objective,
and subtle commercial structure was in existence. Within its
framework merchants in various parts of the empire spoke a busi-
ness language mutually understood and usually mutually observed.
These merchants whether in England, the West Indies, or Phila-
delphia constituted a sort of community having its own regularized
practices supported by its own code of ethics. Many disharmonies
arose, but these grew largely from uncontrollable factors such as
the economic needs and problems of Pennsylvania as a colony and
from business depressions rather than from any disagreement as
to what constituted proper procedures in particular situations.

40 Clifford In Letter Book, August 17, 1758.
41 Willing and Morris Letter Book, June 15, 1756.