Re-evaluating the Role of Voluntary Organisations: Merchant Networks, the Baltic and the Expansion of European Long-Distance Trade

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Abstract
Based on a letter book of the London Baltic merchant Michael Mitford dating 1703-1707 this paper argues that the ability of merchant networks to secure property rights in long distance trade must be re-evaluated. Contrary to the argument of the New Institutional Economists, these were not inferior to the nation state in facilitating the expansion of trade and thereby Smithian growth. It is shown that Mitford's network did not limit membership by non-economic criteria but adapted to the needs of trade. It efficiently solved the free-rider problem through a reputation mechanism. As social ties developed parallel to business ties, the shadow of the future was furthermore supported by the threat of ostracism from the community and helped maintain agents' honesty. Members shared a common set of values, including reciprocity, which played an important role in their conduct of business. The network's attempts at expansion were, however, of limited success. This is related to mercantilist policies and ongoing warfare in the region, not to the network's lacking ability. Furthermore it is shown that the network provided the members with contacts and business opportunities and thereby supported their business activities more than political institutions did. The expansion of the nation state actually hindered rather than supported the expansion of trade in the Northern Seas.

1. The Question
According to the New Institutional Economists, it was the expansion of the centralised state in the early modern period that enabled long term intensive growth. Until then trade had been predominantly organised by voluntary organisations, i.e. merchant networks. These however faced high transaction costs that limited the expansion of trade and thereby
growth. This meant that answering basic requirements of trade, such as collecting information and securing property rights, demanded time, effort and funds.¹ The incentive to participate in trade depended on the degree of these costs. Some of these costs, such as information gathering, were fixed and subject to economies of scale. Knowledge of prices, the security situation in a region of interest to merchants, and information about agents had to be gathered independently from the volume of trade. If the volume of goods and the number of participants in the trade grew, the costs per capita shrank.² Hence, merchants had an interest in a large market with as many participants as possible.

However, networks have to deal with the free rider problem. For Mancur Olson, the provision of public goods for their members is the fundamental function of organisations.³ They face a major problem: even if all members of the group share a common goal or interest and would all profit from achieving this goal, this does not automatically mean that each individual will direct their actions towards this goal. The problem with public goods is that once they are provided, it is difficult to exclude people from using them. Hence the incentive to contribute to the provision of the public good is low. The option to use the good without contributing to its provision is very attractive. Olson claims that, in general, small groups are more capable of organising themselves and providing the public good than are large groups. Merchant networks faced this problem regarding the public goods of property rights and information. In order to secure these, i.e. protect the public good, they had to limit membership of the network. Members were chosen for non-trade related reasons, like

belonging to a certain community, based on criteria such as ethnicity, or faith, in the hope that this would ensure loyalty and make control easier. This was necessary to secure property rights, the basic requirement for long distance trade.

The state, in contrast, was able to lower transaction costs, as it allowed larger numbers of people to join the market. It could do so through its monopoly of force. This monopoly enabled it to tax all subjects in return for supplying a judiciary and enforcing property rights. It thereby solved the free rider problem more efficiently, and enabled a higher degree of expansion of the market. More participants to the market meant that transaction costs were split among more individuals thus lowering transaction costs per capita. These factors meant that the state enabled economic growth better than voluntary groups. The development of such states in Europe before anywhere else is meant to explain the rise of the West.4

However, research in non-European Economic History in recent years has shown that, up to the 18th century, similar economic developments may have occurred in regions that lacked centralised states. In recent years, the California School has argued that China was economically on par with Europe until at least 1750, in spite of a centralised state being almost non-existent there.5 The Qing Empire, they argue, witnessed intensive growth based on the expansion of trade, which in turn was conducted by merchant networks.6 If this is indeed true, it seems fair to ask whether the ability of voluntary groups to lower

transaction costs, secure property rights and facilitate growth needs to be re-evaluated.

In this paper I will examine the network of the London merchant Michael Mitford, using copies of his letters written between 1703-1707. My hypothesis is that his network was not inferior to a state in facilitating trade expansion. It dealt with free riders efficiently and did not limit the size of its market according to non-trade related criteria. Instead it was a cosmopolitan construct, flexible in its conduct of trade. It adapted to the needs of trade regarding membership, geographical destination, and commodities. It was therefore not an inferior institution, but facilitated trade most efficiently.

2. The Literature

There are two main approaches to the subject of early modern merchant networks in the literature. One is historical, the other new institutional. The historical literature is mostly descriptive. It restricts itself to general statements on the importance of group identity and solidarity. Membership of a special community or family provided shared ethics and values which enabled business partners to trust one another without the possibility of direct control. However, few details regarding mechanisms of credit enforcement and securing of property rights are given.

This gap has prompted research by the New Institutional Economists, most importantly North, Landa, and Greif. The former argues that long distance trade was limited by high transaction costs, the latter employing game theory to explain the fundamental role of reputation mechanisms in its conduct.

The research covers most parts of the world, from East Asia over Central Africa to the Atlantic. Even though the way long distance trade
was conducted varied from place to place, a high degree of similarities can be observed. 

The most important element in long distance trade is that of diaspora. Merchants were often found at the margins of society. They might be foreigners, either because their profession demanded settlement abroad, or because a migratory background enabled participation in trade. Otherwise they might belong to a religious or ethnic minority, which enabled them to conduct business between cultures.

Ties of family and community functioned as an additional control force, as they existed parallel to business relationships. Moreover, cheating in business would lead to the severing of social ties. Where the possible loss of business contacts is not sufficient, the threat of ostracism served as an additional incentive for honesty.

Regarding the historical literature, the networks it describes are usually based on either family or religion/ethnicity. A few cases combine the two.

An example for long distance trade along family lines is given by Bratchel, who describes the organisation of Italian companies trading in London in the 16th century. These used relatives as agents abroad, reliability being ensured through family solidarity. Ojala gives a comparable description for Finnish-European trade in the 18th century and Smith for the Anglo-American trade.

Regarding the power of religious and ethnic communities, Price describes Quaker businesses in the 18th century Atlantic trade. Particularly significant was the extreme importance Quakers attributed to

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dependability and paying one’s debts, even if legally charged bankrupt. Regular meetings of the Society on the local level addressed this issue frequently. Anyone who refused to pay his debts faced disownment.9 This is one of the few studies that give details on the mechanism of credit enforcement.

In non-European long distance trade, the growth of trade routes which went hand in hand with the expansion of Islam is significant. Muslim merchants migrated and brought the new faith and new commodities with them. Being part of this religious and ethnic minority enabled business relationships among the members. Preserving ties to the country of origin enabled long distance trade.

Bouchon and Risso describe the case of Muslim merchants from the Eastern coast of India exploring trading routes to Indonesia in the 15th century.10 They settled in Southeast Asian ports and organised trade through networks based on different congregations of Islam and local origin.11

Lovejoy describes a similar dynamic for the role of the Wangara in the economic transformation of early modern Sudan.12

Armenian merchants conducted trade from one end of the Eurasian continent to the other, making use of bills of exchange. Their network was based on unity by bonds of the Armenian nation and church.13 Hundert describes Eastern European Jewish networks in a similar way.14

An example for a mix of family and ethnicity ties in long distance trade is that of Chinese merchant communities in Southeast Asia. Wang describes the development of the two largest of these communities from the Ming period onward, located in Manila and Nagasaki.\textsuperscript{15} Within these, the Hokkien were a minority group among the Chinese sojourners, coming from two coastal provinces of the empire and conducting trade with the home country, using loyalty based on the ties of family, village, and Hokkien identity.

The New Institutional approach to merchant networks is presented most importantly by Landa, Greif and North. Landa describes how Hokkien traders personalised exchange relationships lacking state contract enforcement. They used reciprocity to form social relationships and limit the costs of informal contract enforcement. Her work uses game theory supported by anthropological research on Hokkien merchant communities in Southeast Asia.\textsuperscript{16}

In his case study of the medieval Maghribi traders, Greif argues that property rights enforcement was ensured through multilateral reputation mechanisms. The Maghribis formed a coalition, using only compatriots as agents, thus limiting membership of their network by local origin. Within this group, reputation mechanisms ensured the honesty and reliability of the traders. The prospect of future trade within the group maintained honesty and reliability among the agents, as continuous business relationships were more profitable than one-time cheating. This

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enabled the use of credit and thereby long distance trade. At the same
time, however, non-Maghribis, who did not rely on future trade with
members of the community, had less incentive to be honest and where
therefore not included. Greif argues that because of this membership in a
merchant network is limited by ethnicity, religion, local origin or any other
criteria that are not determined by the needs of trade. This constricted the
market and thereby economic growth.\textsuperscript{17} Greif’s work has however been
criticised for relying too much on game theory and lacking empirical
evidence for the existence of a coalition amongst the Maghribis. Edwards
and Ogilvie argue that the Maghribis did in fact trade with non-
Maghribis.\textsuperscript{18} This claim furthermore supports the hypothesis for the
efficiency of intercultural trade discussed later in this paper.

North argues that the effort of keeping outsiders from participating in trade
raised transaction costs, which hindered growth. The state taking over
this role lowered transaction costs. This limitation was only overcome
once the modern state developed, as it did in early modern Europe, and
overtook the role of guaranteeing property rights. New institutions like
joint stock companies, the Bank of England, and a more efficient judiciary
lowered costs for individual merchants. This enabled highest possible
participation in trade and market expansion, hence enabling the European
economic take off. Voluntary organisations like merchant networks were
not able to accomplish this on a similar scale as their membership and
thereby their sphere of influence was restricted.

However, the new institutionalist approach fails to recognise that
social relationships may develop beyond lines of religion, kinship or
ethnicity. A network may therefore be able to extend further, thereby

\textsuperscript{17} Greif, A.(2005): Institutions and the path to the modern economy, Stanford: Stanford
University Press.
\textsuperscript{18} Rowley, C.K. (2009): The curious citation practices of Avner Greif: Janet Landa
Contract enforcement, institutions and social capital: the Maghribi traders
overcoming the limitations of growth described by North. It may develop according to the needs of trade. That this has happened is, for instance, indicated by Latham's description of the expansion of the slave trade in West Africa, where an efficient multi-ethnic trading network including credit institutions developed, enabling the trading of slaves across long distances.  

This phenomenon of cross-cultural trade and the flexibility of communities' identities have not been sufficiently researched yet. However, communities' identities have been undergoing continuous change with regards to religious, political or social developments. This element of flexibility may have had an important impact on the possibilities to trade.

This paper explores this topic using the case of a London merchant who was not a member of a marginalised community, yet had a network of trading partners of different backgrounds located in different parts of the world.

3. The Source

This paper is based on one main source. This is a copybook of letters of the London merchant Michael Mitford. He was a merchant who specialised in the Baltic trade. He was born in the early 1650s in Newcastle. Which livery company he belonged to we do not know. From one of his letters we learn that he returned from Danzig around 1696. At the time, it was common for merchants' apprentices to spend several years abroad to acquire skills important to the trade, make contacts, and

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learn foreign languages. Due to this, the fact that he was sole owner of several ships, as we learn from his letters, and the amount of property mentioned in his will, it appears that he was quite wealthy. Furthermore, he was related to landed gentry in Northumberland and through his apprentices, among them two Lowther sons, was connected to Parliament.

His correspondence appears to be in line with contemporary writings on how merchants ought to write letters, i.e. keeping contracts fairly open and trusting the correspondents to have good judgement and act in one's best interest. This means for instance not giving exact prices for which a contact ought to buy or sell the merchant's goods, as the contact will know the situation on the local market better. They also bear many similarities to the writings of other merchants of the era.

The book contains 272 letters, covering the time period from 1703 to 1707. The letters are addressed mainly to agents and business partners in different cities of Europe, mostly the Baltic. Most of them are written in English, but there are several in French and German as well. The frequency of letters decreases towards the end of the book, as trade was very slow and Mitford was kept busy with his office as a director of the East India Company. It is the only available source of information about his business, as no other papers, such as accounts, survive.

The letters give information on Mitford's views of current affairs, as

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23 Ms Letters of Michael Mitford, 8.11.1703 to Mr.Lounds, Esq., 3.2.1704 to Thomas Newman, 16.03.1705 to Lloyd & Dowker.
far as they relate to his business interests. For instance he provided information about the debates in Parliament and how he expected the outcomes to affect trade. He wrote about the storm that hit Britain and the North Sea in the autumn of 1703, in which one of his ships was severely damaged. He also referred to the Great Northern War and that he expected England to become involved, which however did not happen. Finally the letters provide information on other peoples' businesses.

The information to be derived from the letters is selective and limited to what Mitford wanted his correspondents to know. Nor do we learn anything that would already have been known to them. For instance we do not learn the size of his property or the amount of money he made or lost. The letters do not contain any information that might have been contrary to the author's own interests. However, since being trusted by one's correspondents was vital in the business, we can assume that he was not lying, as being caught doing so could have seriously threatened his survival as a merchant.

Furthermore, the letters give little information about face-to-face dealings, for instance at the Exchange in London, as those did not need letters. We only learn about these if Mitford reported about them to one of his agents abroad.

What makes the letters a particularly interesting source, however, is that they reflect the development of the writer's social relationships with his correspondents. For long distance trade in this period, it was vital for agents to trust each other. Business success was therefore strongly dependent on social relationships. The letters contain information about favours asked, debts forgiven, and the value attributed to friendship and family ties.
4. The Background

Three major events with possible effects on Mitford's trade fell into the period of the letter book. The first was the great storm that swept over England and parts of the Northern Seas in late 1703. Second was the Great Northern War, which raged across Northern Europe and especially the Baltic from 1700 to 1721. Third were the negotiations between the Old and New East India Companies on the subject of their merging.

In the night from November 26 to 27th 1703 „Horror and Confusion seiz’d upon all, whether on Shore or at Sea: No Pen can describe it, no Tongue can express it, no Thought conceive it“, as Daniel Defoe puts it in his report on the events, first published in 1704.26 It was a cyclone that hit Britain, coming from the Atlantic and moving on towards the North and Baltic Seas, causing great destruction. It took approximately 8000 lives, including those of mariners in the navy and merchant vessels lost at sea that night. Defoe reports that at least 150 ships were lost27. In the aftermath of the storm, „almost all the shipping in England more or less out of repair, for there was very little Shipping in the Nation, but what had receiv’d some Damage or other“.28

We read about how Mitford and his correspondents were affected by the weather right at the beginning of the letter book, where concern is expressed „There are 60 Russia ships which we hear no news of pray god send them safe home“.29 At least one close contact - „we have heard nothing of Ladler, please God send him well home“- had gone missing.30 Finally, one of Mitford's own three ships, the „3 Pilgrims“ „split her sails

27 Ms Letters of Michael Mitford, 17.05.1704 to Punnet and Gilford
28 Ibid. 30.05.1704 to Thomas Newman
29 Ibid. 09.11.1703 to William Procter
30 Ibid. 19.11.1703 to William Fenwick and 21.11.1703 to Lloyd & Dowker; see as well 19.11.03 to Tuert Annes, 21.11.1703 to Van Drogenloft, 02.12.1703 to Jeremy Gregory, 21.01.1704 to Hagdorn & Koomen, 01.02.1704 to Mallabar & Lowther
and damaged her rigging and other damages she has received by the late hurricane”.  

The Great Northern War marked the rise of Russia as a major European power, and the political decline of Sweden. Russia built a navy based in the Baltic and gained two Baltic provinces and several port cities from Sweden. Sweden in turn lost the German possessions it had gained in the 17th century. At that time Russia was allied with Denmark-Norway, Poland-Lithuania and Saxony.  

Mitford wrote to his apprentice David Otgher in Riga that he expected England to enter the war soon: “I'm afraid there will be a rupture between England and Sweeden for that King's proceedings begin to be obnoxious in the eyes of our court. I believe that over long you'll hear that England and Holland will not only let loose the Dane upon him but also help his Danish Majesty against him”. However, this did not happen. 

The war, in spite of seeing a significant increase of navies in the Baltic, seems to have had little negative effect on the safety of merchant vessels. The Scandinavian powers ensured the safe passage of foreign trading ships. In return, they collected tolls at the Sound. In his letters, Mitford did not complain about losing ships or experiencing any kind of harassment. Piracy in the North Sea and the English Channel did, however, necessitate armed convoys, a subject that will be dealt with below. A contributing factor to this development was the War of the Spanish Succession (1701-1713/14), one of the many battlegrounds of which was the North Sea. There was one factor that provided a severe challenge to Mitford's trade. The Swedish Tar Company decided to exclude English merchants from buying tar, and Mitford had great

31 Ibid. 01.02.1704 to George Mallabar  
33 Ms Letters of Michael Mitford, 07.03.1704 to David Otgher
difficulties obtaining any in spite of serious efforts. Tar was a war related material, and Sweden, due to the war situation, refused to allow its export by foreigners. This was likely as tar was used in the ship building industry, and Russia, in the beginning of the conflict, was building a new navy in the Baltic.\(^{34}\)

Mitford and his correspondents in the Baltic showed little concern for their personal safety in spite of the increasing conflict. The English agents in Riga, Moscow and Danzig did not mention intentions of returning to England. Only in one letter, to Anthony Bothomly in Danzig, did Mitford mention that battle lines were moving closer to the correspondent’s home, and expressed his hope that the friend may be safe and the conflict soon come to an end: „both she (A.B.’s mother) and your brother Gerard heartily wishes to see you in England. We all admire at your staying among the troubles in Poland where wee hear of nothing but fire and sword. God grant better times in that country“.\(^{35}\) Judging from the letter book, the conflict affected Mitford’s business only regarding the purchase of tar, not otherwise.

From the 1690s onward, the East India Company had to struggle with an increasing rate of interloping in the trade with the subcontinent. Out of this developed the New East India Company. For a few years, the two companies existed side by side. Then negotiations were commenced in order to unite them, which ended in the creation of the United East India Company. The period of these negotiations corresponded with Mitford’s directorship of the Old Company. The records of the Old Company regarding the negotiations mention some of Mitford’s contacts. However, Mitford himself was not concerned with these negotiations, and


\(^{35}\) Ms Letters of Michael Mitford, 05.05.1704 to Anthony Bothomly, see as well 21.01.1703 to William Brown, 01.02.1704 to Mallabar & Lowther, 13.04.1705 to Lloyd & Dowker
even though they must have been significant for the Eastern trade, we find no mention of the developments in his letters.³⁶

5. The Hypotheses

_Hypothesis I: The Network was Based on Reputation and Reciprocity._

In a period that knew no efficient judiciary and when states had not the capacity to enforce property rights, a merchant had only his network to rely on. His membership in the network, and thus his success in long distance trade, depended on his reputation. A good reputation meant that the merchant could be trusted with others' goods and to repay credit. Greif describes how a reputation mechanism determined the conduct within a merchant community.³⁷

Mitford's letters suggest that in his network such a reputation mechanism was in place. When distributing information about himself and others, Mitford pursued two goals. First, he was concerned about his own credit rating.

Most of Mitford's letters refer to bills of exchange. Members of his network drew bills on each other. They informed each other that they had done so, and asked their trading partners to pay the money to the person the bill was made out for. Mitford was careful to ensure his correspondents of his own financial solvency.

For instance, he is the sole owner of the ship, the „3 Pilgrims“, which „has been this 18 ½ months in her Majesty's Transport Service both in Spain and the West Indies“. The transport office had not yet paid him the rent of £2800. He wrote to the office repeatedly, asking for his money. He pointed out that „I am the sole owner of the ship, which makes

³⁶ Ms East India Company Court Book 1706, pp.2,14
my condition the worse". Having to pay for reparations and the crew's wages put him in a financially difficult situation.  

Simultaneously, in letters to his agents he assured them of his confidence: "The payment of the government is very certain but the time when is also very uncertain and in the mean time the grass grows, the horse starves. However, I can get her into the Navy Service to be a Victualler or Store Ship and to be paid by that Office as the payment comes in Cours (...) I am offered £1000 from Mr. Knipe to go for Riga to load Mast and Hemp but my inclinations are for her to go to Archangele...". This meant that there was no danger of him going out of business due to outstanding debts, and he seized the opportunity to point out the multiple business opportunities awaiting him in the future.

In another instance he informed several correspondents of a series of bankruptcies that had occurred among London merchants, and was careful to point out that these did not affect him: "John Du Maistre is indebted to them above £9000 for I see a list of his Creditors and their names was far above £9000...and I am very confident he will never be able to pay...I bless God I got clear of all these bankerupts, not concerned with any of them...".

Second, he did unasked favours for his correspondents. He thereby placed them in his debt, hoping to be repaid in the future. This indicates that the network was based on reciprocity as well.

This occurred in two forms. First, he accepted agents' bills drawn on him, even if not consulted before hand. Without previous confirmation, the bills would usually have been sent back. This would have shed a negative light on the sender. Mitford paid these bills anyway: "I never had

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38 Ms Letters of Michael Mitford, 08.11.1703 to Mr. Lounds, Esq., 21.02.1704 to Mr. Walker
39 Ibid. 01.02.1704 to George Mallabar, 05.05.1704 to Anthony Bothomly
40 Ibid. 13.04.1705 to Mallabar & Lowther, see as well 06.03.1705 to Mallabar and Lowther and Gauci: Merchant Database
orders from Mr. Procter to pay any such bill...however have accepted it for your honour“. In one instance he even pointed out what business opportunities his correspondent may have missed out on had Mitford not been so obliging: „I would not suffer your bills to go back with protest which might have been of very ill consequence to you in respect to the great favours you expect from his Czarish majesty“ and requested in return „the favour that as I have been soe kind and tender of your reputation in accepting your £1500 for your account that you take special care to remit your said £1500 with all possible care and speed to Messrs Chitty & St.Quentin of Amsterdam whatever loss may happen in your exchange or interest of money...“.

Mitford further volunteered information about other merchants freely, for instance on the series of London bankruptcies. This was a favour to his correspondents, possibly saving them from losing money in those peoples' businesses. He reported what was officially the position of Du Maistre, who was charged bankrupt and the amount Du Maistre was still expected to pay. Mitford then gave his own take of the situation, which was worse: „he will never be able to pay“. Before this, Du Maistre was a frequent trading partner Mitford used to meet in the exchange. Apparently Mitford's loyalty ended with the bankruptcy and Du Maistre was excluded from the network.

Finally, Mitford informed Mr. Procter that a mutual contact was very upset about Procter's way of dealing with another merchant: „I was this day in company with Mr. Knipe who was making a very great complaint to me in relation to your freighting Robert Baily for his accounts...but Baily is either naive or fool if not both. I don't remember ever to have seen Mr.

41 Ibid. 14.11.1703 to Chitty & St.Quentin
42 Ibid. 26.005.1704 to Lloyd & Dowker, see as well 11.11.1703 to William Procter, 14.11.1703 to Chitty & St.Quentin, 01.02.1704 to Mallabar & Lowther, 25.02.1704 to Chitty & St.Quentin
43 Ibid. 13.04.1705 to Mallabar & Lowther
Knipe in such a passion for nothing would serve him but to send an action of 1000 against him...". It was important for Mr. Procter to know about this, and be aware that Mr. Knipe may have caused him trouble or harmed his reputation. It is also interesting that Robert Baily was a frequent correspondent of Mitford's as well. Hence in addition to the service of informing Mr. Procter about this possible danger, Mitford also assured him of his loyalty, in spite Mr. Baily's importance to Mitford's trade. Surely he expected a similar conduct from Mr. Procter in turn.

Mitford also recommended his agents and their businesses to others, such as Mr. Martin, his partner in the wood trade: "I have written this day to Mr. Gregory and recommended your business to him".44 To Robert Baily he wrote: "You do very well to employ Mr. Hardwick about your business with the widow Messenger, he is a stirring sort of a man that way and he may know her circumstances".45 In turn, he received references and recommendations from his correspondents.46 Simultaneously, he warned of traders he suspected of being dishonest: "I have just cause to believe that Mr. Camele has not dealt fairly by me, for because you recommended him to me was something free with him in talking to him. You expected £136 or £140 per tun for you brandy and I was informed that some of the distillers have given to £150 per tun and what can be the reason I cannot bring them to such a price I cannot tell, unless Camele has been consulting with them..."47 He indicated here as well that the correspondent was in his debt now, for giving such a bad recommendation. About Mr. Kemp he wrote: "... did not come for his freight which makes me think he has played some trick".48 Finally he informed correspondents of his plans of resolving his partnership with Mr.

44 Ibid. 02.12.1703 to Jeremy Gregory, 09.09.1704 to Chitty & St.Quentin
45 Ibid. 17.05.1704 to Robert Baily
46 Ibid. 21.08.1706 to Lydder Flasting
47 Ibid. 25.03.1704 to Robert Hewer
48 Ibid. 17.11.1703 to Jeremy Gregory
Martin „who I must say is so delatory in his accounts that I am quite weary of him...that I may break of our trading partnership with him as I see convenient for I find I do better by my self than with any assistance from him“. 49 There is evidence for favours returned as well, as in a letter to Captain Thomas Newman in Shoreham: „I thank you for your advice about Messrs P & G: they are a little hasty upon me for moneys...“. 50

Finally, he gave and received advice on whether to buy and sell goods, as in a letter to Mallabar: „As for salt at Newcastle it is so very dear I cannot advise you to be concerned there this year“. 51

The reputation mechanism seems to have been fairly efficient, as the two incidences of cheating quoted above are the only ones in the 272 letters. Reputation was the basis that made business between the agents possible at all. Reciprocity served as a tie that bound the agents together. As there is little evidence for cheating, this system seems to have been very efficient. The network was quite strong and succeeded in securing the members' property rights.

Hypothesis II: The Values Attributed to Social Relationships Presented a Further Strengthening Factor in the Network.

The correspondents formed a social community as well as a business community. In some cases the social ties preceded the business ties and provided an incentive to conduct trade with each other. In other cases, friendships developed out of business relationships and offered further support. Both were based on the same set of values or ethics. These included honesty, dependability, reciprocity, and responsibility. It further seems that expected reliability grew with the

49 Ibid. 01.02.1704 to George Mallabar, see as well 01.02.1704 to Anthony Bothomly, 30.05.1704 to Samuel Martin, 18.07.1704 to Robert Hewer, 25.08.1704 to David Otgher
50 Ibid. 16.03.1704 to Thomas Newman
51 Ibid. 01.02.1704 to George Mallabar
closeness of social ties. These seem to have depended on both general values, such as kinship, and on individual's actions, as indicated in the chapter above.

Mitford's niece Mary, whose family lived in Newcastle, attended school in London, and stayed with Mitford and his wife during holidays. They had taken responsibility for her and provided her with an allowance. She was expected to keep book about the money she received and pay it back later: „Her aunt makes Mally keep an Account of every particular thing laid out for her for if that were not done she might forget hereafter her uncle and aunt and what we have done for her and would thinke it impossible if she did not keep an account herself of every penny. But she is a very good girl and I hope will answer expectation“. Mitford apparently had the same expectations of reciprocity in matters of family as in business.

In a letter to Mr. Hudson in Kingston, Jamaica, Mitford pointed out „your sister who is my good friend and neighbour takes a great deal of care and pains with your children“ and then gives information about a contact of the correspondent's, indicating that he may not be reliable „she fears you put too much confidence in a friend in Thames Street who of late hath met with an ugly blot in reputation...“. This contains three elements, the value of family ties, the value of friendship, and expected reciprocity for providing this information. The correspondent owed his sister a great deal. Mitford being a „great friend“ of the sister, and providing information, expected to profit from these relationships.

Furthermore, peoples' relationships towards one another, like family ties, were thought to reflect on the individual. This may have been because the correspondent was expected to act as a guarantor for his

52 Ibid. 30.05.1704 to Mother, 27.07.1704 to Sister Webster
53 Ibid. 05.08.1704 to Sister Webster
54 Ibid. 30.11.1704 to Hudson & Co.
contact in order to protect his own reputation, as in the case of Mr. Camele described above.

For instance in one letter Mitford apparently answered his correspondent’s request for information about someone’s dependability: „As to what you write about Mr. Samuel Woodsworth it is ten years since I left Dantzig and then he was but a young trader but know nothing of his circumstances but his brother here is a man of very good substance“, apparently indicating that this will shed a positive light on the brother. ⁵⁵ In addition, this „man of very good substance“, may have been expected to step in for his brother in case this one proved unreliable. Furthermore, there is a letter in which Mitford informed his correspondent of a bankruptcy, that of Ezekiel Hall, adding that the bankrupt merchant’s brother, John Hall, „shall not pay anything of his brother’s particular debts“. ⁵⁶ The Halls were at the time an important merchant family in the Atlantic trade. ⁵⁷ They were also Quakers who had a very good reputation concerning the payment of debts. ⁵⁸ Mitford’s extensive discussion of the issue indicates that he expected the brother to act otherwise. Also, in a letter to John Delaval, Mitford mentioned finding his godson in a financially desolate situation, with nothing to eat, demanding that the boy’s grandfather not take out his disagreements with the father on the children: „...but such was my affections and tenderness to his children when I found two of them here (Michael & Ralph) in such a deplorable condition that they had not six pence to buy them a dinner and I may be bold to say if I had not taken care of them they must have taken ill ...I hope he will consider this (...) that he'll in a speciall manner take care of

⁵⁵ Ibid. 24.11.1704 to Chitty & St.Quentin
⁵⁶ Ibid. 19.11.1704 to William Procter
the education of his grandchild and my godson Michael Mitford pray profi
him to promise it to you for althou the father might have offended him yest
the innocent child is noe ways to blame...“.59 This indicates an
understanding of responsibility for kin further than the nuclear family.

Finally, there is a letter of recommendation written by Urban Hall for
Mitford to Lydder Flasting, the Burgermeister of Bergen, Norway. In this
letter, Hall referred to Mitford as „my good friend...desiring to send his
Ship the Mitford Castle... to your place to load Tarr and some
Stockfish...he is a man of Honour and ability and you need not doubt but
your bills drawn as he will direct by his laids commander Captain Thomas
Linskill on him you laid Mr. Michael Mitford payable in kondon will be
punctually and duely complyed“.60 This was meant to guarantee Mitford's
trustworthiness and ethics, and therefore provide him with access to the
Bergen market.

These instances indicate that certain behaviour was expected from
relatives and friends, but also that they could not necessarily be counted
on to be honoured.

There were institutions that were relied on in case no other
guarantees were available, as indicated by a letter to Robert Fenwick in
Newfoundland, in which Mitford commented about a business associate „I
can see no remedy more that to refer it to his oath which he voluntarliy
offers or to put it to a reference which will be very Tedious and
Troublesome...“.61 The wording indicates reluctance to rely on this
institution; apparently reputation and social ties were preferable means of
guarantee.

The strength of these social relationships was flexible, determined
by individuals' actions as well. This is supported by the way Mitford

59 Ms Letters of Michael Mitford: 01.08.1704 to John Delaval
60 Ibid. 21.08.1706 to Lydder Flasting
61 Ibid. 17.02.1704 to Robert Fenwick
addressed his correspondents. The titles ranged from „Sir“, to „my dear friend“ and „beloved cousin“. He did not address all his relatives as „beloved cousins“ – the term cousin being a general title for relatives at the time – only Robert Hewer and his nephew Henry Norris. However, his far more frequent correspondent William Procter, who is married to Mitford’s cousin, was never addressed this way. He did address foreigners as dear friends, as in a letter to Francois Courtois: „mein guter alter bekannter Freund“. The titles are indications of the value of the relationship. That there is no pattern as to which titles he used for kin, compatriots, or foreigners means that the strength of the social tie did not depend on criteria like nationality or kinship, but on reciprocity and friendship.

The importance of friendships is indicated in a letter to David Otgher, where Mitford asked Otgher to tell Courtois, that in spite of the money he owed the apprentice, „as I have been his friend so I may be again“. Or when writing to Mallabar and Lowther: „Pray tell Sarah Goldfinch that her husband is here and I have assisted him with money and clothes. He came from France without either and is now endeavouring by the first opportunity to come for Dantzig. He is pretty well recovered of his health and was with me the other day at Clapham“.  

There is a letter to Mitford’s apprentice John Lowther, in Danzig, which helps illustrate the development of social relationships over time particularly well. This letter contains two interesting passages. First, Mitford refused to pay back the money he had received for the apprenticeship of John Lowther’s brother Anthony, who recently passed

62 See Appendix I
63 Ms Letters of Michael Mitford: 25.08.1704 to Francois Courtois, translation: „My dear old friend and acquaintance“.
64 Ibid. 25.09.1704 to Mallabar & Lowther; Clapham: Mitford’s countryhose
65 Ibid. 06.03.1705 to Mallabar & Lowther
away while still indentured to him: „neither law nor custome can oblige me to return one penny of what received with your brother. The case was adjudged with Mr. Nesbitt and Mr. Barnadiston before the Chamberlain of London“. Second, it contains an answer to Lowther’s worries about the latter’s lack of success in business: „if you cannot earn your bread abroad I question if ever you will do so at home...for shame let it never be said that you can’t earn your bread for if so you are a very silly idle fellow. Want you have bread brought to you and slapt into your mouth. Noe surely I hope you do not. You are in a wonderful country for bread and a dilligent man what will seeke it may find it. I thank god I found mine there and never had the tenth part of your estate from my parents to help me to it neither the advantage of any recommendation to be brought into a Comptoir or business to show me any way or method as you have had...“ After going on in a likewise manner for a while, he conceded, that if Lowther is „weary of your station you may come home to me again I have both bread for you to eat and work for you to doe, so long as you are under covenant with me I will perform the part of an honest master to you...“ 66 Here there is an emphasis on the relationship between master and apprentice. In later letters he often sent the apprentices greetings from his wife.67 In one of Mitford's last letters, when his health was very poor and he spoke of retiring to the countryside, he ended with „I heartily wish you both all happiness this new year and remaine with kind respects and service your real Friend“.68 In his will he considered each of the apprentices with a small sum. The relationship seems to have become almost that of a father to his sons, and the apprentices were also his main correspondents, aside from relatives, in the period covered by the letter book.

66 Ibid 21.11.1703 to John Lowther
67 Ms Letters of Michael Mitford: 06.03.1705 to Mallabar & Lowther
68 03.01.1707 to George Mallabar, see as well 01.02.1704 to George Mallabar
In one letter to Mallabar and Lowther, Mitford asked them to „bring me a good polish mitz & a knife & fork for carving with inlaid harth the costs shall thankfully repay you, your last Mitz I have worn until I am almost ashamed” 69. This was not business related and purely social, highlighting this aspect of the relationship.

These examples prove the complexity and importance of the social community. Individually developed ties of friendship substituted for ties of religion or kinship. This enabled the multiculturalism of the network. Furthermore, it makes it possible to argue, that the threat of ostracism likely functioned as a further strengthening element of the business network.

Hypothesis III: The Network in the Baltic was not Limited by Local Origin, Religion or Ethnicity but Adapted to the Needs of Trade.

Mitford’s network was only partially based on the non-economically determined criteria the New Institutional Economists ascribe to voluntary organisations. Although it included kin, both in England and abroad, and most of its overseas trading partners were English, it was flexible and able to extend beyond these criteria. It included at least four different nationalities and religions. Among kin there were William Procter in Newcastle, Robert Hewer in Plymouth, and Mitford’s nephew Henry Norris in Stockholm. There were contacts that were also from his home town Newcastle, such as the Fenwick brothers, Robert Baily, William Fell and William Aubone. 70 Then there were his apprentices John Lowther, George Mallabar, and David Otgher, who were of mixed local background, albeit all English. He did business and maintained friendships with three Hall brothers, who were Quakers. Du Maistre was a

69 01.02.1704 to Van Drogenhoft & Son
70 See Appendix I
Huguenot, Nesbitt an Irishman and Catholic.\textsuperscript{71} To some of his contacts Mitford wrote in German, such as Jan and Peter van Tarelink in Amsterdam and Hagdorn & Koomen in Danzig.\textsuperscript{72} To Van Drogenhoft & Son he wrote in French, which means that they were foreigners.\textsuperscript{73} Furthermore there was Francois Courtois, to whom he wrote in German, and whom he repeatedly called a „good friend“.\textsuperscript{74} Then there were Moses de Modena, who may have been Jewish, and Rodriguez Gomez, apparently a Spaniard.\textsuperscript{75}

There is evidence that the members were willing to extend the network in order to facilitate trade opportunities, especially as „trade is very dead“,\textsuperscript{76} the main reason being that „This year the Tarr Company at Stockholm have played an adirly trick and our Government doeth highly resent it for they would not sell one barrel to any English merchant but sent it for their own account and so we are obliged to give just what they please so that our L... must pay double for all the Tarr her actions require for this year...“.\textsuperscript{77} Consequentially, „our poor ropemakers are at a great nonplus for want of Tarr here in large quantities of Russia hemp laid up...“ and prices and possible profits were high.\textsuperscript{78} This further meant, that Mitford was unable to sell his or his contacts' substantial amounts of flax and complained that „this commodity has become such a rogue“.\textsuperscript{79}

Relative to tar the market was flooded with flax. As the two were required proportionally by rope makers, selling was not possible without substantial loss.

\textsuperscript{71} Gauci, P.: Merchant Database, Centre for Metropolitan History.
\textsuperscript{72} Ms Letters of Michael Mitford, 21.04.04 to Van Tarelink and Hagdorn & Koomen
\textsuperscript{73} Ibid. 01.02.1704 and 24.02.1704 to Van Drogenhoft & Son
\textsuperscript{74} Ibid. 28.08.1704 to Francois Courtois
\textsuperscript{75} Ibid. 21.01.1704 to Chitty & St.Quentin
\textsuperscript{76} Ibid. 16.04.1705 to Lloyd & Dowker, see as well 06.03. 1705 to Mallabar & Lowther, 03.06.1704 to Robert Hewer, 26.05.1704 to Lloyd & Dowker, 30.05.1704 to Samuel Martin, 03.02.1704 to William Procter
\textsuperscript{77} Ibid. 21.01.1704 to Lloyd & Dowker
\textsuperscript{78} Ibid. 21.01.1704 to Richard Greene
\textsuperscript{79} Ibid. 12.02.1704 to William Procter
Mitford managed to purchase some tar through his kinsman William Procter in Newcastle, however not sufficiently and he had to wait long before it was shipped.80

Mitford asked Mallabar and Lowther in Danzig, to „write to your correspondents at Elbing, Bromberg and Koenigsberg, Der Mamth, Der Liebau or Der Windau, Stolpe, Colberg, Stettin, or Stralsund to effect our commission for Tarr provided they can have this tarr for the carpenters and ropemakers“.81 He eventually wrote to his nephew and agent in Stockholm, Henry Norris, to „let me desire the favour of you if you can procure pitch or tarr especially the latter“ and advises him that „if the Tarr director will not let you have it you may order some Sweed to buy it and cosign it to me...“ 82 There is no follow-up information provided, so we do not know if this venture was successful.

However, this incidence shows two things: the openness of the network, and the readiness to extend the network beyond lines of nationality and kinship if so required by trade.

Furthermore it is noteworthy that Mitford's most frequent correspondents in England were relatives. Procter was married to a cousin of Mitford's, and Hewer was always addressed as a cousin. In the Baltic, however, his most frequent correspondents were his apprentices, and the banking houses Chitty & St.Quentin in Amsterdam and Lloyd & Dowker in Moscow. The latter served only for money transfers. That the apprentices were the most frequent trading partners abroad may be interpreted as a dynamic element of the network already. Each apprentice had his own trading partners, independent from Mitford, in the Baltic area as well. This constituted an extension of the network in order to enable trade with other parts of Northern Europe.

80 Ibid. 12.02.1704 to William Procter, 24.02.1704 to William Procter
81 Ibid. 24.01.1704 to Mallabar & Lowther
82 Ibid. 01.02.1704 to Henry Norris
A reason for the openness of the network may have been the cosmopolitanism of the Baltic and North Sea region at the time. There was a certain cultural homogeneity, with most of Northern Europe being Protestant and speaking closely related languages, these being the Scandinavian languages, Dutch, German and English. Most of the literature on merchant networks considers such criteria as sufficient proof of values and ethics being common enough to build business relationships.

Furthermore, there were large expatriate communities of different nationalities all around the Baltic and North Sea due to the importance of trade and migration caused by religious persecution. This persecution affected Protestants, which had a positive impact on the similarly Protestant North Sea regions, which took in such refugees. This facilitated interregional and long distance trade and the diffusion of skills and commodities.  

Another point in case of this cosmopolitanism is Mitford's multilingualism. Judging from his letters it is clear that he spoke French and German well enough to conduct business in. Part of the reason apprentices were sent abroad for years as agents was to enable them to acquire foreign language skills which were meant to help them with their own businesses in future, thereby recognising the multiculturalism of their business environment.

On the other hand, the lack of success shows the limits Mitford faced in trading without a diaspora based network. He was not a member of a transnational community, like that of the Jews or Armenians. He had

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84 Ms Letters of Michael Mitford: 21.01.1704 to Jan & Peter van Tarelink, 21.01.1704 to Hagdorn & Koomen, 01.02.1704 to Vandrogenhoft & Son, 26.02.1704 to Vandrogenhoft & Son, 25.08.1704 to Francois Courtois
few relatives in the right places. Abroad there was only his nephew Norris in Stockholm, who served as a merchant's apprentice there, but however was not able to buy tar because of being English. If he had been part of a transnational religious community, with Swedish members as well, the Swedish ban would not have been a problem.

So there is evidence for the members' willingness to extend the network. The mechanisms of exclusion that Greif describes present no hindrance. However, there is no evidence of success of such efforts. The reasons for this were exterior to the network. In the case of tar they were the policies of a nation state. This is not surprising in the age of mercantilism. Possibly, in the later period of free trade, Mitford's network may have been more successful.

The size of the market was therefore limited; the network was indeed not second best, but for other reasons than those proclaimed by the New Institutional Economists: it was not the merchants' concerns about free riders that limited the networks' willingness to expand, but barriers posed by the policies of a nation state.

*Hypothesis IV: The Trading Companies Played a Minor Role in Organising Their Members' Trade.*

Mitford was a member of two trading companies, the Eastland Company and the Old East India Company. The Eastland Company was a regulated company. These companies were originally founded to establish a monopoly on the trade with a certain region. Membership in the company enabled merchants to participate in the trade with this region. This limitation was meant to make the risky business of long distance trade more attractive to merchants, ensuring higher profit margins. The companies further enjoyed political backing from the
government, which was meant to support the interests of traders abroad. The New Institutional Economists argue that this was an important step in the building of European merchant empires and vital for their economic take-off.

In the letters, there is little evidence of the Eastland Company affecting Mitford's business on a day-to-day basis. He rarely referred to it. If company business took place face-to-face, there might not be much evidence in the letters. However, as he informed his agents abroad about all kinds of things regarding trade and politics, it could be expected that he informed those who were company members as well if there was anything of interest happening with the company. That he did not do so indicates that he was indeed hardly concerned with it in spite of the Baltic having been his main trading area.

It appears that Mitford acquired his agents in the Baltic from other sources, and not through the company. Some were from Newcastle, his home town, while others were relatives. Again others were foreigners, which would not have been members of an English company. The agents he most frequently corresponded with were his apprentices who functioned as agents in Danzig and Riga. Judging by his income and position in the East India Company, Mitford must have been well-known in London, and would have been approached about apprenticeships independently from his membership in the Eastland Company.

The Eastland Company is mentioned only regarding the securing of men-of-war from the admiralty for convoys of ships travelling to and from the Sound. In a letter to Captain Linskill of the „3 Pilgrims“, Mitford wrote that he „went up yesterday to the admiralty with some other merchants concerned with them and procured a grant of 2 men-of-war to carry such ships of their’s and others as will go to winter at Archangel...“.

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87 Ibid. 31.08.1706 to Thomas Linskill, see as well 21.01.1704 to Hagdorn & Koomen, 20.04.1704 to William Procter, 24.02.1704 to Vandrogenhof & Son, 07.11.1704 to
Apparently the Company served as a lobby to support the merchants' interests. A petition of Eastland Merchants to the Crown from 1697 survives, in which the merchants, among them Mitford, requested the opening of the Russia trade. The Russia Company at this time had been reduced to very few members. The Eastland merchants argued that this situation was harmful to trade and nation, and succeeded. The Russia trade was opened the following year.\(^{88}\) According to the secondary literature, as diplomacy in Europe increased in the course of the 17\(^{th}\) century, the trading companies dealing with destinations on the continent, functions shifted from protecting merchants and their property abroad to lobbyism towards their own governments at home.\(^{89}\) The Eastland Merchants were a particularly politically active group in London at the time.\(^{90}\)

Mitford also owned stocks of the Old East India Company, as did several of his agents. In his letters, he informed them about the current value of their stocks.\(^ {91}\) He further served as a director of the company from May 5\(^{th}\) 1704 onwards.\(^ {92}\) We do not know the amount of shares he owned. The board of directors met up to 100 times per year.\(^ {93}\) In his letters, Mitford complained that work at Skinners Hall was very demanding, leaving him with little time for the Baltic business. The post came with a compensation of £150 per year. For a merchant of Mitford's

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89 Ibid. pp.180,198
90 Ibid. p.165
91 Ms Letters of Michael Mitford: 21.11.1703 to William Brown, 21.01.1404 to William Brown, 01.02.1704 to Anthony Bothomly, 31.03.1704 to Anthony Bothomly, 05.05.1704 to Anthony Bothomly, 07.11.1704 to Mallabar & Lowther, 05.05.1704 to Anthony Bothomly, 30.05.1704 to Samuel Martin, 15.09.1704 to Mallabar & Lowther, 10.11.1704 to William Brown
92 Ibid. 05.05.1704 to Anthony Bothomly
93 Ibid. 15.09.1704 to Mallabar & Lowther
calibre it seems doubtful that this would have been enough incentive to invest such an extensive amount of time. He obviously had a serious interest in the company's success. We can therefore assume that he must have owned a substantial amount of shares, in order to justify the effort.⁹⁴

At the same time, however, his Baltic trade was very slow. He mentioned this repeatedly in his letters, and indeed bought and sold very little in the three years covered by the letter book. He was looking for other business opportunities. He traded a little with the West Indies and the Mediterranean. In Barbados and Jamaica, he sold some gunpowder.⁹⁵ From Lisbon, he imported red wine.⁹⁶

The notion that chartered companies were essential to facilitate trade is popular amongst historians and contemporaries. John Houghton in his paper „A collection for the improvement of husbandry and trade“ on Friday, January 10th and 17th 1696 described the advantages:

„If we trade to countries able to defend us, and that are governed by stated laws, as Spain, France, Holland, and such like, I think an open trade best; but where the governments are unable to defend us, and the rule is arbitrary as in Turkey and Russia, I am for a regulated company: For they must raise money for presents and several other occasions; but where they are absolut, divers, independent and not able to defend us, and we have principalities of our own, I see no way to manage but by a Joint Stock [...] Joint Stocks make great colonies, and have usually countries of their own to improve at pleasure, they have ships to offend or defend, they can spend every Farthing of the Stock they have, and gain credit for great sums more, they can make alliances...“⁹⁷

⁹⁴ Ibid. 07.11.1704 to Mallabar & Lowther
⁹⁵ Ibid. 21.03.1704 to William Procter, 30.03.1704 to Hudson & Boyer
⁹⁶ Ibid. 19.07.1704 to Arthur Stern
⁹⁷ Houghton, John (Ed.): A collection for the improvement of husbandry and trade, 10.01.1696 and 17.01.1696.
However, we know that there was private trade with India. On the one hand, the company allowed its agents to conduct some private trade, in order to assure their loyalty.\textsuperscript{98} On the other hand, there was a lot of interloping. According to Chaudhury, whenever a private adventure to India was organised, it was very successful and reaped great profits.\textsuperscript{99} Representatives of the Old Company claimed that this was due to the foundations laid by them. Furthermore, the increase of English piracy led to retribution by the Indian governments against English subjects and the company. Perhaps the independent trade/ piracy were in fact so successful that it threatened merely the interests of the company, not that of East Indian trade in general? This would be a point in case of network-led trade and against the importance of the state, as it means that privately organised trade could be successful without intervention of the state.

Out of this interloping grew eventually the New East India Company.\textsuperscript{100} The negotiations between and the merging of the two companies fell into the period of Mitford's directorship. Contacts from his letter book were engaged in both companies.\textsuperscript{101} This might seem to be contrary to the proposed hypothesis. However, these contacts did not help him find agents in Asia. Hence it seems unlikely that they did so for Europe. This indicates that trade may have been as successful without the aid of chartered companies.

Finally, East Indian goods were very valuable, even a very small amount of spices would have brought a high profit margin. At one point,

\textsuperscript{101} Ms East India Company Court Book 1706
Mitford forwarded “a small chist of East India goods“ to another merchant in the Baltic.\textsuperscript{102}

It seems that Mitford would have had an interest in engaging in private trade with India. The above descriptions show that this was generally possible. That he does not do so, may indicate that he did not manage to acquire agents on the subcontinent. It seems that being an influential member of the East India Company did not help him.

To sum up, the case of the Baltic shows that trade was organised privately. The case of interloping in India shows that companies may not have been as essential for long-distance trade as generally assumed. The case of Russia shows that company monopolies could even be harmful to trade expansion.

In conclusion, this chapter has shown that while long-distance trade was not possible without merchant networks, the role of chartered companies may be overestimated. This indicates a greater importance of merchant networks relative to government backed companies than so far assumed.

\textit{Hypothesis V: The Network Facilitated Trade Beyond the Reach of Political Institutions.}

According to the New Institutional Economists, the state is a better protector of property rights than networks. The development of the nation state in the early modern period laid the foundation for the expansion of long distance trade and economic growth. Diplomacy grew in the 16\textsuperscript{th} and 17\textsuperscript{th} centuries. States increasingly exchanged ambassadors and established consuls abroad. The Elizabethan consul in Istanbul, for instance, was a merchant himself. He was invested in his office in order

\textsuperscript{102} Ms Letters of Michael Mitford: 13.04.1705 to Chitty & St.Quentin
to supply more weight to his lobbying activities for English trade interests with the Porte.\textsuperscript{103}

Thus, the growth of diplomacy and long distance trade went hand in hand, the former supporting the latter.

Mitford had connections to Parliament. He came from a landed gentry background, the Mitfords of Northumberland, and was related to Parliamentary representatives of the region.\textsuperscript{104} Two of his apprentices were sons of John Lowther, MP. Finally, there was his office in the East India Company, which might have supplied him with useful contacts as well. These should have been of use to his business. However they seem to have supplied little support to his interests, be it in acquiring the money owed to him by the transport office for his ship the „3 Pilgrims“, or in the Baltic trade. He tried desperately to buy tar, and the state did not support him in this. In his letters there is no indication that it even occurred to him to ask them for help.

As outlined in the previous chapter, the trading companies, which can be considered political institutions, did not provide Mitford with contacts or additional trading opportunities when needed.

Instead, it was his trading partners who brought Mitford into contact with political office holders in order to enhance his trading opportunities. For example contacts in Russia arranged contacts with Czarist government officials for him.\textsuperscript{105}

Furthermore, Mitford's friend Urban Hall was personally acquainted with the mayor of Bergen and his direct recommendation enabled Mitford to trade there and acquire long sought-after pitch and tar, which was of great importance to his business.

\textsuperscript{105} Ms Letters of Michael Mitford, 01.01.1704 to Lloyd & Dowker
The network here provided a service, that of providing contacts and trading opportunities, that the state did not.

6. The Conclusion

The hypothesis of this paper is that Mitford's network was not inferior to the state in facilitating expansion of trade. The role of merchant networks in facilitating long-term economic growth may therefore have to be re-evaluated. The analysis of the letter book regarding the five minor hypotheses enables an evaluation of Mitford's network in this respect.

The first hypothesis argues convincingly that the network was based on a reputation mechanism. One of the main functions of the reputation mechanism was to share information about one's own and other agents' credit-worthiness. The letters provide ample evidence of information sharing, recommendations and warnings of agents.

It further became evident that the network used reciprocity to strengthen the business connections. The agents granted each other favours, particularly regarding the acceptance of bills of exchange without prior notification, and expected to be recompensated for these in the future.

The second hypothesis shows that business ties ran parallel to social ties. These either preceded the business interest, as in the case of kin, or developed over time. A common set of values shared by the network members and the threat of ostracism if an agent violated these values served to strengthen the network further.

The combination of these factors makes for an efficient mechanism to fend off free riders and secure property rights. This is further underlined by the fact that the letter book contains few references to instances of cheating. The ability of the network to combat the free riding problem efficiently leaves the question of its limitations.
The third hypothesis argues that the network was not limited by non-economic criteria such as religion, local origin, or ethnicity, but adapted to the needs of trade. This point could be only partially verified. The network contained merchants of different backgrounds, most significant among them English, Irish, French, Spanish, Dutch, Huguenots, Quakers and Catholics. Furthermore, evidence was found that the network members were willing to extend their network and integrate further agents, regardless of their ethnic, religious, or cultural background. This becomes apparent in the members' Europe-wide quest for tar. However, their ambitions were of limited success. This was due to the policies of the Swedish Tarr Company, possibly connected to the Great Northern War. In this case, the nation state, contrary to what the New Institutional Economists propose, did not facilitate trade expansion, but hindered it.

A similar development is indicated by the limited role the chartered companies played in organising trade, as outlined in hypothesis IV. The Eastland and East India companies were of minor importance to Mitford's trade, which was almost entirely privately organised. Furthermore, the successful interloping in the East India trade indicates that the company, i.e. the state's involvement may not have been as fundamental for long-distance trade as supposed. This notion receives further support from hypothesis V, which shows that connections of politicians and office holders played no role in Mitford's trade.

Together these findings indicate that the role of the nation state compared to that of merchant networks for the expansion of long-distance trade is overestimated. The evidence is sufficient to argue that the role of merchant networks vis-a-vis nation states for the expansion of long distance trade must be re-evaluated.

As Mitford's network's success in expanding its trade was limited by exterior factors, it would be interesting to compare it with a network in the
period of free trade. Also, Mitford's network comprised mostly people of a similar cultural background, as described above. An analysis of a more heterogeneous network, for instance one including indigenous and European merchants in intercontinental trade, would shed more light on networks' versus states' capacities in promoting trade.
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## Appendix I: Table of correspondence

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<td>19.8.04</td>
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<td>William Aubone</td>
<td>Newcastle</td>
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<td>William Bourne</td>
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<tr>
<td>Anthony Bothomly</td>
<td>Danzig</td>
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<td>31.3.04; 5.5.04; 12.5.04</td>
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<td>Son of Susanna Bland</td>
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<td>Henry Bland</td>
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<td>Susanna Bland</td>
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<td>25.4.04</td>
<td>Madam</td>
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<td>Bartholomy Bloodsworth</td>
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<td>1.2.04; 7.3.04; 2.5.04; 7.11.04</td>
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<td>East India Stocks Info</td>
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<td>Anthony Bothomley</td>
<td>Danzig</td>
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<td>1.2.04</td>
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<td>Mein guter &amp; alter bekannter freund – my good old friend  German</td>
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<td>Francois Courtois</td>
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<td>Gentlemen</td>
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<td>Dirk Deuries</td>
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<td>5.9.04</td>
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<td>Friend of Mr.Knipe</td>
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<td>John Delaval</td>
<td>Northamptonshire</td>
<td>Kinsman?</td>
<td>1.8.04</td>
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<td>Mention of godson Michael Mitford and his</td>
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44
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<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Dates</th>
<th>Greeting</th>
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<td>Dodgson &amp; Dixon</td>
<td>Leeds</td>
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<td>William Fenwick</td>
<td>Hull</td>
<td>19.12.03; 15.1.04; 18.1.04; 3.2.04; 10.2.04; 19.2.04; 7.3.04; 11.3.04; 22.3.04; 25.2.04; 2.5.04; 11.7.04; 1.8.04; 5.9.04; 26.9.04; 3.10.04; 21.10.04; 7.11.04; 16.11.04; 27.2.05; 6.3.05; 18.2.07</td>
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<td>Robert Fenwick</td>
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<td>21.12.03; 2.12.03; 17.2.04</td>
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<td>William Fenwick</td>
<td></td>
<td>2.11.04</td>
<td>Sir</td>
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<td>Nicholas Fenwick, Jr</td>
<td>Newcastle</td>
<td>6.4.04</td>
<td>Sir</td>
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<td>R. Fenwick &amp; Nicholas Ridley</td>
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<td>31.8.06 (2)</td>
<td>Sir</td>
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<tr>
<td>Lydder Flasting</td>
<td></td>
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<td>Fenwick Brother</td>
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<td>Christian Fuxen</td>
<td>?</td>
<td>20.6.04</td>
<td>Sir</td>
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<td>Jeremy Gregory</td>
<td>Chatham</td>
<td>14.12.03; 30.12.03; 2.12.03; 21.12.03; 23.2.03; 25.3.04</td>
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<td>Richard Greene</td>
<td>Koenigsberg</td>
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<td>Edward Harman</td>
<td>Portsmouth</td>
<td>9.12.03; 30.12.03; 13.1.04</td>
<td>Sir</td>
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<td>Robert Hewer</td>
<td>Plymouth</td>
<td>11.12.03; 4.1.04; 11.1.04; 13.1.04; 20.1.04; 27.1.04; 1.2.04; 10.2.04; 17.2.04; 29.2.04; 11.03.04; 25.3.04; 4.4.04; 11.4.04; 20.4.04; 27.4.04; 9.5.04; 18.5.04; 3.6.04; 15.6.04; 15.6.04; 20.6.04; 24.6.04; 8.7.04; 15.7.04; 18.7.04; 20.7.04</td>
<td>Sir and Loving Cousin</td>
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</table>

brother Ralph; ship „Mitford Castle“

Urban Hall's reference and Mitford's letter
Christian Hewer
Hagdorn & Koomen
Danzig
21.1.04
none
in German
Hudson & Bowyer
Kingston, Jamaica
22.3.04; 30.3.04; 29.6.04; 30.11.04
none
Sir
Jonathan Hutchinson
18.4.04; 15.8.04; 16.11.04;
21.11.04; 31.8.06
none
Thomas Linskill
21.11.04

Lloyd & Dowker
Moscow
21.12.03; 21.1.04; 25.2.04; 7.3.04; 26.5.04; 16.4.05
Gentlemen

John Lowther
Danzig
21.12.03; 31.3.04
Sir
Apprentice

George Mallabar
Danzig
1.2.04; 9.3.05; 3.1.07
Sir
Apprentice

Madame Mallabar
16.11.04

Mallabar & Lowther
Danzig
21.1.04; 1.2.04; 11.2.04; 31.3.04;
15.9.04; 7.11.04; 23.2.05; 2.3.05;
6.3.05; 13.4.05; 4.2.07
Gentlemen
Apprentices

Peter Martin
Partner in
Wood Trade
14.12.03; 2.12.03
Sir

Samuel Martin
Newcastle
30.5.04
Sir
Mother

Thomas Newman
Shoreham, Sussex
Shipbuilder
3.2.04; 5.2.04; 16.3.04; 30.3.04
Sir
Mention of „my ship Josephine“.
<table>
<thead>
<tr>
<th>Name</th>
<th>Place</th>
<th>Position/Relationship</th>
<th>Dates</th>
<th>Title/Notes</th>
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<tr>
<td>Mary Newman</td>
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<td>Henry Norris</td>
<td>Stockholm</td>
<td>Nephew, see will</td>
<td>1.2.04</td>
<td>Beloving Cousin</td>
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<td>David Otgher</td>
<td>Riga</td>
<td>Apprentice, see will</td>
<td>7.3.04; 5.5.04; 25.8.04; 13.4.05</td>
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<td>Punnett &amp; Gilford</td>
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<td>David Punnett &amp; Henry</td>
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<td>Guilford</td>
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<td>13.5.04</td>
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<td>William Phipard</td>
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<td>12.9.04; 21.9.04; 26.9.04; 5.10.04</td>
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<td>William Procter</td>
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<td>In-law, married to a cousin</td>
<td>07.11.03; 09.11.03; 11.11.03;</td>
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<td>William Ramsay</td>
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<td>Nathaniel Remington</td>
<td>Hamburg</td>
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<td>14.12.03</td>
<td>Sir</td>
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<td>Robert Scrutton</td>
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<td>9.12.03</td>
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<td>Arthur Stern</td>
<td>Lisbon</td>
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<td>19.7.04; 14.11.04</td>
<td>Sir Wine merchant</td>
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<td>Charles Smithson</td>
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<td>20.7.04; 31.8.04; 12.9.04</td>
<td>none Captain</td>
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<td>Van Drogenloft &amp; Son</td>
<td>Amsterdam</td>
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<td>21.12.03</td>
<td>none Informs about Tyeert</td>
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<tr>
<td>Name</td>
<td>City</td>
<td>Title</td>
<td>Date(s)</td>
<td>Remarks</td>
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<td>Jan &amp; Peter Van Tarelink</td>
<td>Amsterdam</td>
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<td>21.1.04</td>
<td>Annes lost ship</td>
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<td>Vandroogenhoff &amp; Son</td>
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<td>1.2.04; 24.2.04</td>
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<td>Joseph Watsworth</td>
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<td>5.9.04</td>
<td>Messieurs</td>
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<td>Mr. Walker</td>
<td>Tower Hill</td>
<td>Transport office</td>
<td>21.2.04</td>
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<td>Sister Webster</td>
<td>Newcastle</td>
<td>Sister</td>
<td>21.12.03; 20.7.04; 5.8.04</td>
<td>Sir Complaint about outstanding fees of 3 Pilgrims, Mary's mother, enclosed bill on Mr. Procter</td>
</tr>
</tbody>
</table>

Approximately 140 additional names are mentioned in the letters.
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WP93 Harbingers of Dissolution? Grain Prices, Borders and Nationalism in the Hapsburg Economy before the First World War
Max-Stephan Schulze and Nikolaus Wolf

WP94 Rodney Hilton, Marxism and the Transition from Feudalism to Capitalism
S. R. Epstein
Forthcoming in C. Dyer, P. Cross, C. Wickham (eds.)
Rodney Hilton’s Middle Ages, 400-1600 Cambridge UP 2007

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Patrick Karl O’Brien

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Maria Alejandra Irigoin

2007

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Martina Viarengo

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Christopher Louis Colvin

WP99 The Triumph and Denouement of the British Fiscal State: Taxation for the Wars against Revolutionary and Napoleonic France, 1793-1815.
Patrick Karl O’Brien
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<th>Origins of Catch-up Failure: Comparative Productivity Growth in the Hapsburg Empire, 1870-1910</th>
<th>Max-Stephan Schulze</th>
</tr>
</thead>
<tbody>
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<td>WP101</td>
<td>Was Dick Whittington Taller Than Those He Left Behind? Anthropometric Measures, Migration and the Quality of life in Early Nineteenth Century London</td>
<td>Jane Humphries and Tim Leunig</td>
</tr>
<tr>
<td>WP102</td>
<td>The Evolution of Entertainment Consumption and the Emergence of Cinema, 1890-1940</td>
<td>Gerben Bakker</td>
</tr>
<tr>
<td>WP103</td>
<td>Is Social Capital Persistent? Comparative Measurement in the Nineteenth and Twentieth Centuries</td>
<td>Marta Felis Rota</td>
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<tr>
<td>WP104</td>
<td>Structural Change and the Growth Contribution of Services: How Motion Pictures Industrialized US Spectator Entertainment</td>
<td>Gerben Bakker</td>
</tr>
<tr>
<td>WP105</td>
<td>The Jesuits as Knowledge Brokers Between Europe and China (1582-1773): Shaping European Views of the Middle Kingdom</td>
<td>Ashley E. Millar</td>
</tr>
<tr>
<td>WP106</td>
<td>Regional Income Dispersion and Market Potential in the Late Nineteenth Century Habsburg Empire</td>
<td>Max-Stephan Schulze</td>
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</table>

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<table>
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<tr>
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<th>‘The Big Problem of the Petty Coins’, and how it could be solved in the late Middle Ages</th>
<th>Oliver Volckart</th>
</tr>
</thead>
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<td>WP108</td>
<td>The Anglo-German Industrial Productivity Puzzle, 1895-1935: A Restatement and a Possible Resolution</td>
<td>Albrecht Ritschl</td>
</tr>
</tbody>
</table>
WP110  The Economic History of Sovereignty: Communal Responsibility, the Extended Family, and the Firm
Lars Boerner and Albrecht Ritschl

WP111  A Stakeholder Empire: The Political Economy of Spanish Imperial Rule in America
Regina Grafe and Alejandra Irigoin

Albrecht Ritschl, Samad Sarferaz and Martin Uebele

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Barry Eichengreen and Albrecht Ritschl

2009

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Taylor Jaworski

Albrecht Ritschl and Tobias Straumann

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Mary MacKinnon and Chris Minns

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Barzin Pakandam

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Chris Minns and Patrick Wallis

WP119  Time and Productivity Growth in Services: How Motion Pictures Industrialized Entertainment
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Debin Ma

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Tirthankar Roy

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Roman Studer

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*Patrick Karl O’Brien FBA and Xavier Duran* |
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*Nicholas Broten* |
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*Derek L. Elliott* |
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*Nicholas Crafts, Timothy Leunig and Abay Mulatu* |
| WP138 | Re-evaluating the Role of Voluntary Organisations: Merchant Networks, the Baltic and the Expansion of European Long-Distance Trade  
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