1 Introduction

On the eve of Britain’s Industrial Revolution, Adam Smith looked back at the long period of slow, but persistent, structural change and economic development upon which the later technological thrust was built.¹ In seeking to explain a century or more of growth he saw the ‘Discovery of America’ as one of the ‘two greatest and most important events recorded in the history of mankind’ along with the finding of the passage to the East Indies by the Cape of Good Hope.² Modern historians might raise an eyebrow at the eurocentricity of Smith’s version of the ‘history of mankind’ but, none the less, even one-time sceptics see much validity in his view that Britain’s large investment in empire had paid dividends through an addition of resources, and an extension of markets, which had carried the economy to a ‘plateau of possibilities’ from which still higher growth based upon accelerated technical change ‘appeared and became irreversible’.³

The Capital and the Colonies

After years of neglect by economic historians looking at industrialization, overseas expansion has returned to centre stage in explanations of economic development; but the links remain poorly specified. As Smith, and the original projectors of colonial expansion, comprehended and, as Pomeranz has recently restated, the acquisition of new lands in America dramatically raised Britain’s productive capacity: it unleashed new potential for extensive growth. However, as mercantile writers such as Davenant also understood, land and resources are not the whole ‘wealth’ of a nation: maritime knowledge, technical and military skills, appropriate institutions, and strategic political alliances are ‘more truly riches of a nation than (gold and silver)’ and needed ‘to be put into the scale when we weigh the strength and value of a nation’ and its capacity to achieve economic growth. Comparisons of sectoral growth rates establish the importance of England’s Atlantic commerce which, in the decades after 1660, grew far more rapidly than other branches of overseas trade, agriculture, or manufacturing industry. However, they do not capture the full influence of overseas expansion on Davenant’s conception of the wealth of the nation, or what North has called ‘adaptive efficiency’: the willingness and
capacity to acquire knowledge and understanding; to take risks; to resolve problems and bottlenecks; and to introduce innovation. This study looks at how late-seventeenth-century Londoners, who heavily dominated England’s colonial trade, responded to the opportunities and challenges posed by the infant imperial project and set in place a durable mercantile system which underpinned both extensive and intensive growth and made the Industrial Revolution more likely.

Economic historians working on English overseas trade and colonial expansion have focused on three big themes: the aspirations of early empire builders; the success of their project as measured in the commercial revolution; and the links between the growth of Britain’s Atlantic economy and the Industrial Revolution. In the early twentieth century writers such as Andrews, Beer, Harper, and Newton drew a full, and convincing, picture of what Englishmen hoped to gain from westward expansion and how they designed the institutional framework of an Atlantic system which would reserve these benefits for Englishmen. This work was later filled out by Kenneth Andrews and others while a second body of scholarship, dominated by Ralph Davis’s work on trade and shipping, provided measurements of the project’s success in what was, long ago, dubbed a ‘commercial revolution’. Detailed empirical work showed that, in the century after the Restoration, there was a major redirection

9 Rachel Laudan has argued that one way to think of the cognitive activity that generates technical knowledge is to see it as problem solving; the choice of problems which are solved will be based in part on signals sent to the potential inventor by the market, or another device, about the private and social benefits: Rachel Laudan, ‘Cognitive change in technology and science’, in Rachel Laudan (ed.), The Nature of Knowledge: Are Models of Social Science Relevant? (Dordrecht, 1984), pp. 83–104.
The third area of discussion has attracted the most controversy and is dominated by the arguments presented in Eric Williams’s influential text, *Capitalism and Slavery*, published in 1944, which suggests that the accumulation of financial capital arising from the success of Britain’s Atlantic system (underpinned by slavery) caused, or at least contributed greatly to, the Industrial Revolution. Similar sentiments underpin the world-systems interpretation of the causes of development and underdevelopment which emerged in the writings of Frank, Wallerstein, and others in the 1970s. In very general terms, these writers perceived that the post-1800 divergence between ‘the West and the rest’ had its origins in the period between 1450 and 1750, when Europeans deployed military power, and superior state organization, to exploit the opportunities opened up by long-distance commerce and turn the terms of trade heavily in their favour. The mineral wealth and raw materials produced on the periphery were exchanged for the manufactures and high-quality farm produce of the core on highly unequal terms. ‘Over time such patterns of specialization pushed the economies of Western Europe towards industrialization and higher standards of living and the economies of the periphery towards primary production, monoculture, and far lower levels of per capita income.’

Both the Williams thesis and the world-systems analysis have been strongly criticized for their lack of a systematic statistical underpinning. Attempts to remedy the defect have come up with ‘small numbers’ for any measure of the importance of the Atlantic economy, even in Britain, and led to O’Brien’s famous conclusion that ‘the periphery was peripheral’.

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13 Eric Williams, *Capitalism and Slavery* (Chapel Hill, N.C., 1944); Inikori, *Africans and the Industrial Revolution*.


16 Ibid., p. 18.
However, the small ratios argument has itself been questioned on the grounds that it fails to recognize the strategic significance of the imperial project in encouraging economic development and ignores the innumerable feedback effects and linkages generated by overseas expansion, which are seen particularly well in the work of Jacob Price. 17 Peter Mathias claimed that the small numbers approach ‘is rather like trying to measure the importance of ball bearings to the dynamic performance of a motor car by measuring their cost as a percentage of the capital cost of the vehicle’. 18 The narrow version of the Williams thesis which asserts that the profits generated by the slave trade were the main source of finance for the Industrial Revolution has little purchase, but the work of Solow, Engerman and O’Brien, Inikori, Pomeranz, and others has refined, and reinforced, the more general notion that the rise of Britain’s Atlantic trading system did much to stimulate, and shape, the long period of slow structural change and economic development that culminated in the Industrial Revolution. 19 Many former sceptics have amended their views, as illustrated by O’Brien’s recent conclusion that ‘for the British Industrial Revolution the significance of foreign commerce should not be denied, denigrated nor exaggerated. It was obviously important.’ 20

In concentrating on these major themes, historians have paid scant attention to the ‘nuts and bolts’ of the processes by which the early aspirations outlined by Harper and others were translated into the concrete reality of the ‘commercial revolution’ and the nature of its much debated links with the Industrial Revolution. Yet early-seventeenth-century Englishmen could not have predicted with confidence that by 1713 colonial trade would have ‘conformed in almost every particular to the Navigation system’ designed by Restoration legislators; a system intended to create a sealed, self-contained, English Atlantic world which would allow Englishmen rather than the Dutch middlemen to benefit from their large investment in empire. 21 When claiming that this ideal was
realized, McCusker and Menard accept Harper's notion that the legislation itself had been responsible for England's commercial success and yet, on even brief examination, this is not plausible. The seventeenth-century state did not have the resources to enforce commercial legislation, which seriously raised private costs. The risks of evasion were low and, if the costs of English services had remained 20 or 30 per cent above those of the Dutch (as they were claimed to be in the 1650s) then the Acts would have been largely ignored and trade would have flowed through illegal channels. Furthermore, if a strong state had been able to enforce legislation that imposed high private costs by diverting Englishmen from low-price services to more expensive providers (as McCusker and Menard, like Adam Smith and Harper, implicitly suggest) then the plantation economy and trade would have been unable to compete with continental rivals and would have suffered stagnation and decline. In fact, the reverse was true and, in the decades after the Restoration, there was unprecedented growth in colonial trade and shipping. The Navigation legislation might have helped but cannot entirely explain how, between the 1650s and 1700, England developed the commercial capabilities which allowed it to improve efficiency, close a substantial cost gap with its Dutch rivals, and make mercantilism work.

In this study the evidence of general compliance with the Navigation Acts by the 1680s, despite weak enforcement capacity, is taken as a measure of increasing convergence between English and Dutch commercial

22 Worsley suggested that the Dutch undercut English freight charges by 20 per cent in the 1650s: Benjamin Worsley, The Advocate: or, a Narrative of the State and Condition of Things between the English and Dutch Nation in relation to Trade (London, 1651), p. 4; Harper used contemporary pamphlets to suggest that, in the 1650s, the gap was around 30 per cent. Harper, Navigation Laws, p. 312; Beeton to Lords of Trade, 5 April 1694, PRO CO 138/7, fo. 191; Beeton to Lords of Trade, 9 December 1697, PRO CO 138/9, fo. 184.

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capabilities and costs rather than as a forced shift towards inefficient providers. The study seeks to explain the sources of this catch-up, and the likely consequences, by providing a detailed picture of the routines and ramifications of England’s late-seventeenth-century colonial trade from the vantage point of the capital, which accounted for over three-quarters of the country’s plantation trade, and acted as the hub, or clearing house, of its Atlantic system. In these years England established a larger stake in the Atlantic than any other country in northern Europe and, as the imperial project moved out of its early experimental stage, it firmly fixed its claim to attention as a major source of national wealth and strength. A regulatory framework designed to create a sealed self-contained commercial system was set in place and the mechanisms for distributing the spoils of empire were resolved. In this period the rules of the game were established and the incentive structure that shaped investment and the accumulation of financial and human capital took lasting form. A detailed account of the workings of the capital’s colonial trade in this crucial period highlights where, how, and why efficiency gains could be obtained. It brings into focus the causes of both the take-up of best practice and the innovations, which improved commercial capabilities and stimulated further economic growth.

London’s hub position in Restoration England’s expanding network of Atlantic exchange is well attested in contemporary commentaries and more recent overviews of the Atlantic economy. But, although provincial ports which were important in the Atlantic economy have received attention, the capital’s much larger colonial commerce has not been given the same comprehensive treatment. Work has been done on major sectors of colonial commerce with strong bases in London such as the shipping industry and the slave trade. Peter Earle and Richard Grassby have undertaken extensive work on the middling sorts and the business

24 Taking an annual average for the three year period between 1699 and 1701, London accounted for 80 per cent of the nation’s colonial imports, 65 per cent of exports to the colonies, and 85 per cent of all re-exports among which colonial commodities were important: PRO CUST. 3/3–5.
26 N. H. The Compleat Tradesman (London, 1684), p. 5; Davies, North Atlantic World; Davis, Rise of the Atlantic Economies; Scammell, First Imperial Age.
world of Restoration London, highlighting the risks and rewards of a life in commerce which Natasha Glaisyer has placed in a cultural context. 29 Individual colonial merchants and joint-stock companies have received attention. 30 Robert Brenner has highlighted the distinctive character of the ‘new merchants’ who pioneered London’s colonial trade in the early seventeenth century – returned planters, domestic tradesmen, sea captains, and shopkeepers. He also identified the colonial entrepreneurial leadership that had emerged from among the ‘new merchants’ by the eve of the Civil War: a coherent social group linked by a multiplicity of family and business ties who had benefited from early involvement in the imperial project and links with colonial governments to form a ‘merchant-councillor’ interest, and remained aloof from the old chartered companies. Typically republican in politics, independent in religion, and militarily expansionist in their commercial programmes, these merchants played a prominent part in the politics of opposition, and ultimately revolution. 31 Although colonial trade remained largely open, or ‘free’, after the Restoration, and men in the mould of Brenner’s ‘new merchants’ could still gain access, their numbers dwindled, merchant-councillor interests became increasingly entrenched and, as Price and Clemens have shown for the Chesapeake trade, colonial commerce in general became concentrated in fewer hands. 32 Colonial merchants feature as a group in Gary De Krey’s analysis of the fracturing of London’s political life after the Restoration, Perry Gauci’s survey of the politics of trade, and Dwyryd Jones’s analysis of mercantile involvement in war finance, but the membership of the group, and the nature of the material interests at stake in the Atlantic, lack clear definition and highlight the need for a detailed study of this important commercial sector. 33

No doubt the lack of a study of London’s colonial commerce reflects the fact that, unlike the East India trade (the other major pillar of the commercial revolution), the sector lacked centralized direction or single corporate control. As a result, both quantitative and qualitative source material is fragmentary and dispersed. Any study of commercial change and development requires a statistical framework but, despite the rise of a new spirit of scientific enquiry which applied the same empirical observation to the study of society as it did to that of the natural world, and the accompanying interest in political arithmetic, the late seventeenth century is renowned as an age of statistical darkness. There is no continuous series of commercial statistics until 1696 when, anxious to improve the management of the tax revenues needed to finance the massive wartime expenditures, the king appointed an Inspector General of the customs and initiated a permanent series of customs ledgers detailing annual trade by country, and commodity, for London and the outports. After this date the discussion of trade moves on to more solid foundations, and the figures do, at least, provide some cross-sectional data for the end of the century.

However, discussion of commercial trends over the Restoration period relies on scrappy information. Ralph Davis combined the customs ledgers of 1699–1701 with surviving figures for London trade in 1663 and 1669 to outline the main contours of what he described as a ‘revolution in trade’. The exercise presented a range of problems. The earlier figures have limited detail: they group all the plantations together; and they list only English-produced exports and not re-exports. Both sets of figures leave out the important trades in ships and bullion. However, the most serious difficulty arose from the valuations as, although the Inspector General provided a clear statement that, in the 1690s, export values were based on the ‘current price here at home’, and import values on the ‘current price abroad’, the basis for the values used in the 1660s is unclear. Davis suggested that the prices used to value imports were 


36 Davis, ‘English foreign trade: 1660–1700’, 162. The figures for 1663 and 1668 are found in BL Add. MS 36,785.
probably the selling prices in England (including freight, insurance, and duty) and, on this best-guess basis, he adjusted the values of some highly taxed goods (wine, brandy, and tobacco) to make their valuations more comparable with the later figures. Although Davis’s figures lack precision, his broad conclusions about commercial trends, and the rise of long-distance trade, seem secure and provide the figures in Table 1.1. The value of London’s total overseas trade grew slowly between the Restoration and the end of the century, with imports increasing by about a quarter, and exports by a third, although re-exports (dominated by linens, Indian textiles, sugar, and tobacco) probably more than doubled. However, along with the ‘dynamic’, and closely linked, re-export trades the transoceanic trades grew much more rapidly and, within this sector, colonial commerce performed best of all, rising at around four times the rate of total trade and, by 1700, accounting for nearly 20 per cent of the capital’s imports and 15 per cent of exports. Davis’s valuable statistical sketch of London’s overseas trade in the late seventeenth century provides a broad framework for discussion and has been supplemented by Robert Nash in his unpublished thesis, which used the Inspector General’s ledgers to provide important additional detail about the multilateral trades, and invisible earnings, which is drawn on in this study. 38

Davis suggested that his general picture would be improved by work on the portbooks. It is true that, if the portbooks had been kept with a reasonable degree of accuracy, and if they survived in complete series from their inception in the sixteenth century, they would certainly provide materials for a useful import and export series, although there would be major omissions as, like the figures used in Table 1.1, they do not include ship sales or bullion. 39 Unfortunately, even in the eighteenth century a committee of the House of Commons found the books in the ‘greatest disorder and confusion’ with many gaps. 40 Subsequent loss, damage, and the destruction of the London portbooks from 1696 have further reduced their potential. However, even with gaps, the task of processing the surviving data in a systematic way is huge. A report of 1696 suggested that it would require the full-time work of four men to deal


