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Tobacco in Atlantic Trade

The Chesapeake, London and Glasgow
1675–1775



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II

The Economic Growth of the Chesapeake and the European Market, 1697-1775

THE relative position of the Chesapeake in the economy of the thirteen colonies before the American Revolution is a matter of some ambiguity. On the one hand, we are traditionally taught to view Virginia and Maryland as somewhat backward compared to their northern neighbors, particularly in their lack of large towns and of those forms of a centralized market economy commonly based upon urban commercial centers. On the other hand, simple quantitative measurement¹ seems to indicate that they were among the most highly developed of the colonies. Virginia was the most populous of all, and even Maryland had more inhabitants than New York. If between them they were to account for about 30 per cent of the population of the thirteen colonies on the eve of the Revolution, they were even more strikingly to account for close to 50 per cent of colonial exports to England. If we add in oft-neglected Scotland as a recipient, then the Chesapeake's share of exports to Great Britain passes 60 per cent. If we had chosen to make our measurements as of a generation earlier, then the Chesapeake's share of colonial exports would have been even higher.

This seeming inconsistency cannot be resolved in the abstract; it must be understood in terms of the composition of trade. One commodity, tobacco, accounted for better than 90 per cent of the value of Chesapeake exports to Great Britain and for over 50 per cent of total colonial exports thither. The trade in this one commodity must therefore explain both the quantitative development of Virginia

¹ This paper contains the précis of an argument which will be developed in much greater detail in parts of a book on French-British-Chesapeake trade in the eighteenth century which the author expects to publish in 1966. Since very full documentation will be given there from French, British, and American archives, etc., footnotes will be kept to a minimum here. Unless otherwise indicated, all English tobacco statistics before 1772 are from Public Record Office, London (hereafter, PRO) Customs 2 and Customs 3; all Scottish tobacco statistics before 1772 from Customs 14; and British trade statistics from 1772 onwards from Customs 17. Summary data for Scotland were also taken from PRO B.T.6/185 folios 192, 204, etc., and from National Library of Scotland, Edinburgh, Ms. 80. General colonial trade and population data are from U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1957* (Washington, D.C., 1960) ch. Z. "England" is used throughout to include England and Wales only, "Great Britain" to include England, Wales, and Scotland.

and Maryland and the institutional character of their commercial life.

The long-term development of the Chesapeake tobacco trade can conveniently be divided into periods of a quarter or a third of a century each. During the first thirty years of settlement, between 1607 and 1637, the two colonies were established, a staple commodity found, and marketing arrangements worked out. At the end of this period, imports into England from Virginia and Maryland were in the vicinity of 1.5 million pounds a year. With the foundations thus securely set, the next thirty-odd years—the period of the most impressive growth—saw a tenfold increase in trade, English imports of tobacco from the Chesapeake reaching fifteen million pounds in 1668-1669.² In the last third of the seventeenth century, substantial growth continued, but at a much slower rate, only doubling to reach about 30 million pounds' weight in 1697-1699. In the first quarter of the eighteenth century, the deceleration continued, imports in 1722-1726 being scarcely more than those at the turn of the century, though Scotland had since joined the Union and the tobacco trade. In the second and third quarters of the eighteenth century, however, there was a marked resumption of growth reaching in round numbers about 50 million pounds' weight in 1738-1742, 70 million in 1752-1756, and 100 million in 1771-1775. This last was more than three times the level at the turn of the century or in the mid-1720's.

The general pattern is thus clear: after an initial period of experimentation, etc., very rapid growth between the 1630's and 1660's was followed by slower growth in the latter part of the seventeenth century and by complete stagnation in the first quarter of the eighteenth; then a resumption of growth occurred in the next fifty years that tripled Chesapeake exports. How, though, do we explain this long-term slowing down and then resumption of growth?

There is of course the familiar explanation based upon land use. The early period of most rapid growth was that in which new land was being opened up and fresh soil first cultivated. Soil exhaustion is thus made to account for the slowed rate of growth in the later seventeenth century and for stagnation in the first quarter of the eighteenth. The renewed growth of the middle decades of the eighteenth century can also be explained by the movement of settlement out of tidewater and onto new lands in the piedmont and

² Miscellaneous accounts of 1st Viscount Lonsdale: *Muniments of the Earl of Lonsdale*, Lowther, Westmoreland.

on the south side of James River. This may be a good description of what happened, but it is not a complete explanation. It does not explain the timing, nor does it explain why the piedmont settlers devoted as much effort as they did after 1730 or 1740 to tobacco rather than to wheat, which they also raised for export.

A second and more speculative explanation can be found in the problem of the labor supply. The disturbed decades from about 1630 to about 1670, it can be argued, were particularly likely to induce emigration—including that to the Chesapeake. In the more settled and prosperous England after 1670 or 1674, people had fewer reasons to leave home. The Chesapeake and other colonies thus had to look for additional population primarily to their own natural increase. Rapid economic growth resumed again in the mid-eighteenth century only when an adequate supply of slave labor became available. This explanation, however, does not fit the data too well after 1700. It fails, for example, to explain the stagnation of the first quarter of the eighteenth century. It was precisely in the 1680's and 1690's that slaves were first introduced into the Chesapeake in large numbers, yet we can observe no effects on production before the late 1720's. There was of course a multiplication of the slave population of Virginia and Maryland between approximately 1730 and the Revolution (threefold in the case of Maryland, more than sixfold in the case of Virginia). Insofar as this increase was caused by the increased importation of slaves, was it simply a cause and not also an effect of the economic growth of the region? Why were the merchants of London, Bristol, and Liverpool who trafficked in slaves to Virginia and Maryland—all of them also tobacco merchants—so much more inclined to send slaves thither after 1730 than they had been between 1712 and 1730?

In this paper, we shall be concerned almost exclusively with a third explanation, that of markets. We do not hold this to be a complete explanation of the pattern of economic growth in the Chesapeake, but merely an important and neglected one. Markets in common usage suggest prices, but it should be remembered that markets can influence more than prices—they can influence the whole institutional structure of a trade. Prices by themselves are an inadequate explanation of what happened in the Chesapeake. The secular trend of tobacco prices had been downward throughout the whole of the seventeenth century, reflecting yet not seriously hampering increased production. A good crop commonly lowered prices in the

Chesapeake; there is no evidence, however, that low prices one year ever caused reduced planting the next year. Relatively high prices between 1711 and 1725 were not inconsistent with stagnation in those same years. Except for a few abnormal years, prices of Chesapeake tobacco were generally low between 1726 and 1774, but no longer falling.³ It was in these years of low but more stable prices that shipments from the Chesapeake tripled. These low prices can hardly have "stimulated" production in the Chesapeake, though they undoubtedly enabled the increased production of the area to find its markets. Where were these markets?

The most striking thing about the Chesapeake tobacco trade is that as early as 1669, when only fifteen million pounds of tobacco were being sent to England, eight million pounds, or over half, were being reexported from England.⁴ Thus, almost from its cradle, the Chesapeake tobacco trade was dependent for its prosperity on remote markets about which it knew very little. Yet those remote markets absorbed ever increasing amounts of Chesapeake tobacco as the trade grew and grew. Of the 100 million pounds shipped annually to Great Britain in 1771-1775, roughly 85 per cent was re-exported. In world competition, Chesapeake tobacco had the conventional advantages of price and quality. From the 1660's, it was noticeably cheaper than the competing quality tobaccos of the Spanish and Portuguese colonies. It was also a versatile commodity, shipped in dry leaf which could be made into any form of tobacco or snuff. Competing tobaccos were usually shipped manufactured or semimanufactured and were hence less versatile. Brazil roll tobacco, for example, was used in northern Europe exclusively as a chewing tobacco and suffered when that usage became unfashionable in the eighteenth century. The European tobaccos—particularly those of the Netherlands and Germany, but also those of Turkey and Russia, etc.—were on the other hand cheaper than those of the Chesapeake but were everywhere recognized as decidedly inferior. They were commonly mixed with Chesapeake tobacco in manufacture in proportions that varied with price fluctuations. In general, the popularity of snuff in the eighteenth century permitted the

³ For Amsterdam prices, see Jacob M. Price, *The Tobacco Adventure to Russia . . . 1676-1722* (*Transactions of the American Philosophical Society*, n. s., LI, Part I (Philadelphia, 1961), 103. It is virtually impossible to compile a good, long-term series of London tobacco prices. It is hoped, though, that John M. Hemphill, II, will soon publish the Virginia price series on which he has been working for many years.

⁴ As in note 2.

inferior tobaccos of northern Europe, thanks to mixing and scenting, to compete more effectively with American tobaccos than they had been able to do in the more honest seventeenth century when intrinsic quality was more readily revealed by smoking or chewing. Nevertheless, at least as early as 1740, the volume of tobacco shipped from the Chesapeake was equal to the combined volume of all the Spanish, Portuguese, Turkish, Russian, Dutch, and German tobacco that passed in international trade.

In the seventeenth century, the principal reexport markets for English colonial tobacco had been the Netherlands and Germany, and they remained important markets throughout the eighteenth century. English and later Scottish efforts to develop other markets were generally unsuccessful. In all the countries of the Christian Mediterranean, the tobacco trade was in the hands of a "stank" or monopoly farm (Spanish, *estanco*). The managers of these monopolies preferred either their own domestic or colonial tobaccos or foreign tobaccos cheaper than those of Virginia. In northern Europe, farmed monopolies were somewhat less frequent, but strict protectionist policies prohibited or discriminated against imported tobaccos in favor of native products. Thus, even in Sweden and Finland, a domestic tobacco-growing industry was created in the eighteenth century—to the no great delight of tobacco takers there.

Amsterdam dominated the intra-European trade in tobacco in the seventeenth, and in the first quarter of the eighteenth, century. There, unlike the case in London, every important variety of tobacco grown in Europe or America could be readily procured. Amsterdam manufacturers mixed and manufactured the many varieties of leaf available and exported vast quantities of their output to Germany, Italy, and at first to the Baltic. The Dutch trade, however, changed significantly about 1725. By then most countries had their own manufactures and, insofar as they would take any foreign tobacco, would import only leaf. The Dutch trade about then became simpler, with native and imported tobaccos being exported in leaf unmanufactured. This qualitative change is associated with the shift in the main center of activity from Amsterdam, the processing center, to Rotterdam, purely a shipping center.

The Dutch market, although it took close to half the English tobacco exported in the seventeenth century and never less than a third of the whole in the eighteenth century, was a passive market as far as the trade in Britain was concerned. Tobacco was generally

exported from Britain to Holland on British account. Tobacco merchants in London, Whitehaven, Glasgow, etc. received regular reports from Amsterdam and Rotterdam and when prices were attractive sent their tobacco thither, frequently whole shiploads at a time. This tobacco was consigned to merchants in Holland to be sold on commission for the British owners. It might wait months and months in Holland for the right sale, but loans could be obtained more cheaply on it there than in Britain. Since the trade was, however, meaningfully controlled from Britain, it is not evident that the Dutch market exerted any sort of institutional influence on that in Britain. Small British merchants could trade as easily to Holland as great ones.

The German market, though smaller, had been institutionally similar to the Dutch in the seventeenth century. However, the monopoly of exporting cloth to Germany, traditionally vested in the Merchant Adventurers or Hamburg Company, was abolished in 1689. This encouraged German firms in the eighteenth century to order their cloth direct from England and eventually to send over their own factors to make purchases there. There is evidence that such firms also bought tobacco in England on German account. Our evidence is thin, however; and the quantities and scale of purchases were not large enough to affect the structure of the British trade.

The only foreign market whose volume, whose scale of activity, and whose institutional structure were sufficiently weighty to affect the growth and organization of the British trade was a market entirely new to the eighteenth century—that in France. From virtually nothing in the 1680's, France after 1715 passed Germany to become the second most important market for British tobacco. Between 1730 and the British-French declaration of war in 1744, France surpassed Holland to become the first market for English exports. Though its share slipped in the wars of mid century, France remained a major market for British colonial tobacco down to the American Revolution.

This great role played by the French market requires some explanation, for we are conventionally taught to regard the years 1689-1815 as "the Second Hundred Years War," years in which Britain and France not merely fought seven major wars but in which their statesmen used every stratagem of which the legal or fiscal mind was capable to hurt the trade of the other: if English woollens were excluded from the French market, then French silks, linens,

and wines had to be excluded from the English market. How many battles were fought over trading stations in India? Yet these same years saw the development of a major new British export to France in tobacco.

The explanation of this aberration is rather simple: the regulation of the tobacco trade in France was not governed at the test by conventional mercantilist ideas of national self-sufficiency or balance of trade, but rather by the fiscal needs of the French state.⁵ From 1674 until 1791, the French tobacco trade was a state monopoly farmed out to private interests. The farmers of this monopoly found it increasingly convenient to buy Chesapeake tobacco. It was cheap and versatile, and French consumers liked it. In the end, the monopolists generally found that giving the consumer what he wanted was the surest way of discouraging him from dealing with smugglers. The tobacco which France had got from its colony of St. Domingue in the seventeenth century was relatively expensive, easily spoiled, and good only for chewing. The tobacco which came to it from Louisiana in the eighteenth century was a bit expensive and never arrived in quantities sufficient to develop a taste for it in France. Tobaccos from friendly Spain were much too expensive, and those from neutral Portugal were good only for chewing. It was not in the French monopolists' interest to encourage a familiarity in France with the tobaccos of the Low Countries and the Rhineland, for these could be too easily supplied by smuggling. For the same reason, the use of the tobaccos grown within France was confined to the area in which they were grown.⁶ Hence the ultimate logic of buying from Britain.

⁵ The most useful general accounts of the French tobacco monopoly are Jacques Bonneau, *Les législations françaises sur les tabacs sous l'ancien régime* (Paris: L. Larose and L. Tenin, 1910); and E. Gondolf, *Le tabac sous l'ancienne monarchie: la ferme royale, 1629-1791* (Vesoul: Ancienne Imprimerie Cival, 1914). There is a good chapter on this subject in George T. Matthews, *The Royal General Farms in Eighteenth Century France* (New York: Columbia University Press, 1958). All these accounts are highly institutional, neglecting both commercial and political-personal factors. For some indication of the complexity of the latter, cf. Jacob M. Price, "The French Farmers-general in the Chesapeake: the MacKercher-Huber Mission of 1737-1738," *William and Mary Quarterly*, 3d ser., XIV (1957), 125-53.

⁶ The eastern provinces of French Flanders, Artois, Hainault, Cambrésis, Alsace, and Franche-Comté (all acquired in 1648 or later) were never within the monopoly's jurisdiction. Tobacco grown there was not imported into France proper in quantity by the monopoly except during wartime shortages. Before 1720, when tobacco cultivation was permitted in certain specified parishes in the southwest (within the modern departments of Lot-et-Garonne and Tarn-et-Garonne), such tobacco was rarely sold by the monopoly north of a line running roughly from La Rochelle to Lyons.

The tobacco monopoly was established in France in 1674 as a quite minor branch of the revenue at a time when tobacco consumption in France was still far less than that per capita in neighboring states. Local regulations against smoking were still being passed in Burgundy in the 1680's. The first farming company was not successful, and the monopoly was transferred in 1680 to the "United General Farms" which managed most other branches of French indirect taxation. In 1697 it was taken away from the united farms and given again to a special company in return for a higher price. In 1718, for a still higher price, the monopoly was taken away from this company and given to John Law's Mississippi company, subsequently the Company of the Indies. For a few months in 1720, at the height of Law's "System," the monopoly was abolished and the trade opened under a conventional import duty. To make this duty productive, the cultivation of tobacco within France was prohibited (except in the eastern frontier provinces from Flanders to Alsace which had always been outside the jurisdiction of the monopoly). Tobacco flowed in and was snapped up by new manufacturers and even more by businessmen buying any commodity as a hedge against the inflation brought on by Law's paper money. For a few months, the import duty was highly productive. Then a glut developed, imports and customs receipts fell off, and the accounts of the farm went into the red. With the fall of Law, the monopoly was restored and ultimately given back to the Company of the Indies. In 1730, primarily for fiscal reasons, it was transferred back to the united farms, where it remained until the French Revolution.

Fiscally, the crucial period in the monopoly's history was the two generations following the return of peace in 1713. With the new fashion and popularity of snuff-taking, tobacco consumption at last became a mass phenomenon in France. Consumption within the monopoly area increased around seven-fold between 1715 and 1775. State revenues from this source rose from 1.5 million *livres* annually in 1714 to 8 million in the 1730's and to 22 millions in the 1760's. This last figure was equal to about one million pounds sterling. Whereas the king of England had gained about twice as much revenue from tobacco as the king of France in 1700, by the 1760's, the king of France was getting about four times as much from that leaf as his Brittanic cousin.⁷ Tobacco, from a trifling, had become a

⁷ For English tobacco-tax yields, see Jacob M. Price, "The Tobacco Trade and the Treasury, 1685-1733" (unpublished Ph.D. thesis, Harvard University, 1954), 107-8.

major branch of French state revenues and the tobacco farm a power above effective criticism.

Regardless of the institutional or political character of the various changes in the tobacco farm between 1697 and 1730, they all meant one thing in practice: the purchase of more tobacco from Britain. The initial breakthrough had been made in the 1690's. Because of the war, imports from St. Domingue disappeared completely and those from Portugal became difficult and expensive. Fortunately for the monopolists, these losses were more than made up by the captures by French privateers of large numbers of English vessels with tobacco from the Chesapeake. So much was in fact captured that the monopoly was able to supply all its wants from the privateer owners at a price slightly under that prevailing on the London and Amsterdam markets. These losses ultimately proved a victory for Virginia, for the French consumers liked what they had to take and were never again won back to their old preferences for St. Domingue and Brazil tobaccos. During the peace interlude of 1697-1702, the monopoly for the first time began to import English tobaccos in significant quantities and continued to do so by surreptitious channels when in the next war the privateers did not capture enough to meet consumer demand. With the advent of peace in 1713, regular French imports of British tobacco resumed at double the rate of the peace interlude at the turn of the century. After Law's company took over the monopoly, such imports doubled again (although Law had ostensibly taken over the tobacco farm to develop Louisiana).

It was by no means certain that the high levels of tobacco imports from Britain realized in Law's time would be continued after his fall had it not been for two quite separate decisions reached in 1723. In that year, the French government decided to restore to normal operation the Indies Company which had been in official receivership since just after Law's fall. As principal compensation to the company for the hundreds of millions of state debt which had been absorbed into its capital structure during Law's "System," the government decided to regrant to the company the restored tobacco monopoly. The shareholders and directors who had seen the bulk of their nominal capital erased during the receivership were hungry for dividends and expected the tobacco monopoly to be administered in a way which would produce the maximum income for them. That same year, across the channel, the British government under Walpole decided that the stagnating tobacco trade needed relief.

This balm took the form of abolishing the last vestiges of retained duty on reexported tobacco, enabling the leaf to pass through the British entrepôt without any fiscal burden. This had the immediate effect of lowering the price of British tobacco in foreign markets by three eighths of a penny per pound and thus of eliminating the greater part of the price advantage which had been so stimulating to Dutch and German tobacco during the preceding generation. This revenue loss came to only about 37,500 pounds sterling in 1723 but was to be equivalent to 100,000 pounds by the 1760's, as the re-export trade expanded. The depressing effect of this cheaper Chesapeake tobacco upon Dutch tobacco cultivation was to be a long drawn-out story; the reaction in France was to be instantaneous: the Indies Company, although officially charged with the development of Louisiana, immediately started buying British tobacco in increasing quantities and by 1726 was, in a quite normal year, buying more British Chesapeake tobacco than had flowed into France in 1720, the frenetic year of speculation and open trade. When the even more businesslike United General Farms took over the monopoly in 1730, importations from Britain became even heavier, France becoming the largest reexport market for Chesapeake tobacco from 1730 until war came in 1744.

How does all this affect the growth and character of the British tobacco trade? At the superficial level, the connection with growth is obvious enough. In 1726-1727, following upon the permanent emergence of the French as large-scale buyers in 1723-1724, the British-American tobacco trade began its permanent rise from the trough of the first quarter of the century. Considering that any year's shipment from the Chesapeake to Britain was actually the previous year's crop, which in turn was based upon still earlier reports of market conditions, this is about as prompt a reaction as one could conceivably expect. That it was a reaction is not pure speculation, for there is surviving correspondence showing that Virginia and Maryland planters had become very much aware of French buying by the late 1720's.

The institutional influences are more difficult to explain. One must keep in mind the distinction between Holland as a passive market and France as an active market in comparing their abilities to influence trading conditions in Britain. The tobacco markets at Amsterdam and Rotterdam were classic open-commodity markets with many buyers and many sellers. British merchants, large and small,

consigned tobacco there to be sold on their accounts according to their instructions. One cannot readily show any way in which a Dutch market so constituted influenced the geographical distribution or the institutional forms of the British tobacco trade. By contrast, in France the tobacco trade was a monopoly. The farm did all its buying through agents in foreign markets, originally in Lisbon and Amsterdam, later in various British ports. Wherever situated, the French agent exerted a monopsonistic pressure on his local tobacco market.

The British tobacco trade in the eighteenth century reveals three main lines of long-term development: (1) the consolidation of the trade into fewer and fewer hands; (2) the shift from commission trading to direct trading; and (3) the shift of the trade geographically from south to north. Each of these can be related to the pressure of the French monopsonistic buyer. Trading in tobacco had traditionally been on a hogshead-by-hogshead basis, each sold individually by quality. This method was ill suited to the needs of a French buyer who had to procure 10,000 to 20,000 hogsheads a year and more. He had to deal of necessity with the largest merchants, who could make bargains covering hundreds and thousands of hogsheads. The few big sellers, in turn, because they could supply the quantities needed, could demand concessions in price and terms which the small men could never extract. When the small men tried to form bargaining rings, they failed. Thus, as a countervailing force to the monopsonistic French buyer, there gradually emerged a few large houses in London, Whitehaven, and Glasgow in particular, who almost preempted the business of supplying the French. The French buyers would sit down with a half dozen or so of these big men in London or Glasgow and in an afternoon's negotiation would contract for France's supply for a year at a time. Tobacco that had not yet left Virginia would be sold at a flat price.

Not every merchant was free, however, to sell every hogshead. Back in the era of high European prices in the 1690's, most large and many of the better-off middling planters had acquired the habit of not selling their tobacco to merchants or supercargoes in the Chesapeake but of consigning it to a merchant in London, Bristol, or Liverpool to be sold on commission for their own account. They thus sought to realize some of the considerable wartime difference in prices between the Chesapeake and Europe. After the wars, consignment remained the normal way of trading for persons of a

certain social and economic level who would have it understood that they grew premium-quality tobacco or had business in London which only a trusted factor could perform. The merchants in London, etc., who specialized in this commission business, though the leaders of the trade as late as the 1720's, were not able to sell in quantity to the French. The latter wanted to make bulk purchases at a flat price; the London commission merchant was obliged to sell each hogshead separately at a price shaved to the sixteenth of a penny per pound to reflect differences in quality. If two hogsheads were sold at the same price which the planter thought varied in quality, off he sent an indignant letter on the next boat to England. By the 1740's, as death, retirement, or bankruptcy took off many of the old commission merchants, a number of new large houses emerged in London, most of them of Scottish origin, which traded on their own account rather than on commission. These few new houses did most of the bulk supplying to the French. In the newly rising outports like Glasgow and Whitehaven there was virtually no commission business.

It was observable as early as the 1690's that at some of the remoter outports, like Whitehaven on the extreme northwest coast of England, tobacco might be regularly halfpenny a pound cheaper than at London. This reflected lower costs at Whitehaven and the quicker north-about-Ireland route from the Chesapeake; nevertheless, it did not then give Whitehaven, Lancaster, or Liverpool any marked advantages over London and the southwestern ports in this trade, for the southern ports were better situated for the domestic English market and for reexport to Holland and Germany. When the French entered the market in a big way, the situation changed. Differences were negligible in shipping costs to most French ports as between London and the northwest ports. A small foreign buyer might not find it worth his while to venture out of London; one who had to buy for all of France could afford some travel and postage expenses. At first, the French understandably bought only in London and Bristol. After the United General Farms took over the monopoly in 1730, this was changed, and regular buying arrangements were made at Whitehaven in Cumberland, and in Scotland. French purchases in Scotland became important in 1740; two years later, Glasgow became the most important tobacco port in the country after London. The biggest breakthrough for the northern ports came during the war of 1744-1748. Frightened by the approach of formal

hostilities, the United General Farms, which usually kept their agents in Great Britain on commission, made a contract in 1744 by which their chief London agent agreed to supply them for the next six years, in war or peace, at an agreed price. To carry out this contract, the London agent had to use great political pressure to obtain special licenses from the British government to export tobacco to France in wartime. These licenses were granted in that (and the next) war on condition that no merchandise be returned on the vessels exporting the tobacco. More immediately at question, in order to cover himself in that risky contract, the London agent had himself to make advance contracts with British tobacco merchants who would agree to supply him at a fixed price. We do not know any of the details, but it was precisely during this contract and during the years of increasing French purchases in Scotland immediately preceding it that the Scottish ports emerged as a major factor in the tobacco trade. The Scottish trade, which had stagnated from the early 1720's till the late 1730's, quadrupled its volume between 1738-1740 and 1751-1754. All accounts agree that this phenomenal increase was based upon a tremendous expansion of credit on all sides. Nothing but the assurance of French sales could have supplied the basis for that credit expansion. French sales also enabled Glasgow merchants to turn their capital over more quickly, for tobacco sold to the French was commonly sold and paid for immediately on arrival in Scotland, while that exported to Holland could sit unsold in Rotterdam for a year and then be sold only on credit. (It might be remarked parenthetically that the chief French agent in Scotland was also a director of the Royal Bank of Scotland and not only handled the relations of the Glasgow tobacco merchants with that bank in the 1740's but from his French business also supplied that bank with a goodly share of its valued drafts on London.)

The French bought their tobacco in Glasgow primarily because it was cheaper than in England but also because the few large houses there were better organized than their English rivals to make the very large contracts the French required. Thus, as the Scottish share of the French market rose after 1740, the English declined. In the 1760's and 1770's, about three times as much tobacco was being shipped to France from Scotland as from England; the French monopoly was then taking about 40 per cent of Scotland's tobacco exports, but only 12 per cent of England's.

To get the tobacco they needed from the Chesapeake to fulfill their French contracts, the merchants of Glasgow ignored the great planters of tidewater and expanded their chains of stores in the interior to tap the supplies of the smaller farmer. Because the French preferred the cheaper tobaccos of the Potomac and James Rivers, the Scottish stores were concentrated mainly in those areas. When one rash manager placed a store on York River, where the best tobacco came from, his principal in Glasgow told him to move it to the James, because it was the French market they were interested in. By running a dozen or two stores under one or two general managers, the Scots saved enormously on salaries and managerial expenses.⁸ By buying in advance of their shipping, they could turn their vessels around in the Chesapeake in weeks instead of months and save considerably on freight. Their ultimate success, however, was based on credit. The small planters of the back country came to the Scottish stores because they could get credit. The easiest way to clear that credit was to deliver tobacco. If a merchant wanted more tobacco, he had only to expand his credit to planters and the extra tobacco would flow in at the harvest. Thus, Scottish and other credit created its own tobacco supply much more effectively than did the price mechanism. And behind Scots credit was the French buyer; for, although the Scots sold almost as much of their tobacco to the Dutch as they did to the French, only the quick sales, the mass sales, and the advance sales to the French provided the basis for the bills of exchange on which credit was sustained within Scotland, hence ultimately in Virginia.

At this point, the statistically skeptical may well say, Isn't this being carried a bit far? What if the French bought twenty million or more pounds of tobacco in the years immediately preceding the American Revolution? The direct purchases of the French monopoly in Britain were only around 26 per cent of British reexports and only around 23 per cent of British imports from the Chesapeake. Is this enough to account for the effects described? I think most here will agree abstractly that in an open market a single buyer taking 25 per cent of a crop when all other buyers are small could seriously affect the market. However, we need not be so abstract. We must

⁸ On the Scottish stores, see Jacob M. Price, "The Rise of Glasgow in the Chesapeake Tobacco Trade, 1707-1775," *William and Mary Quarterly*, 3d ser., XI (1954), 179-99; and J. H. Soltow, "Scottish Traders in Virginia, 1750-1775," *Economic History Review*, 2nd ser., XII (1959), 83-98.

rather consider the specific incidences of this single buyer in time and space. Chronologically, large-scale French buying became a permanent factor in the English market in the mid-1720's, anticipating by about two years the turning point when the Chesapeake-English tobacco trade came out of its 25-year stagnation and moved into a generation of very rapid growth. Similarly, French purchases in Scotland became important about the year 1740, on the eve of the greatest expansion of the Chesapeake-Scottish tobacco trade.

Geographically, we cannot expect the influence of the French 25 per cent to have been felt evenly throughout the Chesapeake. Although Maryland accounted for at least a third of the production in the Chesapeake, the French purchased no Maryland tobacco except that of the Potomac valley. This is the only part of Maryland in which we find thick clusters of Scottish stores. It is also the only part of Maryland in which the tobacco trade was expanding right down to the American Revolution. In Virginia, the influence of the French and hence of the Scots was confined primarily to the valleys of the Potomac and the James and to the area behind Petersburg. The last two were precisely the areas whose production increased the most in the eighteenth century. In 1713-1714, the York and Rapahannock customs districts accounted for 59 per cent of the tobacco shipped from Virginia; these were the districts unaffected by French demand, and their share of total shipments had fallen to 31 per cent sixty years later (1773-1774). The Potomac district had about held its own, while the shares of the Upper and Lower Districts of James River, most affected by French demand via the Scots, had risen from 22 per cent to 52 per cent of the total.⁹ We cannot yet be precise, but it is evident that within the areas most affected by purchases for France, that market represented not the 25 per cent of production true for the Bay as a whole, but rather something in the vicinity of 50 per cent.

In summary, we can not understand the stagnation of the Chesapeake economy in the early eighteenth century and its impressive resumed growth after 1725 purely in terms of such local phenomena as labor supply and soil exhaustion. We must consider the European market, particularly the individual reexport markets to which the tobacco was sent from Britain. Of these, the French was the most

⁹ Based upon the yields of the two shillings per hogshead export duty in Virginia. For 1713-14, see PRO T.1/175/18; for 1773-74, see PRO C.O.5/1352, pp. 79-82.

important because its opening up most exactly coincided with the resumption of growth in the trade and because its monopsonistic character exerted a powerful influence upon the institutional development of the trade in Great Britain. French buying policies gave an advantage to merchants trading on their own account as opposed to commission merchants, and they go far to explain the concentration of the trade in a relatively few hands by 1775 and the movement of the centers of trade from the south of England to the north and to Scotland. In the Chesapeake, the French market underpinned the chains of stores of London, and particularly of Glasgow, merchants. The advance credit offered by these stores brought forth the new and ever-rising supplies from the small settlers of the piedmont and of the south side of James River which made up the statistical phenomenon we have called the resumed economic growth of the Chesapeake.