Strategies for Longevity: The Success and Failings of Merchant Partnerships in the Liverpool-New York Trading Community, 1763-1833

Emily Buchnea, University of Nottingham

Abstract: *This paper aims to explain the composition of the Liverpool-New York trade network and identify the characteristics of long-lasting partnerships within this network. The paper will explore trade networks generally by explaining their function and identifying their problems. This project has identified three main phases of the Liverpool-New York trade network between 1763 and 1833. These three phases reflect change over time in this community through the maturation of the economies of each port and the 'cleansing effect' of major events. This paper will also look within these networks at the formation, reorganization and dissolution of merchant partnerships. This will be further investigated through a case study of Jonathan Ogden and his partnerships. This case will aid in illustrating how long-term partnerships often faced conflict and loss. It will also explain what characteristic were possessed by Ogden and his partners and why they were useful to the firm's longevity.*

I. Introduction

Networks, as a theme within economic and business history, have been given much attention but most frequently by social scientists. There has been extensive discussion by such scholars on how to define networks and their function. For example, the definition provided by Laurel Smith-Doerr and Walter W. Powell in *The Handbook of Economic Sociology* is as follows: 'Networks are formal exchanges, either in the form of asset pooling or resource provision, between two or more parties that entail ongoing interaction in order to derive value from the exchange.'[1] This definition can be applied in the analysis of eighteenth and nineteenth century trade networks. Though these networks were essentially unique by virtue that each merchant relationship differed in its composition, most had the same aims. These were to reduce risk, access up-to-date information on different markets and commodities, acquire reputable contacts, maintain continual exchange and from this make a profit.[2]

The merchants of New York and Liverpool are good case studies because they belonged to both close knit regional networks and expansive global networks. New York and Liverpool can be considered 'network cities' because they contained networks of tradespeople which connected firms to the rest of the world.[3] Networks were formed on the basis of a number of factors including kinship, religion, ethnicity and local affiliations.[4] Network studies have often placed much emphasis on the formation of networks through kinship or religious ties.[5] Although many of the New York and Liverpool merchants possessed these ties within their business

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[1] Laurel Smith-Doerr and Walter W. Powell, "Networks and Economic Life," in Neil J. Smelser and Richard Swedberg (eds.), *The Handbook of Economic Sociology* (Princeton, NJ: Princeton University Press, 2005), pp. 379-402.

[2] John F. Wilson and Andrew Popp, "Districts, Networks and Clusters in England: An Introduction," in John F. Wilson and Andrew Popp (eds.), *Industrial Clusters and Regional Business Networks in England, 1750-1970* (Aldershot: Ashgate, 2003), pp. 20-23; Peter Mathias, "Risk, Credit and Kinship in Early Modern Enterprise," in John J. McCusker and Kennth Morgan (eds.), *The Early Modern Atlantic Economy* (Cambridge: Cambridge University Press, 2000), pp. 15-35; Charles Tilly, "Transplanted Networks," in Virginia Yans-McLaughlin (ed.), *Immigration Reconsidered: History, Sociology and Politics* (Oxford: Oxford University Press, 1990), pp. 79-95.

[3] Ida Bull, "Integration of Immigrant Merchants in Trondheim in the Seventeen and Eighteenth Centuries in Andrian Jarvis and Robert Lee (eds.), *Trade, Migration and Urban Networks in Port Cities, c. 1640-1940* (St. John's, NF: International Maritime Economic History Association, 2008), pp. 49-66.

[4] Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *The American Journal of Sociology* 91 (November 1985), 482-91; Margrit Schulte Beerbühl, "Introduction," in Andreas Gestrich and Margrit Schulte Beerbühl (eds.), *Cosmopolitan Networks in Commerce and Society, 1660-1914* (London: German Historical Institue, 2011), pp. 1-16.

[5] Mathias, "Risk, Credit and Kinship," pp. 15-35; Ann Prior and Maurice Kirby, "The Society of Friends and the Family Firm," *Business History* 35 (1993), 66-85.

networks, they also formed many connections on the basis of location, knowledge and recommendations.

The aims of trade networks were clear but obtaining them could at times be difficult. Networks, especially those with close familial ties had less available opportunity and were more susceptible to failure. [6] This is because dense networks constrained network activity. One had less available new knowledge, less access to resources and fewer alternative business contacts. Even in larger and more flexible networks, a strong tie between two individuals or firms made on the basis of familial relations or long running partnerships could lead to an obligation to remain within this relationship in spite of failure or bad business practice.[7] As will be shown, long-term merchant partnerships in this community inevitably experienced this type of hindrance.

The merchants operating within these networks, both large and small, actively promoted the continuation of Anglo-American trade as its prosperity was beneficial for the growth of the ports and the wealth of both nations.[8] Therefore, as the New York-Liverpool trading community developed, the trade network changed. This project has indentified three phases which exemplify change over time in this community. The visualization of these networks allows for an understanding of how particular events caused shifts within this community and how the merchants coped with these shifts. Losses were sustained by many partnerships as risk in Atlantic trade was high. Risks such as unforeseen price fluctuations, bad weather, personal error and changes in supply and demand were always present and were monitored carefully.[9] Risk in trade was heightened by events which made markets less predictable and safety during the Atlantic crossing uncertain. Many such events occurred between 1763 and 1833. At no time were these networks and partnerships more important than when political, economic or environmental

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[6] Mark S. Granovetter, "The Strength of Weak Ties" *American Journal of Sociology* 78 (1973), 1360-80; Sheryllynne Haggerty, "I could 'do for the Dickmans': When Family Networks Don't Work," in Andreas Gestrich and Margrit Schulte Beerbühl (eds.), *Cosmopolitan Networks in Commerce and Society, 1660-1914* (London: German Historical Institue, 2011), pp. 317-342; Ronald S. Burt, "The Network Structure of Social Capital," *Research in Organizational Behoviour* 22(2000), 345-425; Alejandro Portes, "Social Capital: Its Origins and Applications in Modern Sociology," *Annual Review of Sociology* 24 (1998), 1-24.

[7] Wilson and Popp, "Districts," p. 390-91; Adrian Jarvis and Robert Lee, "Introduction," in Andrian Jarvis and Robert Lee (eds.), *Trade, Migration and Urban Networks in Port Cities, c. 1640-1940* (St. John's, NF: International Maritime Economic History Association, 2008), pp. 1-14..

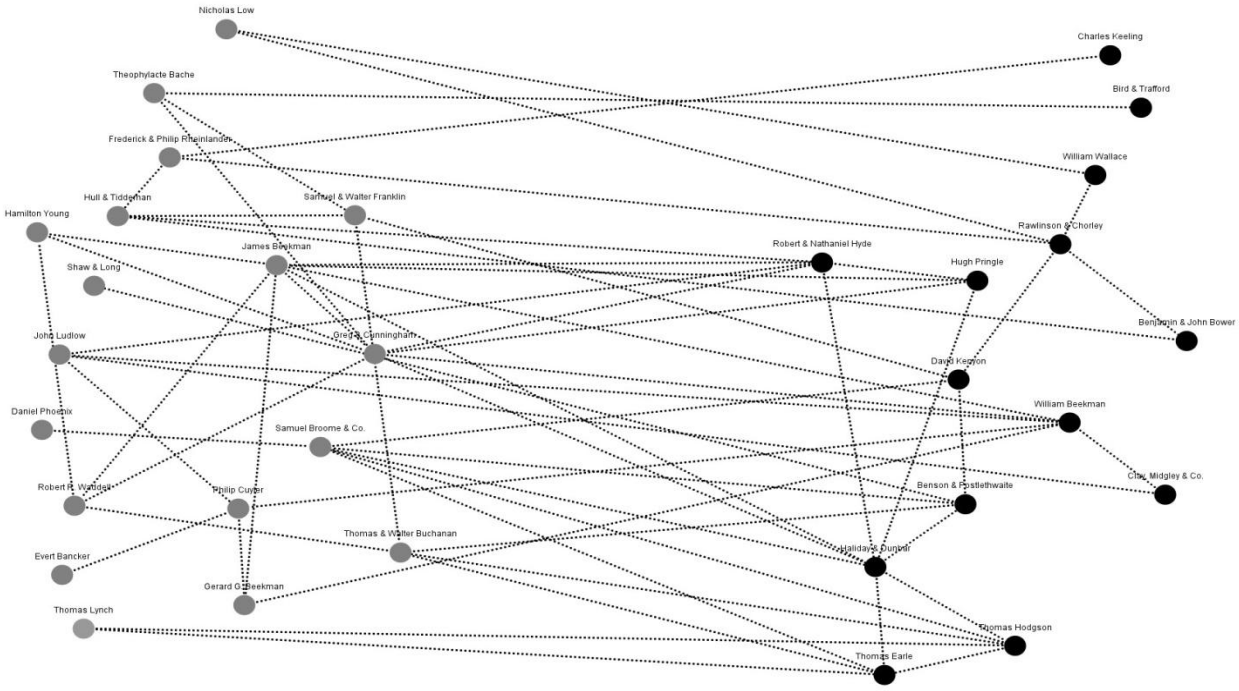
[8] James E. Rauch, "Productivity Gains from Geographic Concentration of Human Capital: Evidence from Cities," *National Bureau of Economic Research Working Paper* 3905 (1991), 1-23.

[9] Cathy Matson, "The Ambiguities of Risk in the Early Republic," *Business History Review* 78 (2004), 595-606.

changes threatened to alter trading conditions and cause failures. [10] Wars, post-war gluts, government regulations and economic crises tended to have the most obvious effect on trade and number of failures. Though less emphasized in the literature, agricultural/environmental changes and epidemics also had an effect. Many of these events had the potential to cause widespread failure; however some also had the potential to provide opportunity.

In the first phase (1760s-1780s), illustrated in Figure 1, the Liverpool-New York network was small. At this time, many merchants in this network possessed stronger ties in other trades, particularly the West Indian, Scottish and Irish trades. Many of these merchant relationships had survived the Seven Years War but found sustaining a regular trade even more difficult during the American War of Independence and the glut that followed.

Figure 1. First Network Phase, 1760s-1780s (Grey circle indicates a New York based merchant, black circle indicates a Liverpool based merchant).



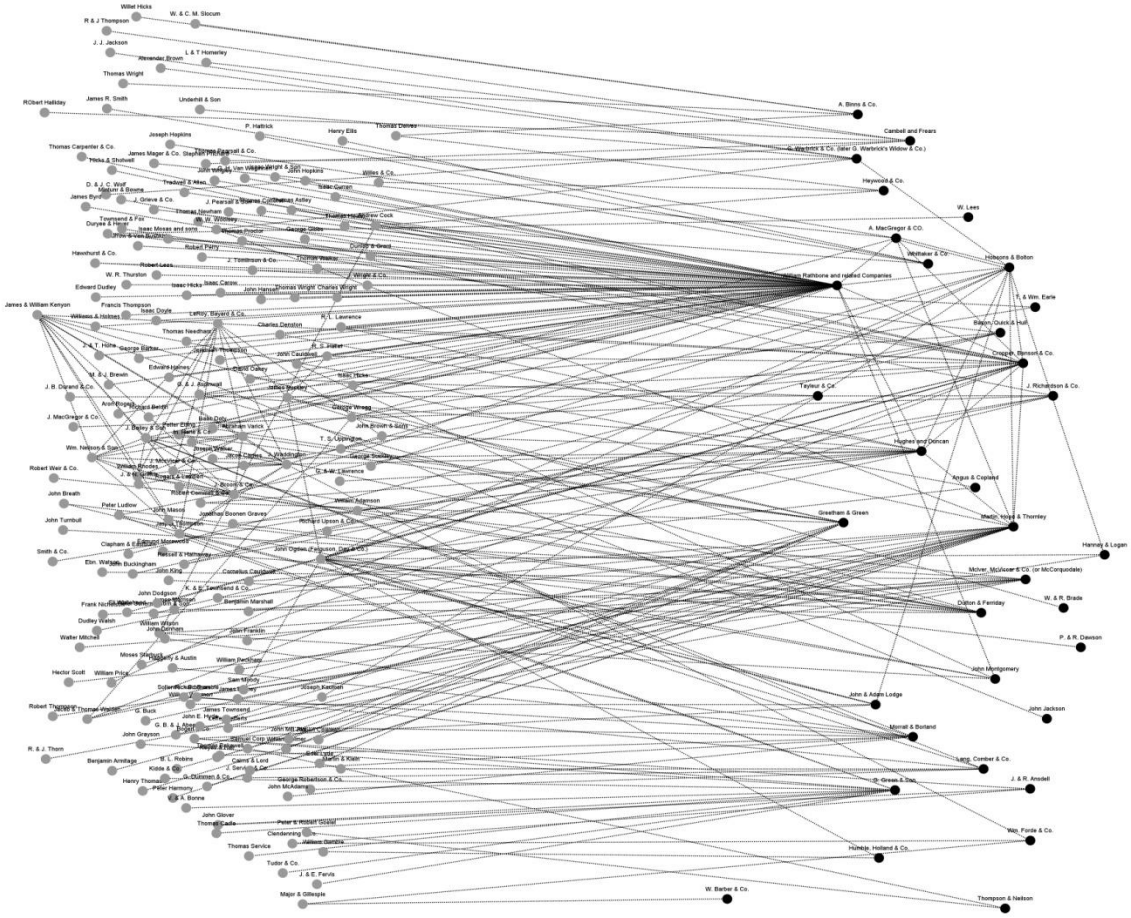
Source: Liverpool-New York Trade Database (created by Emily Buchnea using Import Lists and Cargo Manifests from various sources).

The second phase (1790s-1815), illustrates how rapidly this community grew following the American War of Independence and its aftermath. The troubled times of the 1780s and the

[10] Mark Casson and Mary B. Rose, "Introduction," in Mark Casson and Mary B. Rose (eds.) *Institutions and the Evolution of Modern Business* (London: Routledge, 1998), p. 4; Cathy Matson, "The Ambiguities of Risk in the Early Republic," *Business History Review* 78 (2004), 595-606.

opportunity provided to many by the French Wars gave way to new firms which possessed the wealth and connections to expand this trade. This demonstrates the cleansing effect that war and the subsequent gluts had on trade networks.[11] The 1790s can be seen as a time of unprecedented opportunity for the merchants of New York and Liverpool. As can be seen in Figure 2, the merchants in Liverpool were part of a closed trading community of large established firms. On the other hand New York, whose trading community was still rather undeveloped in comparison, allowed for the participation of smaller firms with fewer contacts. Consequently, many of these smaller firms did not appear following the Anglo-American War.

Figure 2. The Second Network Phase, 1790s-1815.



Source: Liverpool-New York Trade Database

[11] Allan Drazen and Vittorio Grilli, "The Benefits of Crisis for Economic Reform," *New Working Paper Series: National Bureau of Economic Research* (1990) 1- 19.

This war, which concluded in 1815, led to yet other cleansing of this network. The third phase (1815-1833) seen in Figure 3 illustrates how the New York firms changed as the economy matured. This phase saw the emergence of many more transatlantic firms which based partners in both Liverpool and New York. On the British side, one can see the movement of a number of prominent London firms to Liverpool. Following 1815, the overall number of firms in this network decreased; however, the trade of individual firms increased substantially in value. These three phases of the Liverpool-New York merchant network demonstrate how firms adapted to changes in the trading community. Those who could adapt to changes had the potential to remain in business for decades. The case study in this paper will explore this type of longevity through an examination of the various partnerships of John Ogden in times of prosperity and crisis. The case of Ogden aims to demonstrate how the characteristics of the partners affected the longevity of the firm; showing that partners required not only complementary skills as has been demonstrated by historians such as David Hancock, but also complementary personalities.[12]

Though given less attention in the literature, the necessity for complementary personalities can be seen in several cases. David Curtis Skaggs, in his study of John Semple, demonstrates how Semple was continually chided by his partner for his irresponsible purchasing and poor record-keeping.[13] Consequently, Semple's career proved disastrous. He appeared less concerned with the advice of his partners which resulted in personality 'clashes'. Though the idea of compatible personalities is not brought out in Skaggs article, it is clear that the success of a partnership was in part reliant on the compatibility of partners. This shall be discussed further in the case study.

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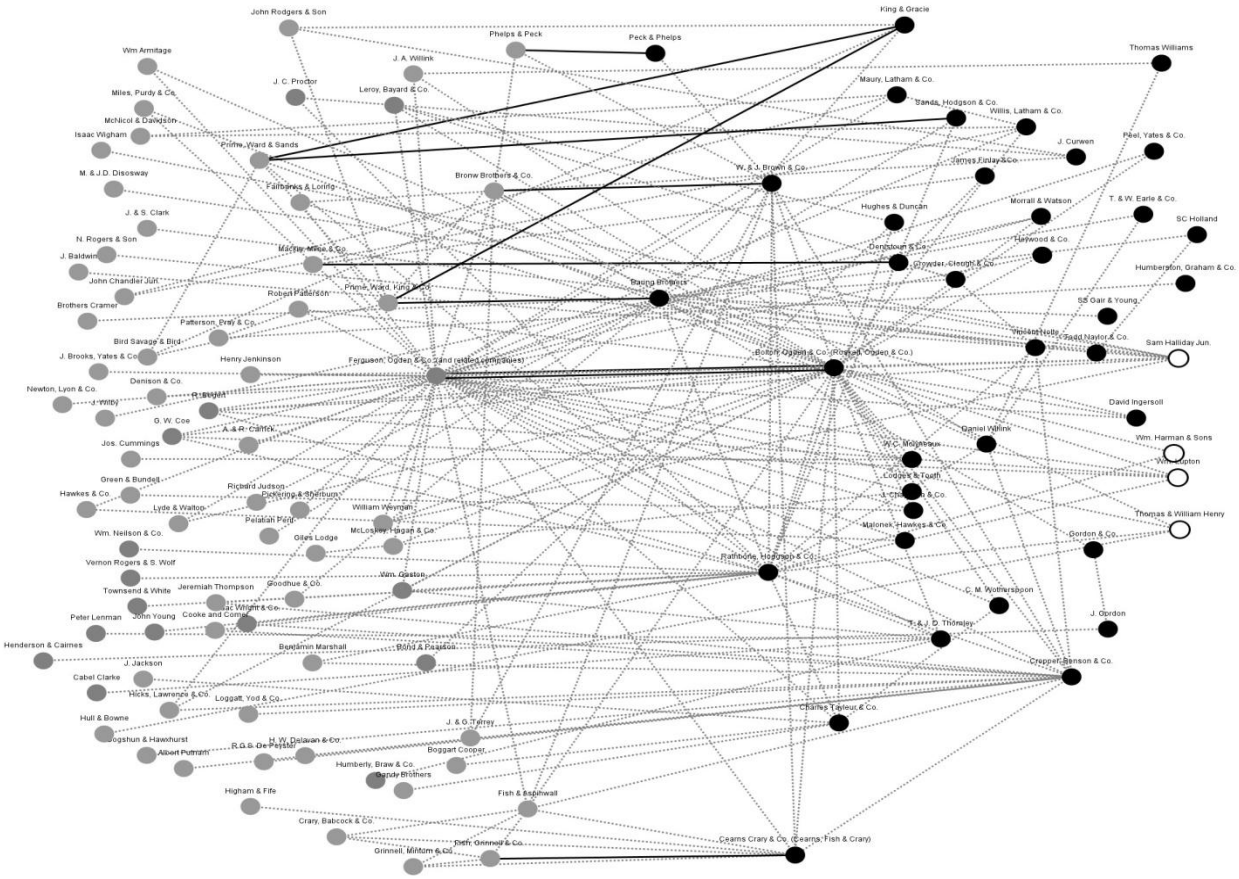
[12] David Hancock, *Citizens of the World: London Merchants and the Integration of the British Atlantic Community, 1735-1785* (Cambridge: Cambridge University Press, 1995), pp. 104-6.
[13] David Curtis Skaggs, "John Semple and the Developments of the Potomac Valley, 1750-1773," *Virginia Magazine of History and Biography* 92 (1984), 282-308.

Figure 3. The Third Network Phase, 1815-1833 (White circle indicates a Manchester/Leeds based manufacturer, a solid black line indicates a transatlantic partnership).



Source: Liverpool-New York Trade Database

II. Merchant Partnerships

The merchant partnership can be described as the key organizational form of the merchant network. The success or failure of a firm was in large part reliant on the character of the individual and the quality of the firms' contacts. Partnerships were often a necessity in transatlantic trade to spread risk, gain access to new knowledge and resources.[14] As Mark Casson argues, 'firms exist because markets are imperfect'.[15] Along with spreading risk, a firm possessed a reputation which allowed for the elevation of that firm within the commercial community granted they were successful in business. The establishment of this reputation was so

[14] Hancock, *Citizens of the World*, pp. 104-6.
[15] Mark Casson, *Entrepreneurship and Business Culture: Studies in the Economics of Trust* (Brookfield, VA: Edward Elgar, 1995), p. 39.

important that a firm's name could remain unchanged even after the key members were gone. As Yoram Ben-Porath has suggested, when a firm is formed it becomes not a group of individuals but rather a single entity with a collective identity.[16] This is true for the Liverpool-New York trading community where names such as Rathbone Brothers & Co., W. & J. Brown & Co., Bolton, Ogden & Co. and James Beekman & Co. carried heavy influence.

Many partnerships were formed on the basis of familial connections. Family was the most accessible source of contacts as they possessed ascribed trust. This form of trust was often applied to those of the same religion or ethnicity. That being said, the key feature of all of these relationships was familiarity. In a number of cases for the New York-Liverpool merchant community, what appeared initially as a selection of partners on the basis of religion or ethnicity could actually be construed as 'familiarity-based' on similar acquaintances, hometowns and neighborhoods. The longevity of a firm was often linked to these initial relationships. Merchants also assured longevity through the reformation or reorganization of their firms. They often took on new partners or entered new trades. These changes allowed for the proper representation of its members and helped firms keep up with changing markets and economies.

The dissolution of a partnership occurred as a result of a number of factors. The most common for this community was the death of one of the key partners. Also common was retirement, differing interests or in some cases failure of the firm. The latter was not usually a result of bankruptcy but rather an informed decision to leave business before further losses were sustained. The possession of complementary skills, knowledge and resources was an asset and aided in the longevity of a firm. This has been illustrated by a number of historians and sociologists.[17] What is emphasized less however is the importance of complementary personalities. As will be shown in the case of Jonathan Ogden, he possessed personality traits that differed greatly from his long-term partner Thomas Bolton. However, it was these differences that made their partnership succeed despite minor failures.

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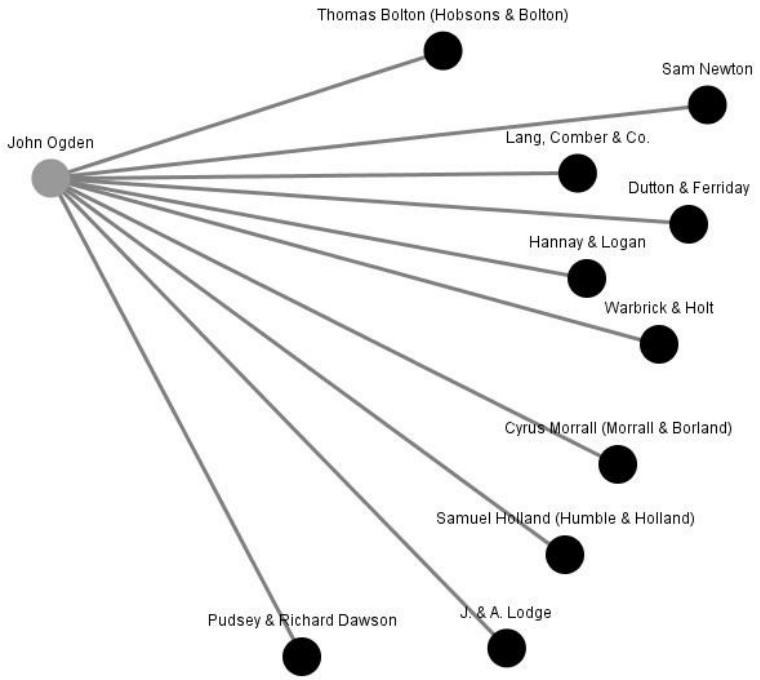
[16] Yoram Ben-Porath, "The F-Connection: Families, Friends and Firms and the Organization of Exchange," *Population and Development Review* 6 (1980), 1-30.
[17] Ben-Porath, "F-Connection", 6; Jarvis and Lee, *Trade*, pp. 1-14.

III. Case Study: Jonathan Ogden

The complexity of merchant partnerships in the Liverpool-New York trading community can be seen most clearly in the long-term partnerships that spanned several decades. Despite its longevity, the career of Jonathan Ogden has been given little attention in the historiography.[18] Ogden is an excellent case because although his career as a merchant was very long, he often suffered losses. Ogden became a major player in the New York-Liverpool trade beginning in the 1790s when he left his role as a textile manufacturer in Yorkshire to immigrate to New York. There he joined the firm of Ferguson, Day & Co. whose members had also been based in England. Even by the end of the first decade of his career in New York, Ogden had an extensive network of contacts. Figure 4 shows Ogden's contacts in Liverpool by the beginning of the nineteenth century. He also maintained contact with manufacturers, bankers and merchants in Manchester, Leeds, Rochdale, Birmingham and London; as well as cotton merchants in Savannah and Charleston.

Figure 4. John Ogden's Liverpool Contacts in 1800.



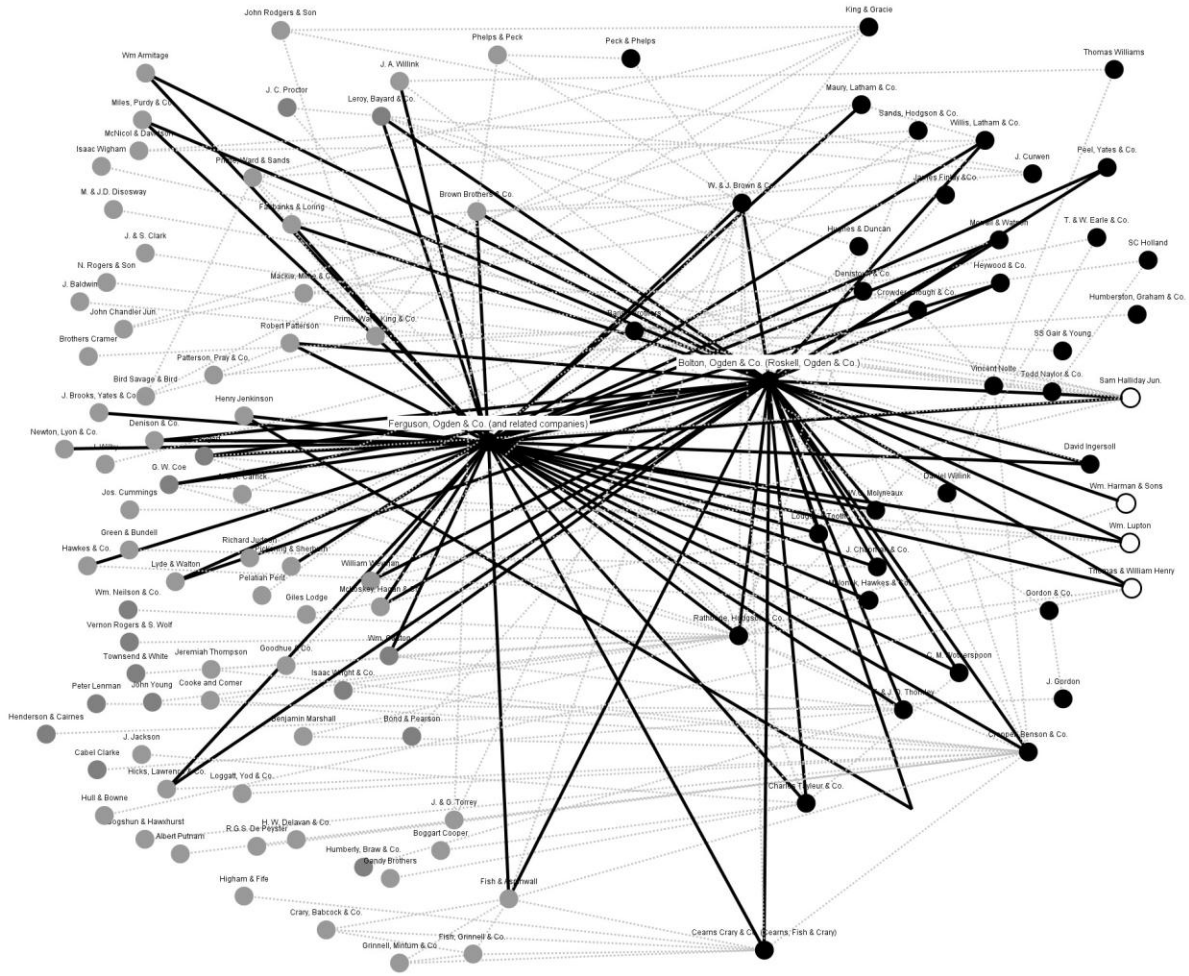
Source: John Ogden Letter Book, NYHS

[18] With the exception of John Killick, "Bolton, Ogden &Co.: a case study, 1790-1850", *The Business History Review* (Winter, 1974), 501-519.

Although Ogden started his business in the 1790s and was well-established by the nineteenth century, this paper will focus primarily on the later part of his career. By the 1820s Ogden's network had more than doubled in size (see Figure 5). The events that occurred in the period after 1815 presented many risks for a merchant operating in the Atlantic trade. The post-war gluts, government regulations which opened and closed ports to American produce, the panic of 1819 and cotton market crash of 1826 all greatly heightened risk in Anglo-American commerce. In these situations, Ogden proved himself to be both a shrewd businessman and an uncontrollable liability to his partners. Ogden had several trusted business partners. One of these, Samuel Ferguson, who resided in New York from the 1790s onward, had originally come from Halifax in West Yorkshire. John Day, who also immigrated to New York at that time, was from Suffolk; however in the 1820s he retired to Halifax, Nova Scotia, but remained an advisor to Ogden for many years.[19] Thomas Bolton first joined with Ogden, Ferguson & Co. in the early nineteenth century as their Liverpool-based credit supplier.[20] Ogden and Bolton's transatlantic relationship lasted decades despite frequent disagreements. Ogden also gained partners in other locations. Edmund Morewood in London was an earlier partner. Wallis Eastburn who appears as part of the firm, Day, Downes & Eastburn corresponded with Ogden from London, Manchester, Newcastle and Sheffield and had contacts throughout England. Like Eastburn, many of Ogden's partners were well-connected even before joining the firm. This resulted in a relatively quick expansion of their business network.

[19] John Day to John Ogden, 1825-1827, Ogden Papers (OP), New York Historical Society (NYHS).
[20] Killick, "Bolton, Ogden & Co.," 508-509.

Figure 5. Ogden's Network within the Liverpool-New York Network (1815-1833)



Source: Liverpool-New York Trade Database

Following the close of the Anglo-American war, several events occurred that exemplify the strength of Ogden's partnerships but also his poor decision-making. After 1815, the British Corn Laws had huge consequences for the trade in American produce to Great Britain as British ports were closed to American grain imports if prices fell below 80s a quarter. Therefore, circumstances which caused an increase in the price of wheat and flour in England, such as a poor English harvest, presented New York and Liverpool flour merchants with a lucrative trading opportunity.[21] The merchant exporting flour in New York would need to do so before the price of flour dropped and port of Liverpool closed. This meant that this trade was highly speculative and therefore the risk of loss was high. In 1818, this sort of opportunity presented

[21] Earl Fitzwilliam quoted in Alon Kadish, *The Corn Laws: The Formation of Popular Economics in Britain* (London: Pickering & Chatto, 1996);Norman Longmate, *The Breadstealers* (London: Temple Smith, 1984).

itself. The bad harvests of 1816 had made the price of wheat rise in England. In late 1817, New York merchants began to make flour shipments to Liverpool. Ogden's firm, whose exports to Liverpool included flour and many other commodities, acted quickly during this time. Another New York merchant even remarked, 'Jonathan Ogden continues to ship that produce [Flour] for LPool. He must have some different information from that which all others have.'[22] Ogden received frequent updates from several merchants in Liverpool including his partner, Thomas Bolton. Many merchants also involved in this trade bought flour at very high prices to make their shipment before the ports closed once again. Those unable to sell or who did so at a very low price suffered greatly.

While others saw great losses, Ogden and his partners suffered minimally. The reason for this was the foresight of his Liverpool corrspondents. Charles Tayleur, with whom he had conducted business for many years, advised him on every move. In January of 1818, Tayleur reported to Ogden that he had delayed the sale of flour received until prices improved while many others in Liverpool had chose to sell immediately.[23] This decision spared the firm from substantial losses. In March, Tayleur wrote Ogden to cancel all outstanding orders for flour, believing those who continued to import that commodity would subject themselves to failure.[24] The unpredictability of the grain market during these years caused many failures and the subsequent bountiful English harvest of 1818 further exasperated the situation. Early in August of that year Tayleur wrote, 'the weather has been favourable for the grain crops and the harvest has commenced in most parts of the country…and the quality is expected to be very fine. A good deal of flour imported from the United States is turning sour.'[25] By this time the firm in Liverpool held only a small parcel of flour and therefore was spared from loss. The panic of 1819 that followed partly as a result of the trouble in the American produce market caused further failures, even to contacts of Ogden.[26] This proves that while Ogden's firms were for the most part spared, during such dramatic changes everyone was susceptible.

In this situation Ogden acted only on the instruction of those in Liverpool. He seemed remarkably skilled at picking business partners. Tayleur appeared to be a cautious man and

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[22] J.A. Willink to J and D.A. Willink (22 Nov 1817) Willink Letterbook (WL), NYHS.
[23] Charles Tayleur to John Ogden (27 Jan 1818), OP, NYHS.
[24] Tayleur to Ogden (26 Mar 1818), OP, NYHS.
[25] Tayleur to Ogden (10 Aug 1818), OP, NYHS.
[26] Murray N. Rothbard, *The Panic of 1819: Reactions and Policies* (Auburn, AL: Ludwig Von Mises Institute, 2007), pp. 1-36.

flexible in his decision-making. These types of personality traits suited Ogden well and it is clear that these were qualities he sought out when looking for potential business correspondents. On several occasions, Ogden asked for advice from partners in England on the character of other merchants and manufacturers. Frequently his partner in London, Wallis Eastburn aided Ogden in this capacity. Eastburn, being a very well-connected man, was a useful correspondent. He connected Ogden with some of the best manufacturers in England, such as the top carpet manufacturers n Kidderminster and Mr. Colman, who was said to produce 'the best [mustard] in England.'[27] Eastburn also relayed information about the character of several potential correspondents. When discussing W. M. Wotherspoon, a merchant in Liverpool, he advised that 'the general character he sustains is one possessed of a fair but not heavy Capital, tolerably cautious & doing but little business'.[28] As many of Ogden's partners and correspondents appeared to possess this cautious character, one can assume that this was a trait he deemed important. This can be seen even more prominently in his relationship with Bolton.

Into the 1820s Ogden's business continued to grow, he made new contacts and continued trading in a variety of commodities; however, a crisis in the cotton market beginning in 1825 caused significant damages for Ogden and his partners. From 1825 to 1826, cotton markets throughout the Atlantic experienced a significant boom and subsequent bust. This crisis affected the New York – Liverpool trade significantly. Prices for cotton in Liverpool quickly slumped by mid-1825 but remained high in New York. The New York houses that chose to purchase cotton at this time put their own house and the Liverpool houses at risk. Some firms such as W. & J. Brown & Co. and Jeremiah Thompson survived and even prospered following this crisis as both firms possessed substantial capital and were able to capitalize on the dissolution of other firms.[29] However others who had purchased large amounts of cotton at high prices were inevitably subject to large losses and even bankruptcy.

The decisions made by merchant houses during this crisis had a substantial effect on the longevity of their business. By the time of this crisis, Ogden had been invested in the New York – Liverpool trade for over three decades. Even still, the decisions made by Ogden on behalf of

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[27] Wallis Eastburn to Ogden (2 Dec 1817), OP, NYHS.
[28] Eastburn to Ogden (28 Jul 1818), OP, NYHS.
[29] Stanley Chapman, *Merchant Enterprise in Britain: From the Industrial Revolution to World War I* (Cambridge: Cambridge University Press, 1992), p. 151-52; Robert G. Albion, *The Rise of the Port of New York, 1815-1830* (Hamden, CT: Archon Books, 1961), pp. 114-15.

his partner Bolton in Liverpool had drastic consequences for the firm. Ogden appeared to have extended a large amount of credit to a merchant in Liverpool by the name of Molyneaux (upwards of £20000). He also sent inadvisably large shipments of cotton to the Liverpool house during 1825. In the aftermath of the crisis, Ogden received several letters from his former partner John Day who had retired to Nova Scotia in March of 1825. In these letters, Day admonished Ogden for his poor choices regarding the business. He advised Ogden on how to act in future saying, 'let moderation in all things for the future be your constant and invariable rule of action...years are accumulating too fast upon you for you to jeopardise again, as has been the case, your Family's and your Friends' happiness and peace of mind.'[30] From these letters it is clear that while Bolton had continually offered sound advice, Ogden had frequently 'departed' from this.[31] This was the first time the firm had failed as a direct result of negligence and the tone of Day's letters to Ogden reveal the gravity of the situation faced. The firm escaped failure as a result of a large sale made by Bolton at a crucial time and what they both describe as preservation from a 'Merciful God'. Day however cautioned that, 'if these things are not taken to heart by serving as a beacon and warning for the future - how dare we hope again to be visited with the same Mercy.'[32] In the end, Bolton agreed to stay partnered with Ogden on the condition that Ogden operate more cautiously in future.

Though at times Bolton appeared overly prudent, his personality seems to have offset the recklessness of Ogden, particularly in this situation. Though Ogden was recognised as a man with extensive commercial talent, it seems that his success was not secured by his 'good judgement' or ability to 'triumph over his ignorance', qualities that Daniel Defoe described as essential in a merchant.[33] Rather it was his choice of partners and the building of trust relationships with these partners which assured his longevity in the New York – Liverpool trading community. Though frequently reorganized, Ogden remained with his principle partners for the entirety of his career. Several factors contributed to the longevity of Ogden's partnerships. As mentioned, Ogden was often partnered with those who possessed complementary personalities to his own. Ogden's partners were also established and well-connected at the time the partnership was formed. This factor was significant in a time when

[30] John Day to Ogden (29 May 1826), OP, NYHS.
[31] John Day to Ogden (29 May 1826), OP, NYHS.
[32] John Day to Ogden (29 May 1826), OP, NYHS.
[33] Daniel Defoe, *The Complete English Tradesman* (London: Charles Rivington, 1726), pp. 8-21.

widespread failure was common. Ogden also appeared to be resourceful and ambitious, if at times overly so. Indeed following the Anglo-American War, Ogden had already secured such an influential place amongst the merchant communities of both ports that minor indiscretions in business were often overlooked. Strategies for longevity differed from firm to firm. A partnership which developed on a foundation of well-connected and compatible individuals had the opportunity to build a strong and enduring business.