Abstract: Since its foundation until the 18th century, the Levant Company passed through many phases. The decisions made by the Company in 1744 and 1753 changed its structure, procedure of membership and method of shipping, giving birth to a new institutional-organizational structure. Before these changes, the company was suffering under the institutional crises in the 18th century. The decision taken in 1744 and 1753 by the Company that liberalized the practice of shipping. As a result of this institutional transformation, the number of the members of the Company increased rapidly in the Balkans. Also, aforementioned institutional transformation caused the international trading enterprises of British merchants especially in the Balkan port cities. This paper has been written with the purpose of contributing to the existing general literature on the ‘Balkans Trade’ while at the same time being informed by recent advances in research based on Ottoman-British archival resources.

Key words: British Levant Company, Aegean Trade, Institutional Changes, Ottoman Empire, Merchants, Selanik (Thessaloniki), İzmir (Smyrna).

JEL: N23, N43, N73, N93

Introduction
In the last decades, apart from the classical or neo-classical theory of economics on economic development, there are many components such as institutional changes and population characteristics, which interact in order to explain the economic history of the world at a macro and micro economic level (Pamuk, 2004, pp. 225-226). In the words of Pamuk, we should incorporate the role of institutions and institutional change in long-term economic change to evaluate the economic history of the Ottoman Empire for the Balkans in particular. The long-distance trade between British traders and the Ottoman Empire occurs both through an institutions system, social and political conditions with actors and their trade networks in historical context (Pamuk, 2004, p. 226). It can be shown that these conditions provide the
context for economic activities; or are assumed as an ultimate determinant of the economic developments (Pamuk, 2014, p. 5). The territorial expansion of the Ottoman Empire enabled long-distance trade to be vibrant especially in the coastal business activities for both the Ottoman Empire and European merchants. According to the Ottomans’ official economic mind (Genç, 2003, pp. 43-53; İnalcık, & Quataert, 1994, pp. 44-48), exporting was regarded less favourably than importing (Genç, 2003, pp. 45-48). In this sense, it can be argued that the foreign merchant wanted to do business under the authority of the Ottoman ports. Also, the Ottomans used long-distance trade as a regulator for the stability of the domestic markets.

In this context, we need to evaluate the activities of British traders in the Balkans and Aegean region and their companies with institutions, their changes over time and the Ottoman state concept as a regulation for markets and goods variation. For doing this, institutions come into prominence in order to trace the details of the commercial activities and relations. Firstly, they form the relationship between persons, different communities and occupational groups in the business society. Secondly, institutions reform the relations when required based on informal or formal procedures. Lastly, it must be known that institutional change or reconstitution of an institution depend on geography, climate, culture, religions and conflicts of interest inherently (Pamuk, 2012, pp. 43-45).

An understanding of the changes and developments of economic and political institutions hinges on the ability to penetrate the historical process and developments. We know that the British merchants who were operating in Ottoman ports and cities in the 18th century had several business networks in many different geographical areas from East to West. Accessing the possibilities of business in the regions apart from the Levant seas can be realized on the basis of a number of social networks and family ties or kinship that were used by British merchants. In recent years, economists and economic-business historians emphasizes political, commercial and social-business networks (Rauch, 2001, p. 116; Aslanian, 2014) with institutional change and economic developments (Ferguson, 2017; Przeworski, 2004, pp. 168-170; Pamuk, pp. 37-40). Therefore, this paper shows the workings of the networks of the British merchants with institutions in the Ottoman commercial system although with certain limitations and Ottoman judicial and political aspects concerning the British traders, consuls and families and their agents in the Balkans. Moreover, the institutional changes and its effects on economic – commercial development in the Aegean region will be examined.

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1 For social and business networks, see (Ferguson, 2016).
Institutional Changes and Legal Crises in the British Levant Company

Contrary to merchants of the British East India Company, members of the British Levant Company had not any desire to dominate Ottoman lands. They were dependent on the system of the Ottoman capitulations (in Ottoman Turkish; ahdnames) and legal status. These political and juridical dependencies and the regulations of the Levant Company make merchants’ commercial activities interesting to evaluate in that time. It is interesting, because they tried to overcome the legal institutional restrictions from both sides with their business and social networks. This legal system, which the British merchants had to comply with, has revealed the result of doing trade in many places except their Levant geography and Aegean region. For this reason, the British merchants were doing business in the Levant Company while the other side continued their trade outside of the Ottoman territory. It is crucial to evaluate commercial activities on both sides embracing institutions, business networks, actors and firms with their economic effects. Moreover, we know that the Levant Company had two major changes namely the abolition of general shipping in 1744 and lifting of barriers on membership in 1753 which can be called effectual institutional changes (Vlami, 2014, p. 91).

In the light of this information, the basic argument of this paper is that the changes that took place in 1744 and 1753 should be evaluated as very important ‘institutional changes’ for the Levant Company merchants doing business in the Balkans and Aegean region. These institutional changes in the organizational structure of the Levant Company represent a paradigmatic transformation for the company and merchants which affected the course of commercial activities. In addition, another important argument of the paper is that this institutional transformation gave rise to a great liberalization of the Levant Company. In this sense, the organization structure and business operations of the company would never be the same after the Act of 1753. This paradigmatic change or transformation almost completely changed the structure of the Family Business and Individual Business in the Levant trade in the second half of the century. In addition, whether the commercial activities of retailer merchants, who were qualified as individual merchants who operated business in Selanik (Thessaloniki), Edirne (Adrianople) and Serez (Serres) were affected positively or negatively from this big change onwards appears to be another fundamental question.

Since its foundation until the 18th century, the Levant Company passed through many phases. We touched upon the company’s institutional transformation history in general above. However, we see deeper and paradigmatic changes in the structure of the company in the 18th century. The decisions made by the company in 1744 and 1753 changed the structure of the company, procedure of membership and method of
shipping, giving birth to a new institutional-organizational structure. These two institutional changes that we accept as a milestone for the Levant Company in this paper increased the trader members of the company and removed the obstacles in front of the practice of joint-shipping in the second half of the 18th century for the Aegean region.

When we look at the institutional changes in a chronological order, we need to begin from the decision taken in 1744 by the company that liberalized the practice of shipping. Before 1744, the ships used in trading activities of the Levant Company were determined by the administration annually. The company were commissioning particular amount of ships for each year and no ships other than these were allowed to transport goods. Before 1718, the Levant Company directed their appointed merchants to trade only and solely by general shipping. The price of all Levant products sold in the Britain was high because of the company's monopoly system. In this sense, they did not want to allow any system of transport except for general shipping in the Levant and Aegean trade. Apart from general shipping, there was also one more method in shipping. It was ‘joint shipping’, which allowed any merchant to send goods by any ships they preferred at any time. For the most part however, merchants chose not to run this kind of shipping method in the Levant and Aegean trade because of the rules of the company. It was for that reason that, prior to 1718, individual merchants were mostly confined to using the general shipping method in order to send their goods and from to Levant. After 1744, individual merchants started to use various shipping methods to export their goods to the Levant and Mediterranean. Until 1744 trade had been conducted with a limited number of ships, after this time, the commercial operations were opened up to all ships and thus shipmasters and ship-owners became important actors\(^2\). Because of this, the members of the big-wealthy merchant families and individual merchants did not have many alternatives. However, after the restrictions on shipping were lifted in 1744 the traders started carrying goods by any ships they wanted (Vlami, 2014, p. 91). This institutional transformation caused the international trading enterprises to increase established by individuals and merchant seamen.

Another institutional and organizational change was the Act of 1753 that was passed by the British parliament. With this Act, the barriers for being a member and freeman of the company and the requirement of obligatory 7 years of apprenticeship were removed. As a result of this change, the number of the members of the company increased rapidly (Talbot, 2017, p. 87). The fact that anyone who paid for the

\(^2\) For details after 1744 in shipping and roles of the individual merchants, shipmasters, and ship-owners, see (Wood, 1964, pp. 136-138).
membership could get the right to trade\(^3\) can be considered as the liberalization of the company. We see the increased number of the members of the company coming from this liberalization in the archive records\(^4\). The amount of new entrant merchants of the company had gradually and constantly increased between 1753 and 1800. To sum up, thanks to the lifting of the restrictions on shipping in 1744 and the institutional change of 1753 the organizational structure of the Levant Company was transformed. The transformation can be shown as the reason behind the growing trade and business operations of family and individual merchants in the Balkans and Aegean region.

**British Levant Company Merchants in the Balkans and Aegean Region (18th Century)**

İzmir (Smyrna) (Masters, 2009, pp. 290-293) was a very important trade centre and port city since ancient times. The goods that were brought from the European and the Mediterranean countries by ships to İzmir were sent to Anatolia and several of Middle Eastern countries via the caravan trade. In turn, many products of the East, especially silk, were sent to Europe from there. İzmir’s significance as a trade centre gradually increased until the 20th century since passing under Ottoman rule in 1424 (Kütükoğlu, 2001, p. 517). Commercial intensity and variety saw the peak point especially between the beginnings of the 17th century and the beginning of the 20th centuries. Long distance expeditions that arose parallel to the development in British marine technology in the 16th century started being pursued with political, religious and commercial motives in the 17th century\(^5\). The main matter the travellers called attention to was the largeness of the port and how many different groups of traders operated there (Goffman, 1999, p. 103).

In the second half of the 18th century, most of the exports of the Levant Company merchants were done via İzmir, as it is understood from both the ship registers and the business networks of the Levant Company merchants (Pamuk, 2007, p. 148). İzmir’s hinterland consisted of closer trade centres like İstanbul, Selanik, the Aegean Islands and further ones such as Aleppo (via Scanderoon), Alexandria and

\(^3\) The level of fees was decreased by an Act of Parliament in 1753 to £20 (Talbot, 2017, p. 87).


\(^5\) For further details on the first English travellers to Levant, see (MacLean, 2004).
some other Anatolian cities. This situation was formed as a result of İzmir’s existence in the centre of a vast trade network with its hinterland (Frangakis-Syrett, 1992, pp. 15-16). Selanik as one of the trade points around İzmir that started being an eminent trade centre in the aforementioned period. It is known that Ankara (Angora) and Bursa were important trade centres for the market of Angora since the 17th century. The circumstances that Selanik experienced can be shown as the characteristics of the period after the mid-18th century. Furthermore, Angora and Selanik became centres for monetary transactions especially after the 1760s. Trading activities of so many different European merchants turned İzmir and Selanik into the most important two trade centres of the Levant-Mediterranean, making them deal with monetary transactions even more than İstanbul (Frangakis-Syrett, 1992, pp. 151-153). Another reason that distinguished Selanik for the Levant Company merchants was the fact that the tobacco trade was conducted mainly through Selanik. After 1753, along with tobacco, Selanik was a centre for cotton, grain, wax and some luxury goods trading for the European market (Faroqhi, 2006, p. 31; Vlami, 2009, p. 132; Faroqhi, 2011, pp. 89-103). Maintaining its position in manufacturing and trading of textile products in the 19th century, Selanik was the other most important trade centre for cotton-silk, wool and linen along with İzmir in the 18th century⁶. This situation gave birth to the need for the European and British merchants to use the connection between İzmir and Selanik. Thus, it will not be an exaggeration to say that these two port cities formed business networks with almost all of the European port cities between 1770 and 1800 (Ülker, 1987, pp. 2-3). In this sense, İzmir's position continued rising throughout in this decade. British merchants considered Selanik as an important centre developing around İzmir (Vlami, 2009, p. 5). Under this context, we know that British merchants did not consider Selanik and İzmir to be separate. It can be asserted that the ships most certainly either stopped by at Selanik through İzmir or that the relevant merchandise was swapped between the two cities.

**Merchants, Good Composition and Trade in İzmir and Selanik in the 18th century**

As we mentioned above, in Aegean region, there were new centres rose to prominence in the 1780s. At that time, Selanik was closely linked to the İzmir Factory of the Levant Company. Apart from other goods, drug materials such as opium became an important import commodity in İzmir and Selanik. For instance, George Webster was admitted in company in 1763, he applied to the company to import drugs from

⁶ For information on the role of Selanik in the trade of manufacturing and textile goods in the 19th century, see (Quataert, 1993, pp. 49-80 and 105-161).
Izmir. That is why he wanted to be member of the Levant Company at that time\(^7\). Drug imports represented 3.5 or 4% of total imports of Britain in the 18th century\(^8\). Webster imported drugs in order to sell in London and Manchester\(^9\). Another drug merchant was David Wedderburn, who was admitted in 1784. He operated a drug business in Izmir and Selanik links with London until the end of the century\(^10\).

Beside the import of drugs, silk, mohair, cotton and other textile materials were important for the trade of Selanik at that time. Clothier Samuel Peach, admitted in 1769, operated trade in textile raw materials. Peach was a silk merchant in Chatford Gloucestershire\(^11\) and ship-owner\(^12\). He ran his own business from Izmir in the Levant. Admitted freeman George Curling started to trade silk from the Levant via Selanik and Izmir after 1775. He was also operating a ship named *King George* plying the routes between Selanik-Izmir-Volos and London-Jamaica-South Carolina in the last decades of the century\(^13\). At the same time, Richard Burford operated cotton trade in Izmir who was a commander of ship (Chandelos) and was admitted in 1774\(^14\). He was a commander of some ships in the 1750s and 1760s. After that, he became freeman of the Levant Company as mentioned before. He started to operate his own business in mostly Izmir. At the same time, he continued to mostly operate ships from Izmir - Scanderoon to Leghorn, Angola\(^15\) and Gibraltar in the 1770s.\(^16\) In the 1770s, he became commander of ship named *Levant*.\(^17\) As we can see, as a result of the expanding routes, Izmir became the most important port city in the Ottoman Empire. This also affected the cities, which were located in the hinterland of Izmir.

The exportation of the Izmir and Selanik based on goods contained some textile materials, earthenware, silverware, and some other British colonial products and tobacco, sponges and grains (Vlami, 2009, p. 140). Even though the two trade centres became more important and the amount of ships operating for the company increased the place that the Levant trading held within Britain’s whole international trade

\(^7\) TNA: T 1/495/21-22, 24 July 1774.; TNA: J 90/395, 1769.

\(^8\) TNA: CUST 3/4-82; CUST 17/1-21.

\(^9\) TNA: J 90/395, 1769.

\(^10\) LMA: MS 11936/356/548437, 24 September 1788.

\(^11\) TNA: C 11/1577/16, 1742.


\(^13\) Lloyd’s List and Register Books, Lists, 1774-1775, 14 March 1774, No: 519, p. 2. The name of ship was *King George*.

\(^14\) TNA: ADM 106/1217/5, 9 July 1772; TNA: ADM 106/1207/181, 25 April 1772.

\(^15\) Lloyd’s List and Register Books, Lists, 1760-1761, 24 June 1760, No: 2551, p. 2.

\(^16\) Lloyd’s List and Register Books, Lists, 1760-1761, 4 January 1760, No: 2502, p. 2.

\(^17\) Lloyd’s List and Register Books, Lists, 1772-1773, 14 April 1772, No: 3767, p. 2.
actually decreased. In addition, general trading volume did not increase, standing stable (McGowan, “Trade”, p. 729). Thus, it will be useful to give some information about the balance between the trade volume and the mentioned circumstances and also about the merchandise composition. It was the British customs registers that kept the records of export/import products and the volume of trade between the Ottomans and Britain\(^\text{18}\). The customs registers of the National Archives located in Kew Gardens, London, provides almost all the data about the trade between the Ottoman Empire and England in the 18th century. Only the registers of 1705 and 1712 are missing. Except these two years the data provided for the rest of the century made it straightforward to analyze the volume and the balance of trade and the composition of goods. With respect to these records, the main goods the merchants of the company exported to the Ottoman lands were textile products. Almost 80 percent of the goods coming to the Ottoman ports consisted of textile products, 95 percent of which were woollens. Apart from woollen, linen, cotton, silk, and some other textile products were exported to the Ottoman lands by the Levant Company merchants too. The level of Britain’s exportation to the Ottoman Empire was as high as 13 million pounds while the importation from the whole Levant region was about 19 million pounds (Serdaroglu, 2018, pp. 161-167). Similar to exportations, the textile products were dominant in importations as well. These goods exported and imported from İzmir and Selanik can be seen in Table 1 and 2 below.

**Table 1.**

<table>
<thead>
<tr>
<th>Port and City</th>
<th>Type of Commodity</th>
<th>Type of Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>İzmir – Selanik</td>
<td>Textile materials</td>
<td>Earthenware</td>
</tr>
<tr>
<td>İzmir – Selanik</td>
<td>Silverware</td>
<td>Tobacco</td>
</tr>
<tr>
<td>İzmir – Selanik</td>
<td>Sponges</td>
<td>Grains</td>
</tr>
<tr>
<td>İzmir – Selanik</td>
<td>Tin</td>
<td>Steel</td>
</tr>
<tr>
<td>İzmir – Selanik</td>
<td>Hardware Materials</td>
<td>Hardware Materials(^\text{19})</td>
</tr>
</tbody>
</table>


\(^{18}\) TNA: CUST 3/4-82, for exportations and CUST 17/1-21, for importations (1700-1800). For information of the Excess, see TNA: CUST 36/1-5, (1689-1826).

\(^{19}\) Kocakaplan, 2017, p. 185.
Table 2.

Imports from Ports of İzmir and Selanik to Britain

<table>
<thead>
<tr>
<th>Port and City</th>
<th>Type of Commodity</th>
<th>Type of Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>İzmir - Selanik</td>
<td>Textile materials</td>
<td>Madder</td>
</tr>
<tr>
<td>İzmir - Selanik</td>
<td>Rhubarb</td>
<td>Galls</td>
</tr>
<tr>
<td>İzmir - Selanik</td>
<td>Opium</td>
<td>Safflower</td>
</tr>
<tr>
<td>İzmir - Selanik</td>
<td>Gum Tragacanth</td>
<td>Berries</td>
</tr>
<tr>
<td>İzmir - Selanik</td>
<td>Gum Arabic</td>
<td>Indigo</td>
</tr>
</tbody>
</table>


Conclusion

The actors in the Levant trade especially those of British merchants in İzmir and Selanik in Mediterranean trade demonstrates to us how, in the 18th century, diplomatic and commercial relations in the region were interconnected. While these merchants, as practical actors of the Levant Company, actually took a role in the hierarchical structure between the political authority, which is, the British king or queen, and the Ottoman administration and the Ottoman sultan on one hand, on the other hand they also formed an unique network of business, especially in the port towns in accordance with the consuls of the Levant Company Factories.20

Study of these various kinds of networks and the institutional frameworks within which they operated exposes the organizational logic that lay behind the British business operations in the 18th century Levant trade. Accordingly, in this paper, we have sought to provide an account of the trade routes and their trends in the 18th century together with information on the actors of the Levant Company, which are required to trace the development of the Levant trade. We have also sought to demonstrate the two important institutional and organizational changes in the Levant Company’s regulations on the widening of trade routes and traffic patterns in the Aegean region. When we combine these elements with an account of the merchandise composition, which is shown geographically in tables 1 and 2 for the 18th century İzmir and Selanik trade, we are able to see how trade routes were re-oriented thus enabling us to understand better the baseline from which Levant trade developed in the 18th century.

20 TNA: SP 97/57, Shelburne to Murray, 5 June 1767.
as a preliminary to the discussion\(^{21}\) which enables us to understand economic development and institutional transformation in the Balkans in terms of commercial activities.

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