Open access • Journal Article • DOI:10.2307/3112529

"On Liberal Terms:" The Boston Hide-Merchants in California — Source link

Bruno Fritzsche

Institutions: University of Zurich

Published on: 01 Dec 1968 - Business History Review (Cambridge University Press)

Year: 1968

"On Liberal Terms:" The Boston Hide-Merchants in California

Fritzsche, Bruno

Abstract: From Dana's Two Years before the Mast, a vast literary audience has read of the activities of Boston hide-traders in California during the 1840's. But Dana's understanding of the business of which he was a small part was far less accurate than his knowledge of ships and the sea. This gap is now filled by Dr. Fritzsche's analysis of the mechanics and profitability of the trade

DOI: https://doi.org/10.2307/3112529

Originally published at:
Fritzsche, Bruno (1968). "On Liberal Terms:" The Boston Hide-Merchants in California. Business History Review, 42(04):467-481.
DOI: https://doi.org/10.2307/3112529

By Bruno Fritzsche
UNIVERSITY OF ZURICH

"On Liberal Terms:" The Boston Hide-Merchants in California

From Dana's Two Years before the Mast, *a vast literary audience has read of the activities of Boston hide-traders in California during the 1840's. But Dana's understanding of the business of which he was a small part was far less accurate than his knowledge of ships and the sea. This gap is now filled by Dr. Fritzsche's analysis of the mechanics and profitability of the trade.*

There is a general belief that during the late eighteenth and the early nineteenth century Yankee traders in the Pacific made enormous profits in their business ventures. The fur trade with China is a well-known example of this type of highly speculative, risky, but, under favorable conditions, profitable business. The hunting grounds for fur-bearing animals along the western coast of America, however, were nearly depleted by 1820 and the fur traders who had prospered for a few years or decades had to turn toward new goods and methods of commerce.

A new possibility offered itself in California; not off the coast or on the Santa Barbara Channel Islands where otters and seals formerly abounded, but on the shores and in the valleys of the Coastal Range. Here, Spanish missionaries had impressed on the native Indians the good tidings of the Gospel and the hard work of cultivating the wilderness. Spain had begun to colonize Alta California in 1769, although the territory was known and had been claimed for by the Spanish since 1542.[1] The long-neglected task of converting the California Indians into faithful Christians and industrious subjects had been forced upon Spain by the same fur traders — Russian, English, French, Portuguese, and Yankee — who had discovered the potential of the Pacific Ocean. It no longer remained a Spanish sea, disturbed only by occasional freebooters like Drake and Piet Heyn, but now aroused the interest and

Business History Review, Vol. XLII, No. 4 (Winter, 1968).

[1] For a concise history of California, see John W. Caughey, *California* (2nd. ed., Englewood Cliffs, 1953).

the envy of sea-going nations around the world. To secure the American Pacific Coast from her rival powers, Spain began to erect missions along the *Camino Real*, and the Yankee traders in the Pacific witnessed their growth, especially of their cattle which soon roamed the lovely hills of the Coastal Range by tens of thousands. The Yankee, however, had no access to these developing pastoral riches, for Spain strictly prohibited any foreign trade with her colonies. Nor were the missions meant to be producers of commercial goods; a mission was basically a self-sufficient economic unit which supplied no goods in excess of its own demands.

When California became part of the new and independent state of Mexico in 1821, the old Spanish policy was abolished and the ports of California were opened to foreign trade. Among the first to turn from the fur trade with its diminishing returns to the new potential of the California market was the Boston firm of Bryant, Sturgis & Co. From 1822, when William Gale directed the ship *Sachem* to the shores of California, Bryant, Sturgis & Co. played an important role in the hide and tallow business.[2] Hide-traders sent out from Boston imported New England articles of every description and exchanged them for the hides and tallow of California missions and later of the private *rancheros*. The tallow was resold to Russians in Alaska or to South America; the hides were carried back to Boston where they found a ready market. One Bryant, Sturgis & Co. ship even earned literary fame. In 1834, Richard Henry Dana, a student at Harvard, signed on as a common sailor aboard the brig *Pilgrim* which was about to sail to California. His book, *Two Years before the Mast*, published in 1840, became the widely known and classical account of the dreary business of collecting hides in exchange for, among other things, gunpowder, laces, pickles, Eau de Cologne, percussion caps, and underwear. Whereas Dana mastered the difficult and strange language of the sailor, and vividly describes all the maneuvers of a ship at sea in the precise terms of an old salt, he is less reliable in his reflections on the state of business in California. What he saw was the fact that all commodities were much more expensive in California than in his native Boston. From there, it was but a small step to the conclusion that his employer must be making enormous profits. Dana's opinion, and that of others who made similar deductions, was – and still is – generally accepted.

[2] For a detailed account of the California hide and tallow business, see Adele Ogden, "Hides and Tallow: McCulloch, Hartnell and Company 1822–1828," *California Historical Society Quarterly* VI (1927), 254–64; "Boston Hide-Droghers along the California Shores," *ibid.*, VIII (1929), 289–305.

There is, however, a much less known statement by a prominent member of the Hudson's Bay Company, who came to California to investigate the possibilities of trade relations with California. In 1841, James Douglas (later Sir James and governor of British Columbia) wrote in his diary: "Bryan & Sturges of Boston trade on liberal terms, generally at an advance of 100% on cost with charges and never calculate on clearing over 10% which they consider a fair profit." [3]

This article intends to show, with the aid of the account-books of William Appleton & Co., that Douglas' observation of "trade on liberal terms" is more truthful and accurate than Dana's, although his estimate of a profit of 10 per cent is not quite correct. The subject of our analysis is the firm of William Appleton rather than that of Bryant, Sturgis & Co. because the available source material is much more abundant in the case of the first business venture of Appleton into California than for any other firm or single enterprise. As the firm of William Appleton & Co. was, in many respects, the direct successor of Bryant, Sturgis & Co., this substitution seems justified. In 1841, when Douglas made his statement, Bryant, Sturgis & Co. was about to pull out of California and to dissolve its copartnership.[4] At the same time, William Appleton & Co. began to fit out a ship for California and relied heavily on the funds and the advice of its predecessors. Thomas Shaw, a former employee and a copartner of Bryant, Sturgis & Co. was engaged to fit out the ship for Appleton. Henry Mellus, supercargo and agent in California, who had served his apprenticeship with Bryant, Sturgis & Co. – and, indeed, with Richard H. Dana [5] – was engaged to carry on the business for account of Appleton. Bryant, Sturgis & Co. also provided 9/22 of the necessary funds for the voyage.

In February 1842, the three-masted ship *Barnstable* was ready to sail from Boston. Her cargo, valued at $33,000, consisted of a great variety of trade goods. Captain James B. Hatch commanded the vessel on the long voyage around Cape Horn, and, on July 7, 1842, she landed at Monterey and began the wearisome business of hide-trading. She returned to Boston in April 1845, her hold filled to capacity with hides.[6] From the *Barnstable*'s account books, we

[3] Dorothy B. Smith, (ed.), *Sir James Douglas in California: From his diaries.* (Vancouver 1965), 22.

[4] The business papers of both Bryant, Sturgis & Company and William Appleton & Company are in possession of the Baker Library, Harvard Graduate School of Business Administration, Boston, Mass. The two collections will be referred to in the notes as Bryant Papers and Appleton Papers, respectively.

[5] Richard H. Dana, *Two Years before the Mast* (New York, 1840), chapt. XVIII.

[6] Appleton Papers, vol. 118, Henry Mellus to Appleton, Dec. 24, 1842; *ibid.*, vol. 4.

can deduce that by December 1 – after all the hides had been sold – the net profit of this long business venture was $4,599.74.[7] This small profit seems to confirm Douglas' statement. Although it is not quite clear what he meant by "a profit of 10%" (whether 10 per cent of the first cost of the cargo, of the selling prices in California, or of the invested capital) it is undisputable that the profit realized by the *Barnstable* is modest in every respect.

It is obvious that this investigation of a single operation is not necessarily representative for the whole of the California trade. Better and more reliable figures would result from a statistical survey. Yet the source-material is far too incomplete to permit a statistical computation of the average profit rate. There is another way to determine the validity of the above figures, however. A detailed analysis of the *Barnstable*'s account books reveals the different factors and forces which ultimately determined the voyage's net profit. By examining these factors, and by comparing them with complementary contemporary sources, we shall be able to conclude whether the *Barnstable*'s net profit in question was achieved under normal circumstances. If the circumstances were normal, i.e. if the determining factors were "average," then the profit must be average, too. By the proposed method we shall also gain a deeper insight into the business methods of the California hide-traders than either a statistical survey or Dana's account provide.

In order to obtain a clear picture, data taken from the Ledger, Journal, Invoice Book, Ship's Accounts, and Sales Book [8] have been arranged according to modern principles into a Balance Sheet (Table 1) and a Statement of Profit and Loss (Table 2). From Table 1, it appears that the enterprise was financed by several persons, the firm of Appleton & Co. having only 9/22 of the entire stock. The partnership with Bryant, Sturgis & Co., A. Lawrence, A. Robinson, and Henry Mellus was formed for the sole and express purpose of fitting out the ship *Barnstable* for her voyage to California. When the ship returned, the partnership was – at least technically – dissolved, the surplus divided among the partners in proportion to their investment, and the main asset, namely the ship, sold to a newly formed partnership which, incidentally, consisted of the same persons as the first one. This type of business association, known since the days of the East India Company, was especially advantageous from the point of view of accounting.

[7] See Tables 1 and 2.
[8] Appleton Papers, vols. 2, 4, 22, 23, 29, 118.

TABLE 1

SHIP *Barnstable*, FIRST VOYAGE

RECONSTRUCTED BALANCE SHEET, DECEMBER 1, 1845

Assets		Liabilities		
Value of ship	$16,500.00	Capital stock		
		Bryant, Sturgis & Co.	$21,737.61	
Surplus stores	135.23	A. Robinson	6,210.75	
		A. Lawrence	9,316.12	
Cash	56,282.69	H. Mellus	3,105.37	
		Wm. Appleton & Co.	27,948.33	
				$68,318.18
		Surplus		4,599.74
	$72,917.92			$72,917.92

Source: Appleton Papers (Baker Library, Harvard Graduate School of Business Administration, Boston, Mass.), vols. 2, 4, 22, 23, 29, 118.

Upon termination of every single venture (voyage), the books which invariably showed the tendency to become more and more difficult to keep could be closed, with a sigh of relief, I assume, on the part of the accountant. The clean sweep after every adventure is reflected in the Balance Sheet, which shows that all creditors had been satisfied and all outstanding debts had been collected before the final surplus was computed and divided among the partners.

William Appleton, under whose name the business was carried on, was a shareholder in the enterprise as well as its agent. Accordingly, he drew his 7/22 share from the final surplus and a commission of 2½ per cent on the outfit for his services on behalf of the partnership (see heading "Commission" in Table 2). In other words, the adventure of the *Barnstable* involved two firms: the financing firm, which dissolved with the happy return of the ship, and the managing firm of William Appleton & Co. The capital stock for the venture amounted to $68,318.18. This odd figure is explained by the fact that all expenses incurred up to the date of the ship's departure were added up and divided among the partners. All further expenses after that date were paid by William Appleton & Co. and charged to the account of the owners of the *Barnstable*. Technically speaking, these owners became debtors of William Appleton & Co. and had to pay back their debt with interest. As Appleton was coowner of the ship, however, he was, from the point

Table 2
Ship *Barnstable*, First Voyage
Reconstructed Statement of Profit and Loss, February 1843–December 1845

Expenditures		
Cargo		
Cargo to be sold in California	$33,000.00	
Stores	6,035.07	
		$39,035.07
Outfit		
Wharfage, premiums, labor aboard ship, ship-keeper's pay, boards and sails, oars, telescope, etc.		1,646.75
Specie		
227 Doubloons, 400 Mex. $, premiums		4,019.60
Commissions		
2½% on outfit, ½% on specie in favor of Wm. Appleton & Co.		1,065.91
Wages for ship's crew		
Monthly wages: master $75, 1st mate $33, 2nd mate $20, 3rd mate $15, carpenter $20, steward $14, cook $13, sailmaker $13, 6 seamen $12 each, 8 ord. seamen $5 to $10 each		
Average time of employment 38 months. Some dismissed earlier		10,538.14
Insurance premiums		
Insured with various companies. Ship for $24,000, cargo for $36,000 = $60,000. Premium: 7½% of sum insured plus ⅓% per month for time in excess of 30 months.		6,843.67
Commission		
2½% of operating cost in favor of Wm. Appleton & Co.		249.10
Supercargo and clerk		
Supercargo: Commission of 6½% of net proceeds of goods shipped back in favor of Henry Mellus	$5,097.23	
Pay clerk, assisting supercargo	150.00	
		5,247.23
Other expenditures		494.22
Depreciation of ship		
Bought for	$21,500	
Carried to new account for	–16,500	
		5,000.00

Sales charges			
Duties on cargo, fire insurance, wharfage, weighing and delivering hides, storage, interest on charges, commission			6,807.96
Surplus			4,599.74
Total Expenditures			$85,547.69
Returns			
Freightage			
1 launch Boston–California		$100.00	
Gold California–Boston		85.64	
			$185.64
Sale of sea-otter skins			
80 skins, average price $56.25 each			4,500.00
Sale of bullock horns			
8,500 horns			297.50
Sale of gold			
160.73 oz. melted, 892 ½ fine			2,958.96
Sale of hides			
Hides per *Alert*			
Net proceeds of hides, shipped per *Alert* and for acc. of *Barnstable*		$1,047.64	
Sold in Boston			
27,280 merchantable hides			
672,039 lbs. @ 10¢	$67,203.90		
1,525 culled hides			
39,659 lbs. @ 8¢	3,172.72		
Minus brokerage	1,160.07		
		69,216.55	
Sold in Antwerp			
Net proceeds of 3,000 hides, shipped to Antwerp and sold there		7,206.17	
			77,470.36
Total Returns			$85,547.69

Source: See Table 1.

of view of accounting his own debtor or, if you prefer, his own creditor.[9]

The *Barnstable*'s cargo is specified in the Invoice Book on more than thirty pages with about 1,500 single entries. It is a seemingly random collection of the most varied trade goods. As a matter of fact, it had been selected carefully for the California market. It was one of the most important duties of the agent in California to advise the management in Boston on the goods which were in great

[9] These expenses with interest did not amount to much. In Table 2 they are included in "Other expenditures."

demand.[10] The Invoice Book does not distinguish between "cargo" (to be sold in California) and "stores" (provisions for the crew). Approximative figures are, therefore, inserted in the Statement of Profit and Loss. These are based upon invoices for comparable ships, namely *Admittance* and *Monsoon*.[11] It is difficult to neatly separate "cargo" from "stores" anyway, as it was sometimes the policy of the traders to declare certain trade goods as "stores" in order to evade custom duties.[12]

The *Barnstable*, a three-masted ship 119′ 11″ × 26′ 1″ × 13′ 2″ and of 373 tons burthen,[13] was purchased second-hand for $21,500. The Statement of Profit and Loss contains a heading "Depreciation of Ship." It might be misleading insofar as this expression does not occur in the original account books. The whole problem of amortization and depreciation was yet unsolved at that time. Appleton's accountant, however, overcame the difficulties of entering into the books the fact that the ship lost in value during its use for a voyage to California. Upon termination of the first trip, he debited the ship to a new account – "Ship *Barnstable* 2nd voyage" – at $16,500. Deducting this sum from the original purchase price of $21,500, we arrive, in fact, at a depreciation of $5,000.

After the ship had left Boston, there were few additional expenses to pay. The necessary cash for letters and other minor items was advanced to the captain by William Appleton & Co. and was charged to the account of the ship's owners. More substantial expenditures, namely wages for the ship's crew ($10,538.14) and insurance premiums ($6,843.67) became due only upon termination of the voyage and were paid from the proceeds of the sale of the return cargo. It is also important to note that all expenses incurred during the *Barnstable*'s long stay in California do not appear on our Statement of Profit and Loss. This is due to the fact that trade practice placed both ship and cargo either under the responsibility of the supercargo aboard ship or of the agent in California. In our case, the agent Henry Mellus awaited the *Barnstable* at Monterey, acknowledged the receipt of the cargo in good order, and proceeded to do business at his own discretion. From the incoming proceeds, he also had to satisfy the demands connected with the operating costs of the ship. Above all, he had to pay the excessively high custom duties which amounted to $29,795.33.[14]

[10] Appleton Papers, vol. 118, Henry Mellus to Appleton, Dec. 24, 1842; *ibid.*, vol. 84, Henry Mellus to Appleton, March 31, 1843.
[11] *Ibid.*, vol. 23; Bryant Papers, vol. 7.
[12] Appleton Papers, vol. 84, Henry Mellus to Appleton, Jan. 25, 1846.
[13] *Ibid.*, vol. 118.
[14] *Ibid.*, vol. 118, Henry Mellus to Appleton, Dec. 24, 1842.

The small amount of cash (see Table 2) carried along, namely 400 Mexican Dollars and 227 Doubloons, was just enough to pay the first installment of the taxes. This portion had, according to the Mexican laws, to be paid in cash. Furthermore, the agent had to provide for fresh provisions, beef, and vegetables. These and all other expenses for the upkeep of the ship and her crew were paid from the revenue of the cargo.

Naturally, the agent had to render account of all his business transactions. Nevertheless, he was entirely free in his decisions and disposed of the merchandise at his own discretion, based upon a thorough and up-to-date knowledge of the California market. He was, in fact, a plenipotentiary representative of his Boston employers. In a letter to Captain James P. Arthur of the *California*, for example, they stated unmistakably: "The ship is assigned to Messrs. Park and Mellus and you will follow their instructions in the same manner as if they were given by ourselves." [15] The principals in Boston could not possibly take direct action in California due to the great distance between the seat of the firm and the actual place of business which caused a long delay of letters and instructions. It was, therefore, the only reasonable solution to place the entire responsibility in the hands of an agent. This meant that only persons with a highly developed sense of business were eligible for such a position. It also meant that the agent, on whose judgement depended the success or failure of the entire enterprise, had to be paid accordingly. The supercargo's or agent's commission of 6½ per cent of the net proceeds of goods shipped back illustrates in figures how much he was valued. His remuneration of $5,097.23 is the biggest slice in the distribution of the company's earnings; in fact, it is bigger than the net profit which was to be divided among the investors. From the books of Henry Mellus, there remain but a few pages and none of them is related to the *Barnstable*. They are drawn up, however, in the manner of a simple, single-entry system. Mellus had to send these accounts to Boston for revision but they do not form an integral part of Appleton's accounting system. Even Mellus' "Invoice of Goods Shipped Back" [16] from California has no bearing on the books of Appleton. The return cargo was only credited to the account of "Ship *Barnstable* 1st voyage" after it had been sold. No surplus resulting from the difference between purchase price in California and selling price in

[15] Bryant Papers, vol. 11, Bryant to Capt. Arthur, June 11, 1838.
[16] Appleton Papers, vol. 118; *ibid.*, vol. 22, p. 163.

Boston, therefore, is set out in the statement of Profit and Loss although it was quite considerable as shown in Table 3.

TABLE 3

SHIP *Barnstable*, FIRST VOYAGE

BUYING AND SELLING PRICES OF THE RETURN CARGO

Item	Buying price in California in $	Selling price in Boston in $
31,805 hides	63,458.75	76,422.72
8,500 bullock horns	255.00	297.50
80 sea-otter skins	2,800.00	4,500.00
160.73 oz. gold	2,848.00	2,958.96
	$69,361.75	$84,179.18

Sources: First column, Appleton Papers, vol. 22, p. 163. Second column, see Table 2.

The return cargo, then, was sold at an increase of $14,817.43, or 21.36 per cent, on the purchase price in California. From Table 3 it also appears that the cargo invoiced at cost in Boston for $33,000 – bought goods in California valued at $69,361.75. These figures correspond roughly with Douglas' statement, cited above, of an "advance of 100% on cost." Herein, however, custom duties are not included. It has been noted that all expenses in California had to be paid from the proceeds of the cargo, i.e. the $33,000 invested in trade goods not only paid for the return cargo of $69,361.75 but also for the custom duties and for minor expenses for the upkeep of the ship. Although it is impossible to determine the amount paid for provisions and other expenditures, we can safely assume that, all in all, the cargo was worth slightly more than $100,000 in California. This, again, roughly corresponds with the statements of many visitors to California, among them Dana, that imported goods were sold at about three times the Boston prices.[17]

Turning now to the sale of the return cargo we see, from Table 2, that by far the most valuable part of it consisted of hides. Most of them were sold in the important hide market in Boston; some of them were shipped to Europe and sold in Antwerp. The total sale of hides, including those which had been shipped back earlier by the *Alert* but for account of the *Barnstable*, amounted to $77,470.36. The small amount of sea otter skins is a remainder of the once im-

[17] Dana, *loc. cit.*

portant fur trade which had, by 1840, dwindled into insignificance if not into oblivion. On the other hand the equally small amount of gold brought back from California seems to presage the Gold Rush of 1849. It had not, however, been mined in the "mother lode country" which afterward supplied most of the precious metal, but rather in some stream of Southern California where gold was known to exist in small quantities. The bullock horns, finally, were of no importance with regard to the revenue derived from them. They had primarily been used to cover the bottom of the ship's hold, so as to separate the hides (which were very sensitive to moisture) from the wet planks.

After this brief survey of the business methods of the California hide-traders, we can now discuss the central question of whether the voyage of the *Barnstable* can be deemed a typical or average example of this type of business. The surplus of $4,599.74 seems to be rather below what we expect even from a firm trading "on liberal terms." It had been achieved on an investment of $68,318.92 within forty-five months (February, 1842 to December 1845); the average gain per year was, therefore, $1,226.60, or 1.80 per cent. This is definitely below average interest rates. A deposit in any bank would have yielded a higher interest with much less risk. There are, however, other considerations to be taken into account. The firm of William Appleton & Co. had, to be sure, other gains from the investment. For Appleton it produced other benefits in addition to the modest capital gain. Through this investment a business became possible which earned the firm, for its services, an amount of $3,419.79 in commission. The same applies to Henry Mellus, who had contributed 1/22 to the capital. It yielded him not more than $209.08 in interest, but it helped to provide him with a job of a very high earning capacity, namely 6½ per cent of the proceeds, or $5,097.23.

On the other hand, the investment was quite unsatisfactory for the silent partners, Bryant, Sturgis & Co. There is no reason to believe that they invested their money with the expectation of earning as little as 1.80 per cent. From other sources, we can deduce that, in fact, the voyage of the *Barnstable* was a rather unfortunate one. The years of 1841–1843 were extremely dry in California. The badly needed winter rains failed, with the result that in the following summer seasons the cattle did not find enough pasture. The *rancheros* refused to kill their bullocks because they would not yield enough tallow, another important product of California ranching. Business, therefore, was at a low. Henry Mellus wrote to Boston that "all who are doing business here complain most bitterly, for no one has done even tolerably well." [18] For the *Barnstable* it meant that she had to remain longer than expected in California until she could collect a full return cargo.

Ordinarily, a hide ship would take twenty-four to thirty-two months for her voyage to and from California.[19] It is obvious that with a voyage of shorter duration many costs which adversely influenced the final surplus would have been less – especially, wages and insurance premiums. Also, the surplus would have been realized within a shorter period and, consequently, the annual interest rate on the investment would have been higher. Table 4 represents a Statement of Profit and Loss based upon the actual accounts of the *Barnstable* but calculated on an "average" duration of thirty months (instead of thirty-six months). To this procedure one might object, arguing that the historian's business is to state facts and not to speculate about what could have been under other circumstances. On the other hand speculations on how a situation might develop are a very real, a vital part indeed, of business life. We may safely assume, that Bryant, Sturgis & Co., when lending its money to the *Barnstable*, made similar calculations, based upon its own experience with the California hide trade. What is done here, then, is only what the merchants interested in the *Barnstable* did themselves. As we have no written account of their reflections, we have to reconstruct them ourselves, always drawing from the same sources they had at hand.

From these sources, it also appears that the *Barnstable* was unfortunate both in buying hides and in selling them. Due to the exceptional dryness in California they were lighter than usual. Ordinarily, a hide would weigh about 26 pounds.[20] The ones the *Barnstable* brought back averaged only 24.63 pounds (see Table 2). As the hides were bought in California per piece and sold in Boston by weight, this 5.27 per cent underweight – compared to the average weight of a hide – meant an equal loss of profit margin. But the most severe blow to the enterprise was the falling price for hides on the Boston market. On the unstructured market of California, the hides commanded a stable price of $2.00 each. This price remained, in fact, so stable and unchanging that the value of a hide became a standard measure in business. Thence the nick-

[18] Appleton Papers, vol. 84, Henry Mellus to Appleton, Nov. 28, 1843.

[19] Hubert H. Bancroft, *History of California* (San Francisco, 1884–90), III, 381ff.; *ibid.*, IV, 100ff. and 562ff.; *ibid.*, V, 576ff. Also, William H. Davis, *Seventy-five Years in California* (San Francisco, 1929), 255–56.

[20] Bryant Papers, vol. 11, Bryant to Henry Mellus, Jan. 20, 1840, and Bryant to A. Robinson, July 13, 1841

name "California banknote." On the Boston market, however, which was much more developed and sensitive to the laws of supply and demand, prices fluctuated slightly. When the *Barnstable* left Boston, a hide was valued at 12 to 12½ cents per pound. This had been the usual price for many years; one which rose and fell only by fractions of a cent. By the end of 1844 however, prices had fallen to 9¾ to 10 per pound and never recovered.[21] The *Barnstable*'s hides fetched, in the summer and autumn of 1845, a price of 10¢ per pound, as set out in Table 2. This was 16.67 per cent below the usual price of 12¢ per pound. With these figures in mind, we are now in a position to determine what a cargo of normal weight would have fetched at average prices. From the equation that 94.73 per cent of an average weight at 83.33 per cent of the average price are equal to the actual proceeds of the sale of hides of the *Barnstable*, we conclude that at normal prices and at a normal weight the hides would have fetched 126.68 per cent of the actual proceeds. In plain figures, the hides sold in Boston for $69,216.55 would have fetched, under normal conditions, $87,683.53. These figures have been inserted in Table 4. Other items depending upon the amount of sales (sales charges and commission) have been changed accordingly. On the other hand, the items "Hides per *Alert*" and "Hides shipped to Antwerp" remain unchanged. The *Alert* had returned the year before and probably sold her cargo at the higher price of 12¢ per pound and the sale of hides shipped to Antwerp was not influenced by Boston market conditions.

Analyzing this hypothetical Statement of Profit and Loss (Table 4), which suggests what could have been obtained under average to good conditions, we see at once that the surplus is quite substantial. Again compared to the invested capital it represents a capital gain of 35.32 per cent. Allowing six months for the sale of the return cargo, it had been effected in three years which results in an interest-rate of 11.77 per cent, per annum. In relation to the goods sold in California ($33,000 in Boston) it amounts to a net profit of 73.04 per cent. This figure, however, is still not quite correct. The venture of the *Barnstable* consisted, actually, of two different lines of business: first, the sale of an assorted cargo against hides in California; and, second, the sale of hides for cash in New England. From Table 3 we have learned that the cargo worth about $33,000 in Boston had been sold for hides, bullock horns, gold, and sea-otter skins representing a value, in California, of

[21] *Boston Shipping List*; also *Shipping and Commercial List and New York Price Current* of the corresponding years

TABLE 4

SHIP *Barnstable*

HYPOTHETICAL STATEMENT OF PROFIT AND LOSS *

Expenditures		
Cargo		$39,035.07
Outfit		1,646.75
Specie		4,019.60
Commission on outfit		$1,065.91
Wages for ship's crew		
30/38 of the actual sum of $10,538.14		8,319.60
Insurance premiums		
Basic premium of 7½% of $60,000		4,500.00
Other expenditures		494.22
Depreciation of ship		5,000.00
Commission on operating cost		
30/38 of actual sum of $249.40		196.89
Commission supercargo and pay clerk		
Supercargo: commission of 6½% of net proceeds of $103,693.80	$6,740.10	
Pay clerk	150.00	
		6,890.10
Sales charges		
126.68% of actual charges of $6,807.96		8,578.04
Surplus		24,133.26
Total Expenditures		$103,879.44
Returns		
Freightage		$185.64
Sale of sea-otter skins		4,500.00
Sale of bullock horns		297.50
Sale of gold		2,958.96
Sale of hides		
Hides per *Alert*	$1,047.64	
Sold in Antwerp	7,206.17	
Sold in Boston		
at $126.68% of actual sale	87,683.53	
		95,937.34
Total Returns		$103,879.44

* If the Barnstable had operated under "normal" conditions, i.e. duration of voyage 30 months; Boston price for hides 12¢ per lb. (10¢ per lb. for culled hides). Positions which differ from the actual Statement of Profit and Loss (Table 2) are set in italics.

$69,361.75. These articles were sold at an increase in Boston, namely for $84,179.18. Under better conditions, they could have been sold for $103,693.80 as set out in Table 4. The final surplus, then, results from both the trade in California and the sale of hides in Boston.

These reflections on the two-fold business allow us to understand why the New Englanders preferred to trade on a barter basis instead of with cash. The scarcity of specie, often complained of in the business correspondence was, to be sure, one reason for this procedure.[22] Equally or even more important, was that this exchange trade meant two separate business transactions which could be carried out at the same time and at about the same cost. The ship which had to sail anyhow to California could just as well carry a cargo on her way out. The collecting of hides at the different ports of California could just as well be combined with a sale of imported goods. The overheads remained more or less the same for the two combined deals, and the trading firm cut its slice from both.

From the above figures it also appears that the selling of imported goods against hides was the much more profitable part of the business, even when hides commanded a good price in Boston. When prices in Boston were low, as was actually the case with the *Barnstable*'s voyage, purchasing hides in California and selling them in New England was anything but profitable. In fact, the voyage of the *Barnstable* did not end with financial disaster only because the profits of the California part of the business cushioned the losses of the second part. Had the hides of the *Barnstable* been acquired in California for cash, then the gross profit margin between the purchase price in California and the selling price in Boston would not even have absorbed the operating costs of the ship, let alone resulted in a surplus – even if we take into account that hides, normally valued at $2.00 each in California were traded for $1.50 in cash. As it was, the gross profit margin on goods sold in California covered approximately all the expenses of the voyage and the net profit of the enterprise as a whole depended upon the sale prices in Boston. If they were low, the profit was minimal; at average prices, the gain was, as we have seen, far from being spectacular. Our analysis suggests that the statement of James Douglas that the Boston merchants traded "on liberal terms" in California was correct, and that Richard Henry Dana's less well-informed profit estimates were not.

[22] See e.g. Bryant Papers, vol. 11, Bryant to Thos. B. Park, May 2, 1838.