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Geoffrey Jones’s book is on British merchant houses in the nineteenth and especially, the twentieth centuries, trading firms that had foreign direct investment (FDI) outside the United Kingdom. Jones is an authority on the history of multinational enterprise; he has written extensively on manufacturers that became multinationals and on banks that expanded internationally; his *Evolution of International Business* (published in 1996) was a general history. In the present volume, he turns his attention to British traders. And, what a rich subject this turns out to be. This is an archive-based work that provides information not available elsewhere.

Many studies have been made of British international trade; Jones’s concern is with the companies that made this trade a reality. He is interested in how these firms functioned and how they performed (whether these family firms reflected a “decline” in Britain’s global role). He pays attention to both substance and form. Thus, he finds that when a number of these companies moved from partnerships to incorporation this did little to change the pattern of ownership and control; often incorporation was designed to perpetuate rather than to end family dominance (p. 97).

After a brief introductory discussion on theories of multinational enterprise, Jones tells his reader about the complex origins of the nineteenth and twentieth century British merchant houses. He writes of the foreign merchant houses in Britain that evolved into merchant bankers (Rothschild and Schroeder for example) and suggests that the great majority of the leading British merchant banks were set up by emigrant merchants. By contrast, the trading companies as distinct from the merchant bankers tended overwhelmingly to have British roots (p. 24), although the roots could be established by expatriates. For example, Wilson, Sons & Co. was set up in Bahia, Brazil, in 1837 by two brothers of British birth; the firm subsequently opened a London head office in 1845 (p. 28). Yet, frequently the distinctions between merchants and merchant bankers was muddy (p. 42, on 1870). Interlocking partnerships, separate houses (set up by family members and associates), new locales and shut-downs of older ones made for a webbed network with continuities and discontinuities.

British merchants were clearly in the vanguard of the creation of the international economy that had emerged by 1914. Their activities went with (followed) the expansion of British imperial frontiers; yet, they also went beyond “empire,” playing a major role in Latin America. The traders were closely connected with the expansion of British shipping. There were also associated with the growth of overseas banks.

At home, three centers for the mercantile developments emerged: Liverpool, London, and Glasgow (the principal trading companies, as of 1870, were identified with each center, see p. 43). Jones shows how each group of merchants arose and how the three centers interacted with one another. He is careful to document the particular British exports and imports that the firms handled and how rapidly the merchant houses engaged in trade that involved far more than two countries.

The story that Jones unravels is global. Traders did not confine themselves to commerce; they became involved in storage facilities (from warehouses to timber yards), in manufacturing abroad (from jute mills to sugar
mills, from silk filatures to cotton spinning and weaving, from flour mills to breweries), as well as in producing primary products (sugar, fruits, tea, rubber, nitrates, coal, oil). Typically, the traders participated in banking activities, providing credit to customers and suppliers, financing trade, and by necessity dealing in foreign exchange; they also became active in “investment banking,” aiding and prompting company flotations. In addition, the traders became agents for British insurance companies. handling not only trade-related insurance but far more extensive insurance transactions. The developments took on a jagged and uneven process. The degree of backward integration varied substantially from firm to firm and from one host country to another. Many of the firms engaged in labor intensive operations and had in less developed countries huge numbers of employees (after Bird & Co.’s merger with F.W. Heilger in 1917, the new firm employed over 100,000 individuals in India; in 1930 Jardine Matheson employed about 113,000 in China; in 1945, James Finlay’s total work force principally in India, Ceylon, and Kenya came to 160,000); “local” employees in each case were supervised by relatively small expatriate staffs.

Through time, the merchants increased their diversification, in product lines and including substantial intra-regional trade (particularly in Asia). Here, there is, of course, the problem of defining a region. While the British trading companies did not take part in intra-regional Latin American trade, they did participate in intra-regional Western Hemisphere trade, thus bringing Latin American commodities to US markets. Over the decades, on most continents, their role in host economies deepened, with added FDI. By 1914, Jones suggests that the traders “functioned in part as venture capitalists, identifying opportunities and placing potential British investors in touch with them” (pp. 50-51). This was done in the main by their assisting in floating separate “free standing firms,” that, in turn, made the overseas investments. The merchant houses often had managing agency arrangements with the free-standing firms; they might handle the trade of these firms; they were a critical part of the cluster associated with the free-standing firms. Jones’s work adds to the existing literature on free-standing firms, confirming the validity of the concept. The trading firms that Jones studies operated within business groups. Jones is superb in showing the variety; he not only discusses the traders but also their long-standing and complex external business relationships.

Jones knows well the stories of individual traders and reveals the differences between and among trading houses. For 1913-1914, he ranks major firms by estimated size of capital, by major host regions, and by “outposts,” that is, areas where the firms had a presence although not a large one (pp. 54-55). Interestingly, of the ten “multi-regional business groups” in 1914 that he documents, seven had a US presence, while four had Indian business (the next highest ranking country). Typically the largest British trading companies required a US office. However, the really sizable activities of most of these firms was in the East, where regional trading companies were of immense importance and also in Latin America, where the firms were crucial in developing international trade. Only one of the multi-regional groups had African trade; indeed, the trade with Africa seems to have been differently constituted (pp. 75-80).

Jones is excellent in tracing the multiple problems British trading companies faced in the years of the First World War, the 1920s, the 1930s, and of the Second World War. It was not a happy time for companies that lived through international commerce. As the world economy was torn asunder, these firms felt the consequences. Jones writes that the entrepreneurial dynamism of the pre-1914 era “looked decidedly weaker subsequently…” (p. 114). The sharp post World War One downturn more than the War itself was the turning point. Nonetheless, he finds that “it is robustness of the traders and their ability to sustain ’reinvention’ strategies which is so striking” (p. 350). By 1945, the roster of British traders still closely resembled the list in 1914. In the post-Second World War period, the companies - many of which operated within the British Empire - now faced new uncertainties with decolonization, as the “umbrella of British colonial rule” was removed.

The “corporate landscape” for the British trading houses changed dramatically in the 1950s, 1960s, and 1970s. In 1958, Inchape was floated on the London Stock Exchange, a holding company with 17 subsidiaries, based mainly in Britain and India; beginning that year, Inchape acquired full ownership of a large group of family trading companies with long histories in East and South East Asia. It was in the post Second World War years that Lonrho assumed importance as a trading company; it had its origins in 1909 as a London-based mining enterprise in Rhodesia (now Zimbabwe); it took the name Lonrho in 1963; meanwhile, beginning in the early 1960s, it acquired substantial trading interests along with other investments (it remained, however, involved in mining); in the late 1960s and in 1975, it took over the trading firms John Holt and part of Balfour Williamson. But, finally, in the late 1990s Lonrho divested its non-mining inter-

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ests to return to its origins and concentrate on mining. Booker McConnell (as the firm—the successor to the 1900 merger of Booker Brothers & Co., founded in 1834, and John McConnell & Co.—was known after 1968) diversified from a sugar trader and producer in British Guiana (the largest property owner there in the 1920s) to a vast international business. Jones traces the complex story of the many trading company mergers and acquisitions. In the 1960s and 1970s, several British overseas banks bought trading companies, but they soon sold off their non-financial assets. In the changed post-World War II world, in the 1950s, 1960s, and 1970s, host country groups or governments frequently acquired (often through nationalizations) British trading companies that had important roles in their particular economies, or alternatively, took over major parts of their international business. It became harder for the trading companies to recruit personnel, as the risks of retention of the very business itself multiplied.

Yet Jardine Matheson and John Swire continued on, notwithstanding Chinese nationalizations; and Booker McConnell survived the 1976 Guyana expropriations. In 1979, in terms of turnover, the London Times ranked Inchcape (19), Lonrho (20) and Booker McConnell (64) among the top British “industrials.” The huge United Africa Company (UAC) was excluded from the Times list, because it was a subsidiary of Unilever; also omitted was the sizable Jardine Matheson, because of Hong Kong registration. Incape in 1979 operated in 44 countries and sold the products of 2,750 manufacturers.

Many of the trading companies served the automobile industry (in the first half of the twentieth century as agencies, before sales and assembly affiliates were established by car companies); in the post-Second World War years, as dealerships (in the trading companies’ traditional markets but also in the United Kingdom). The British trading companies did this for American, Japanese, German, and British car companies. Automobile industry historians have understood this, but a scrutiny of the trading companies provides the other side of the coin. The trading companies’ experience in post-Second World War representation beyond dealerships (i.e. as wholesalers and assembly plant operators in their traditional markets) is explained well in Jones’s volume.

In the 1960s and 1970s a number of British trading firms started to manufacture in less developed countries in non-traditional sectors; these projects tended not to be successful, for the trading companies had no advantage. Often these ventures were short-lived. In search of new opportunity, companies made investments in developed countries in a range of manufactured products; when there was unrelated diversification, the results were frequently unsatisfactory.

As I read this book, it provoked me to ask many questions. In 1998, Jones published an edited book, entitled the Multinational Traders, which covered German, Dutch, Swedish, Swiss, as well as Japanese merchant houses. That volume argued that the British were far from alone in having important trading companies. In the present book, there are brief references to trading companies of these other nationalities, but neither Merchants to Multinationals nor Multinational Traders dealt systematically with the differences by nationality in the trading in specific commodities. Why, for example, did the large British grain traders, Sanday and Smyth, lose out to international grain traders of other nationalities? Why in the twentieth century was Clayton more important than any British raw cotton trading house? There are hints to the answers to these questions in Merchants to Multinationals, but one would like to see a sequel on trading companies involved in particular commodities that for much of the nineteenth and twentieth centuries represented a sizable portion of world trade. These companies participated on a large scale in intra-company commerce.

This is a splendid book. It not only delineates the trading companies’ expansion (and contraction), but also puts that story in the context of the evolving world economy. It shows how in the first round of internationalization before 1914, trading companies played a major role and how in the 1990s, as a new round of globalization emerged, the trading company era was in “end game.” As the century concluded, key surviving companies were no longer “trading companies.” By the end of the 1980s, for example, Booker McConnell had become a food distributor. Lonrho with about 190,000 and Inchcape with about 50,000 employees “broke themselves up” in the mid-1990s. On the other hand, at the close of millennium, John Swire & Sons (with 120,000 employees) and Jardine Matheson (with 170,000) persisted. With changes in China, the trading companies were able to return to the arena of their historical competency. Swire participated in a variety of Chinese ventures, from Coca Cola bottling to paint manufacture. In quite different industries, in 1996, Jardine Matheson had 70 joint-ventures in China! These multinational enterprises were, however, by the 1990s far from confined to the “China trade.” Jones attributes the continuity of these two firms to the on-going “family” control, which meant the absence of pressure from British “capital markets,” i.e. institutional
investors. They were firms that developed skills, whose management learned Chinese, and which had "real advantages."

This book is original and subtle, careful to pick up nuances, and to delineate properly its topic. It is a major accomplishment. Jones is ready to generalize and to theorize, but he does not oversimplify. The book will set the reader reflecting on British economic development and the British role in the global economy. It is essential reading for every economic and business historian interested in the history of multinational enterprise, in British economic history, and also in where British business fits in the evolution of the "world economy."

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