

ECONOMIC HISTORY

The Queen's Private Navy

BY DAVID A. PRICE

How Elizabeth's privateers strengthened England, rewarded investors, and led the way to the English New World

When Elizabeth I became queen in 1558, following the death of her sister, Queen Mary I, she found that she had inherited a mess: England's navy had shrunk to a dangerously small number of ships, the country was vulnerable to attack by the powerful Spanish empire, and the treasury had little money with which to build up the fleet or to do anything else. England also lacked the flow of wealth that Spain enjoyed from overseas colonies; by this time, Spanish conquistadors had already defeated the Aztecs of Mexico and the Incas of Peru and had been hauling away the incredible riches of those regions. England, in short, was outmatched militarily and economically.

Elizabeth's solution was to turn to the marketplace: She allowed private enterprises to form pirate expeditions, in essence, to capture Spanish shipping and bring home its treasures. Many of these plundering enterprises were joint-stock companies in which members of respectable London society — including merchants, gentry, and even Elizabeth herself — purchased shares. The returns from the enterprises enriched the Crown and stimulated the English economy.

Even more significantly, in the long run, Elizabeth's policy built up the human capital that would enable England in the following century to establish itself successfully in North America.

Historians today distinguish lawful "privateers" — captains and crews attacking foreign ships with the permission of a sovereign — from

pirates, who were mere robbers. With regard to the anti-Spanish voyages in Elizabethan England, however, this distinction is not always easy to draw. In theory, they were privateers: They were required to hold licenses, known as "letters of reprisal," and to comply with other restrictions on the raiding of foreign commerce. In practice, however, the official responsible for oversight of privateers, the Lord High Admiral, was notoriously corrupt and was lax in enforcing the rules if the price was right. Thus the privateers often were privateers in name only.

Tons of Silver

Perhaps the most famed of the queen's privateers was Francis Drake, who began a 14-year run of extraordinary exploits in 1573 with raids against the Spanish in present-day Panama. Aided by local Cimaroons — former African slaves who had escaped from their Spanish owners, and who were glad to make common cause with Spain's enemies — Drake and his men traveled overland across the Isthmus and ambushed a Spanish caravan; its 190 mules were carrying tons of silver ingots and another £100,000 or so in gold coins. Although converting money values across centuries is a highly imprecise science, research by economic historians suggests a conversion factor of roughly 134; in other words, Drake's £100,000 haul in gold coins alone would be worth approximately £13.4 million (\$21 million) today.

Drake's next great, and highly profitable, adventure began on Dec. 13, 1577, with his departure from Plymouth, England, for raids on Spanish ports and shipping around South America. His 100-foot flagship, the *Golden Hind* (that is, the golden deer), was joined by four other vessels. They reached the Atlantic coast of South America in two months, and then took another seven months to



This portrait of Queen Elizabeth I, with her hand resting on a globe, suggests her ambition to make England a world power. Privateers helped her do so — and also defended England against the attempted invasion by the Spanish Armada in 1588, depicted behind her.

follow the coast southward and to traverse the Strait of Magellan near the continent's southern tip. By that time, three of the four ships traveling with the *Golden Hind* had been abandoned, and the fourth had returned to England after becoming separated from Drake.

Drake nonetheless kept going, attacking Spanish ships as he followed the coast of Chile, ultimately capturing a large Spanish treasure ship, the *Nuestra Señora de la Concepción*, on March 1, 1579. The ship had ample artillery with which to fend off an attacker, but Drake was able to employ the element of surprise — English privateers had been unknown in the Pacific. The *Golden Hind* hid its guns and slowed to give the appearance that it was merely another merchant ship, then attacked when the *Nuestra Señora* came within hailing distance. Drake's crew required six days to transfer the ship's riches, including 80 pounds of gold and 26 tons of silver.

Anticipating that the Spanish might be waiting for him on his return trip, Drake decided instead to cross the Pacific and return home via a western route. He first sailed northward to upper California, which he claimed for Elizabeth and named New Albion. (The Spanish had visited the area before him, however.) He spent a month in the San Francisco Bay in the summer of 1579, then made his way around the world. It was the first circumnavigation of the globe by an Englishman. Moreover, because Ferdinand Magellan had died during his 1519-1522 journey, Drake was the first commander of any nation to complete the voyage.

Following Drake's arrival in England on Sept. 26, 1580, not quite three years after he left, Elizabeth gave him a knighthood. He was also a hero to the shareholders, who reportedly received a 4,600 percent return on their investments — that is, for every £1 they put in, they received £47 after expenses. Three and a half centuries later, John Maynard Keynes would credit the voyage with cleaning up Elizabeth's balance sheet and helping to finance the great British trading companies:

Indeed, the booty brought back by Drake in the *Golden Hind* may fairly be considered the fountain and origin of British foreign investment. Elizabeth paid off out of the proceeds the whole of her foreign debt and invested a part of the balance (about £42,000) in the Levant Company; largely out of the profits of the Levant Company there was formed the East India Company, the profits of which during the seventeenth and eighteenth centuries were the main foundation of England's foreign connections; and so on.

Drake's next two voyages were explicitly both commercial and military, seeking Spanish treasure for investors while also carrying out Elizabeth's orders to attack strategic targets. First was his 1585-1586 raid on Spanish interests in the Caribbean. His fleet plundered the port city of Santo Domingo, the colonial capital, located in the present-day

Dominican Republic, and ransomed the town of Cartagena on the Caribbean coast of present-day Colombia. The following year, Drake led a 23-ship fleet in successfully attacking the port of Cadiz in the Spanish homeland, destroying some 37 Spanish naval and merchant ships, as well as plundering Spanish merchant ships in the area.

Single-Handed Victory

Among the English sailors taking part in the Cadiz raid was a 27-year-old named Christopher Newport. From there, Newport would rise quickly in the world of privateering; sailing under Drake was apparently a good credential. Within a few years, in 1589, Newport was second in command of the *Margaret*, a privateer ship financed by several London merchants. The following year, he was captain of the *Little John*, which sailed with several other ships to the Caribbean to patrol for Spanish vessels.

During an attack on two ships carrying treasure from Mexico to Havana, the privateers encountered tough resistance and Newport lost his right arm. To make matters worse, the battle ended without any treasure — one of the Spanish ships sank and the other escaped.

Despite this rocky start to Newport's career as a captain, he would spend 13 years privateering successfully in the Caribbean. His most renowned voyage during those years came in 1592, when he commanded a fleet of four ships that plundered Spanish towns on the island of Hispaniola and in Honduras. Two of the ships then returned to England with the loot, while the other two — including Newport's flagship, the *Golden Dragon*, stayed behind to seek further adventure.

They joined forces with another English privateer fleet; in keeping with the practice of the time, the leaders of the two fleets would have negotiated "consortship" agreements defining their responsibilities and the division of the fruits of their joint labors. On August 3, the combined fleets spotted and captured an enormous treasure ship, the *Madre de Dios*. It was the greatest plunder of the century, freighted with £500,000 worth of gems, silks, and spices. When Newport brought it back to port in England, he had made his name as the nation's foremost mariner of the Caribbean. The fortunate shareholders in the voyage included the queen.

Newport's Caribbean journeys continued. Near the end of Elizabeth's reign in 1603, John Chamberlain, a gossipy Londoner, reported to a friend:

Here is fresh news out of Spain of one Newport, a seaman, that with two ships hath taken five frigates laden with treasure coming from Cartagena and Nombre de Dios [a Panamanian port] towards the Havana; if all be true that is reported, it will prove the greatest prize that I ever heard of, for they that are most modest talk of two millions at least. The King of Spain hath sent out eight men-of-war to waylay and intercept him. ...

Newport, like his fellow privateers, did not face a loss of social status from his predatory occupation. On the contrary, he married into a wealthy family and even served on the vestry of his church. Privateering was an activity, rare for the England of the era, that involved social classes from the highest to the lowest ranks. In 1596, Newport bought a share in a privateer company himself.

Privateering as State Policy

The financial benefits that Elizabeth and her nation received from privateering are obvious. An ambassador to England from Venice later opined, “Nothing is thought to have enriched the English more or done so much to allow many individuals to amass the wealth they are known to possess as the wars with the Spanish in the time of Queen Elizabeth.” Kenneth R. Andrews, then an economic historian at the University of Hull, estimated in 1964 that privateering during her reign amounted to between 10 percent and 15 percent of England’s total imports. One Julius Caesar — not the Roman emperor, but an admiralty judge who would later serve as Elizabeth’s Chancellor of the Exchequer — wrote in 1590 that Elizabeth’s own gains from privateering up to that point had amounted to more than £200,000, or roughly £26.8 million (\$42 million) in today’s currency.

At the same time, Elizabeth’s policy weakened the Spanish: Not only did they lose treasure, their merchant fleet suffered the capture of more than 1,000 ships. Gary Anderson and Adam Gifford, Jr., economists at California State University, Northridge, argued in a 1991 article that privateering acted as a substitute for a standing national

navy, and in fact was a form of private production of naval power.

In addition to the financial and military benefits of privateering, it made a crucial contribution to England’s future through its effect of building up human capital. As England lacked any settlements in the New World during Elizabeth’s time other than the short-lived Roanoke colony, it would have been far-fetched to predict that England would ever have a significant presence there — let alone that it would someday dominate most of the East Coast of North America (including the area that comprises the present-day Fifth District of the Federal Reserve System). Any reasonable observer would have assumed that the New World would continue to be dominated by Spain and, to a much lesser degree, by France. An unintended consequence of privateering was that it enabled England, at no cost to the Crown, to develop a cadre of captains and sailors with experience in crossing the Atlantic and navigating the Caribbean.

It is thus unsurprising that when the first Jamestown colonists set out on the River Thames in late December of 1606, at least two of their three ships were commanded by former privateers. Newport was the admiral of the voyage and the commander of the flagship, the *Susan Constant*. Bartholomew Gosnold, another former privateer, captained the *Godspeed*. (The background of John Ratcliffe, captain of the third ship, the *Discovery*, is unknown.) Still another ex-privateer, George Somers, would lead the expedition that rescued the Jamestown colony in May of 1610 after the so-called Starving Time. The Elizabethan privateering companies created the path to an English New World. **RF**

READINGS

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managers would better serve their teams by focusing on the factors of Wins Produced, when faced with lots of information they tend to focus on what’s easiest to see at the moment.

Berri and Schmidt draw some compelling conclusions about why the experts get it wrong, but they are not without their critics. Since *Wages of Wins* was published, other statisticians and basketball experts have argued that they

disregard key factors in their models and overstate their results. In response, Berri and Schmidt write that the criticism stems from the fact that “Wins Produced is not consistent with popular perceptions. Given the problems with popular perceptions, though, this result shouldn’t be a surprise.” Whether or not you agree with them, you may think twice before celebrating your favorite team’s new draft pick. **RF**