The Business of Privateering 8

"The skill of our naval architects and the capital of our merchants is as fully employed against the enemy as ever…" **- The Niles Weekly Register**

John McKim, Jr.

View of Baltimore from Federal Hill

Baltimore investors like McKim knew privateering wasn't as simple as getting a ship, hiring a captain and sending them out cruising for prizes. Patriotism and support of the war effort was important, but foremost, privateering was a business. It offered the potential for huge profits, but there were significant risks. As a government sanctioned business, privateering also had specific requirements, regulations, and fees. Here are some of the key components:

". . . a subscription paper was opened at Merchants' Coffee House for equipping a Letter of Marque to the extent of $20,000 in shares."

The Syndicate: Investors bought shares in the venture to provide the capital to buy and outfit the ship, post the bond required by the government, and pay other fees involved. They shared the profits from the cruise based on the number of shares they held, and spread the risk of losing their total investment if the privateer was lost at sea or captured.

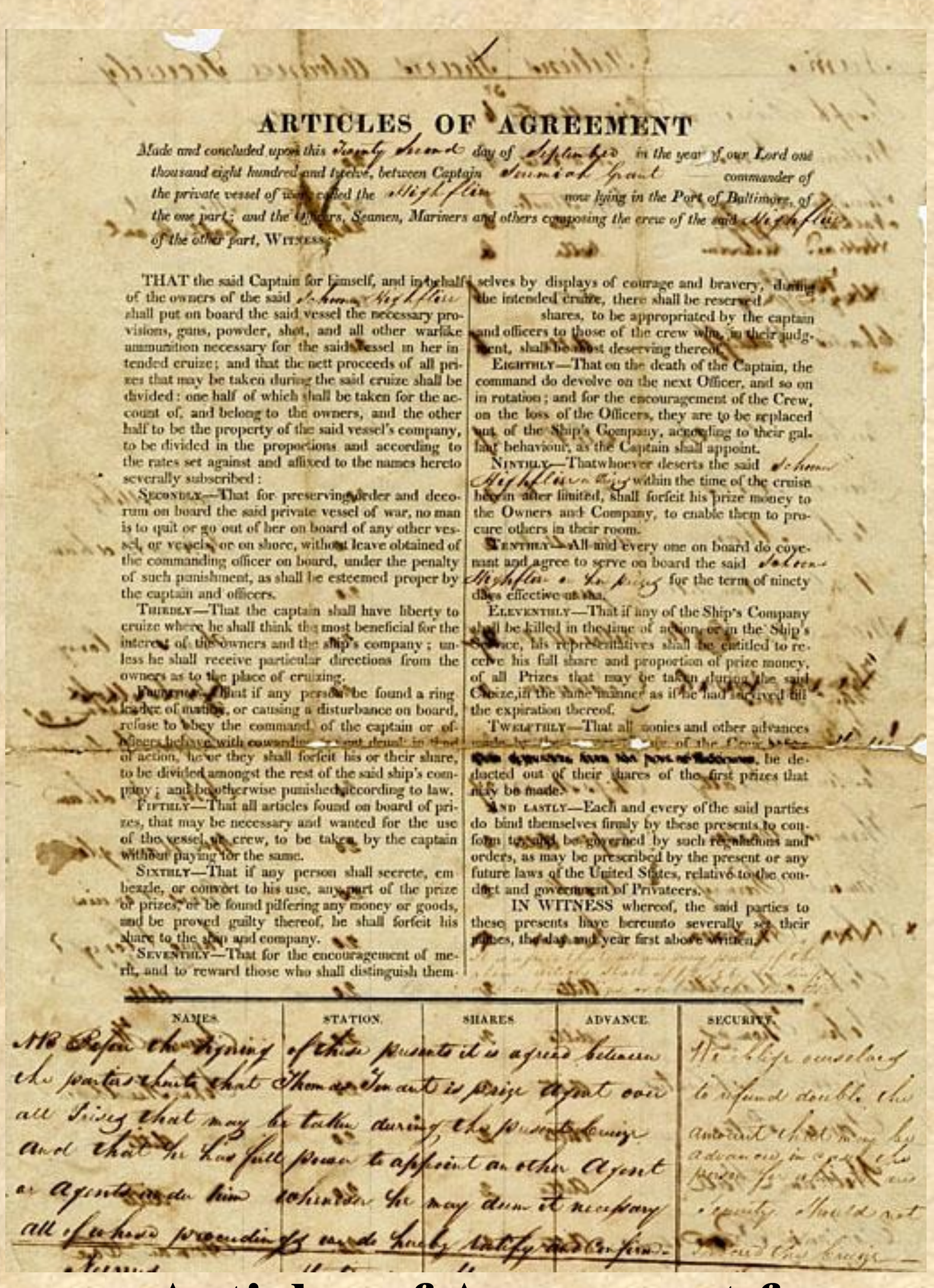
Securing and outfitting a vessel: The syndicate may have formed with a specific ship in mind, with a plan to buy and convert an existing ship or to build a new one. They needed to outfit the ship with all the gear, guns and supplies required for the length of the cruise. To build and outfit an average privateer (about 200 tons and 100' long) cost about $25,000. Shipbuilders and other suppliers often took shares in the vessel as full or partial payment.

"ship Fair American. . . burthen of 325 tons. . . owned by William Freeman of the City of Baltimore. . . manned by nineteen men. . . mounting 5 carriage guns."

With a crew of 19 the bond for *Fair American* was just $5,000

"***Letter of Marque and Reprisal***": When the ship was ready, the owner applied to the local customs agent for a Letter of Marque and Reprisal. The certificate identified the ship, her size, port of origin, her officers and owner. The owner posted a bond with the government, $5,000 or $10,000, based on the size of the crew to ensure that they did not stray outside the law.

Some ships were defined as "letter of marque traders". Their primary mission was to carry cargo, but they could, if the opportunity presented capture an enemy ship.



Articles of Agreement for *Highflyer*, 1812

Manning the vessel: Investors chose a captain based on his prior record of success and personal reputation, and they defined a share of the profits as his pay. The captain was responsible for recruiting the crew. The "Articles of Agreement" defined the terms for the crew - their position assignments and the shares allotted to them. The Articles also recorded any advance pay they received, and the disposition of their shares if they were killed. Shares were paid out when the cruise ended, based on the profits from the sale of the captured prizes and cargoes that were successfully returned to port. For the crew of a privateer, the rule was: "No prizes, no pay."

Next: Prizes, Profits and Risks