The Risk of Bankruptcy among German Merchants in Eighteenth-century England

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The eighteenth century has generally been seen as a period of success and achievement. It was a period that saw Britain’s rise as the leading imperial and industrial nation of the world. It was, however, by no means a linear success story. The expansion of commercial business was accompanied by birth pangs, setbacks and at times by a disproportionate increase of risks. Success was mixed with failure. Vast fortunes could be amassed within the lifespan of a merchant, but the risk to fail and end in a debtor’s prison was equally high. Hoppit points out that the success of business over the century can only be properly understood when regard is paid to risk and failure, for it “adds detail and substance to the pictures of growth, decay and structural change which have been built up by historians ever since they began to describe the Industrial Revolution” (Hoppit 1987, p 1). The history of setbacks and failures should therefore be seen as an integral part of the story.

At the beginning of the eighteenth century, the law of bankruptcy had already undergone important changes in England. Since the early years of the century, it had lost much of its old moral content. Even among the contemporaries, there was a growing awareness that failures did not always originate from the dishonest, fraudulent or criminal behavior of the bankrupt. The changes that took place, although they were far from complete, may best be summed up with Bruce H. Mann’s remarks that the century witnessed “a redefinition of insolvency from sin to risk, from moral failure to economic failure” (Mann 2002, p 5). Mann’s statement refers to the development of the American law of bankruptcy, but it may be applied to the English one as well.

There are two important studies on bankruptcy in eighteenth-century England: one study is by Julian Hoppit who investigates the level of risk and the occupational composition of the bankrupts and the other is by Ian Duffy who focuses on the law and the crisis of 1810. Based on their research, I will explore the risk of failure among immigrant merchants in this chapter. To focus

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on immigrants may not only highlight the risk they faced in a foreign environment with different economic traditions and different patterns of behavior but also the opportunities and expectations. Risk is Janus-faced: rising or high expectations of success and profit go along with a new readiness in risk-taking, and this in turn multiplies the chance of gain as well as the risk of failure. A study on the unfortunate among the immigrant merchants may therefore shed special light on the economic and entrepreneurial opportunities of the rising industrial and commercial society. The development and causes of risk of failure among immigrants will be demonstrated using the example of German overseas merchants in England.

In the eighteenth century, London was not only the leading commercial entrepôt of the empire, but also became the first financial center of the world by the end of it. The major part of British overseas trade was centered in the capital. Its port accounted for about 80% of the whole turnover of British foreign commerce at the beginning of the century. Towards the end of it, London’s share had declined to some 60%. This was, however, not a decline in absolute figures but in relative ones only, as the outports grew even quicker than the metropolis (French 1992, p 28f.). Because of its commercial and financial dominance, the overwhelming majority of overseas merchants had settled in the capital. They organized an international trade stretching far beyond the Empire into the most remote parts of the world. Since at least the seventeenth century, if not much earlier, the mercantile community of London was largely cosmopolitan. According to Stanley D. Chapman, about three quarters of its merchants were of foreign descent (Chapman 1992, p 30). While in the seventeenth century Dutch and Huguenot merchants dominated the mercantile immigrant community, they were replaced by Germans in the eighteenth century. As the capital was the commercial hub of the country’s international economic and financial activities, any study on the mercantile community of the eighteenth century will be essentially a study on London. The majority of German merchants also settled there. Only in the second half of the century did the quickly growing outports, such as Liverpool or Hull, and the new industrial regions in the north begin to attract more immigrant merchants.

To evaluate the risk of failure among German merchants I will start with a short overview of the size of the German mercantile community in London and their social background. In the following section, I will first deal with the law and frequency of bankruptcy in eighteenth-century England in general, before I explore the risk and causes of failure among the German immigrant merchants. In this section, I will elaborate that bankruptcy among them could not be explained in national terms only. As the eighteenth-century law of bankruptcy for the first time provided an instrument for a new beginning of the unfortunate, I will finally discuss the chances of restarting a business after bankruptcy.
The German merchant community in London

Although the German merchants constituted the largest mercantile immigrant group in the eighteenth century, hardly anything is known about them except for the famous few, including the Barings, the Schroders and the Rothschilds. One of the reasons why they have not been researched is that the majority did not leave any records. Another one is that Britain did not have any immigration laws until the early twentieth century. Therefore, it is not possible to give precise figures on the size of immigration. For the eighteenth century as a whole, only rough guesses are possible about the number of immigrants (Panayi 1995, pp 21f.; Schulte Beerbühl 2001, pp 38-43).

However, regarding the foreign community of overseas merchants, some more reliable information can be gathered from the naturalization records. Because of the alien laws and the Navigations Acts, the overwhelming majority of foreign merchants acquired British nationality. Of them, there were about three hundred naturalized British subjects of German birth that could be identified as merchants between 1715 and 1800. They comprise the sample for the present chapter. They were all of Protestant denomination as the contemporary law of naturalization excluded Jews and Catholics.

To understand the pattern of behavior of immigrant merchants in times of crisis, it is necessary to make a few preliminary remarks on their social and economic status. The naturalized merchants of German birth came from the big mercantile families of the German port and other big cities, as well as from the commercial centres of the proto-industrial textile areas of Silesia, Saxony and the north-western parts of the German States (such as Westphalia, Osnabrueck and the Dukedom of Berg). The German linen producing regions were traditionally export-oriented and after the decline of the old Hanse corporation they had continued to send sons and other young relatives into the leading European trading centers to organize sales. Accordingly, the German families established international commercial networks based on kinship ties, religious affiliations and compatriots. A settlement in the British capital was just one aspect of their expansionist commercial strategy, for at home, the frequent borders and toll-stations hampered long-distance trade.

Moreover, the German states did not have any colonies and the protectionist policy of the colonial empires excluded foreigners from any direct trade with

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1 This sample also includes merchant bankers and merchant manufacturers (see more explicitly part 4 of this chapter). On the German merchants of the nineteenth century, see Panayi (1995). His chapter on the eighteenth century focuses mainly on the German Jews and the few well-known merchants of German birth.

2 The naturalization records generally do not mention the occupation of the naturalized citizens. The occupations of the naturalized persons of German birth have been compiled from a variety of biographical as well as serial sources (see Schulte Beerbühl 2006a).

3 For the later German merchant empires, see Chapman 1977, pp 5-48 and 1992, part 2, chap 5 and for the early eighteenth century German merchant empires, see Schulte Beerbühl 2006b.
them. With the rise of the British Empire, a settlement in London became strategically important to the German merchant families.

The organization of long-distance trade in the expanding world along kinship, coreligionist or compatriot ties helped to keep transaction costs low. Family members or compatriots were believed to be more trustworthy and as Muldrew has highlighted, they did not only build bonds of trust but also bonds of obligation. In times of general crisis such networks also provided support for struggling members. Either they coordinated help to prevent a stopping of payment by keeping up creditworthiness or if a bankruptcy could not be prevented, they tried to assist the unfortunate during the bankruptcy procedure and often supplied the means for a new start. These aspects have to be taken into account when considering not only failure but also the chances of a restart among German merchants in eighteenth-century England.

Bankruptcy in eighteenth-century London

As the eighteenth century was an age of new departures, failures were not an unusual phenomenon. The Enlightenment had brought a new rationality to man and had opened up new horizons geographically as well as physically and mentally. Things became explicable and feasible. Merchants traveled to distant and unknown places to bring back new products for which they had to find markets. Remote regions in the Americas or in Southeast Asia were drawn into an increasingly global network. Merchants also invested in experiments and inventions. Probably at no other time was the incentive to experiment and invent higher than in the eighteenth century. However, overseas trade as well as experiments and inventions needed capital, capital that had to be borrowed from friends, colleagues and other private people. Merchants not only borrowed money but also lent money. Because the outcome of adventures or experiments could generally not be predicted, expected gains could at any time turn into losses. Equally, wars, storms and pirates increased the risk and made the outcome of transactions unpredictable.

Lack of liquidity was another constant problem that merchants had to cope with. In view of the slowness of the contemporary transport systems, it took a long time before they could realize their gains. In the trade to the

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4 On the role of trust and obligation, see Muldrew (1998).
5 On the role and importance of network organisation, see Powell (1991) and Thompson (2003).
7 As research by Stanley D. Chapman and Griffith, Hunt and O’Brien have shown, most of the inventions in the textile industry were either not successful or were short-lived (Chapman 1974, pp 21ff.; Griffith, Hunt and O’Brien, ibid.).
nearby Continent and Russia, it took about 6 to twelve 12 months before money was returned; in the trade with the Levant or the Americas, it took even longer, at least 2 to 3 years. Wars also had unforeseen effects on the monetary market. The state often borrowed large sums directly from it and thereby squeezed liquidity. All these factors and the increasing dependence on credit contributed to sudden and sharp peaks of bankruptcies.

As Hoppit has pointed out in his research, the development of bankruptcy figures was closely related to the economic development of the country (Hoppit 1987, chap 4). In the first half of the eighteenth century when economy grew only slowly, the number of bankruptcies was comparatively low. After 1750, however, they started to rise. The acceleration of economic growth and early industrialization provided an increase in opportunities and with them an increase in risk-taking. Hoppit counted 33,000 bankruptcies for the eighteenth century (Hoppit 1987, p 42) though the actual number was probably much higher because the bankruptcy records are rather incomplete and failures could also be dealt with outside the official procedure.

*Chart 1. Trend of Bankruptcy in England 1720-1816*


Before 1750, the average rate of bankruptcy was about 209 per year and rose to an average of 456 per year after the middle of the century. Figures jumped since the early 1770s, reaching a record level in 1793 after the outbreak of the French Revolutionary War. 1,256 cases are recorded for that year alone. After that date, numbers dropped again below 800 to reach a trough in 1799 with only 546 cases. The numbers increased again after the turn of the century. From 1806 onwards, the yearly number rose to more than a thousand
and leaped in 1811 to more than 2,100 cases and in 1826 to almost 2,600 cases (Duffy 1985, p 339).

A striking feature of the geographical pattern of bankruptcy is the dominance of London. In the first 20 years, more than 52% of all cases took place in London (Hoppit 1987, p 63). Towards the end of the century, its percentage had dropped to some 37% and again it was not a drop in absolute figures. The drop only reflects London’s declining share in economic activity. Nevertheless, London remained the dominant center of production, distribution and conspicuous consumption throughout the century. London’s substantial contribution to bankruptcy was also the result of its domination of overseas trade.

In the second half of the century, failures outside the capital also began to increase, especially in the rising outports, such as Liverpool and the new textile regions of the north. Overall, bankruptcy figures were higher in the coastal areas than in the agricultural and traditional wool manufacturing regions.

The law of bankruptcy

The bankruptcy figures by no means include all cases of failure. The contemporary law distinguished between insolvency and bankruptcy. Because merchants generally fell under the bankruptcy laws, this chapter focuses on the individuals that went bankrupt and not on the insolvent debtors. Outside the law, business failure could unofficially be dealt with in several ways: by an agreement between creditors and debtors, e.g., by a letter of license or a deed of inspection. In the former case, the creditors allowed the debtor to continue his business so that he could repay his debts. In the latter case, the debtor continued under the control of the creditors (Hoppit 1987, pp 29-32). Although there were alternatives outside the ‘bankruptcy office’8, the number of cases that came under the official proceedings gives a fair impression of the risk of failure in the early period of industrialization.

The law of bankruptcy was confined to traders owing more than £100 to one creditor (£150 to two or £200 to three or more creditors). Debtors who were not traders or whose debts were below the sum in question could not qualify to become bankrupt but stayed insolvent debtors. The legal definition of a trader embraced all those who made a living by buying and selling, which included most artisans. Although some groups (such as farmers) were explicitly excluded from bankruptcy, they can nevertheless be found in the

8 An official bankruptcy court did not exist until 1831 (Duffy 1985, p 45). Cases were generally dealt with at the Lord Chancellor in Chancery Lane.
records. They preferred to come under the bankruptcy law because of the harshness of the insolvency laws. Since 1706, the law of bankruptcy provided a regulation whereby the bankrupt could be released from any liability of debts contracted before the act of bankruptcy and start anew. The insolvent debtor did not have this option. He could not be discharged from his old debts, but remained responsible for them for the rest of his life. As he was subject to common law proceedings, he often faced imprisonment for the rest of his life. With the increase of economic activities and the emergence of new occupations, the definition of who was a trader and who was not became more and more controversial and the distinctions became increasingly blurred.

The process of bankruptcy was a rather simple procedure. It started with the denial of payment by the debtor. Any further proceeding rested with the creditor, because a debtor could not declare himself bankrupt until 1825. The creditor initiated the legal proceedings with a petition to the Lord Chancellor in Chancery Lane for a commission of bankruptcy. With the petition, he had to give a bond of £200 to ensure against a malicious petition. Once the Lord Chancellor had entered the name of the debtor in the docket books, he directed the case to a group of five commissioners that were often barristers or solicitors from the same district as the bankrupt and his creditors. It was left to the latter to decide if the debtor was a bankrupt or not. After they had made their declaration of bankruptcy, they placed an advertisement in the London Gazette and ordered the debtor to surrender himself and his property. Next, a meeting of creditors was arranged and the assignees were chosen from among the present creditors. All further proceedings, the administration and collections of the bankrupt’s property lay in the hands of the assignees. Collection of the assets, especially when overseas merchants were involved, could be a very protracted business and last several decades before the records were finally closed. If the bankrupt person was cooperative in the disclosure of his effects and four fifths of the major creditors agreed, he would be granted a certificate of conformity. This certificate freed him from his past debts and allowed him to start again.

Unlike the insolvent debtor, the bankrupt was at least protected from imprisonment once a commission of bankruptcy was opened until after his final examination. A critical stage remained after the stoppage of payment until the commission was opened. It depended a great deal on the relationship between the debtor and his creditors if he simply hid in his house, left the town or even fled abroad. As only comparatively few bankruptcy records of naturalized merchants of German birth have survived, not much is known about

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9 For those occupations that were formally excluded from the bankruptcy laws, see Duffy (1985, pp 18-23).
10 4 & 5 Anne c. 17, 5 Anne c.22.
11 5 Geo I c 24 and 6 Geo I c.22, see more explicitly, Duffy (1985) pp 11f.).
their fate in the early stages of the proceedings. In two cases, they did not escape imprisonment. A few other bankrupts left the country. Others either left town or simply hid themselves in the houses of friends or in the backrooms of their own houses. When Hermann Jacob Garrels of Leer stopped payment in 1799, he found a hiding place at the house of one of the major assignees.

The risk of failure among German merchants in London

Of the total of bankruptcies in England that Hoppit counted, nearly 12% were merchants. For London, where the majority of overseas merchants lived, the percentage was considerably higher. About three-quarters of London’s bankrupts from the wholesale sector were merchants (Hoppit 1987, p 69). As the sample is based on the naturalization records, it may be stressed that those who went bankrupt were almost all overseas merchants. Before the middle of the nineteenth century, there was no strict distinction between a merchant, a banker, a manufacturer or an underwriter, and they often combined several of these activities. Among the naturalized merchants of German birth that went bankrupt, several were merchant-manufacturers, including sugar refiners, a hosier, a watchmaker, a paper manufacturer and bankers. Diversification into these branches could reduce as well as increase the risk of failure. Keeping these aspects in mind, two questions arise: (1) to what extent were the immigrants affected by the general trend of failures in Britain? (2) Were they more liable to failures as compared with their British counterparts?

In the first half of the century, there were very few failures among German merchants in London. Between 1700 and 1750, only 12 bankruptcies could be found. After the middle of century, the numbers increased although only slightly. In the 1790s, however, they reached an unprecedented level. The last year before the turn of the century was a particularly difficult one for the Germans.

Given the low number of bankruptcies among the German merchants during the whole century as compared with the total English figures, it is difficult to draw any conclusions. Hoppit published bankruptcy data for London

12 Simon Bethmann and Christian August Eschke (B3/208 and 209, for Eschke B3/1523).
13 See below. In quite a number of cases their fate is unknown. In two cases (Peter Hollander after his failure in 1711 and Frederick Voguell after his bankruptcy in 1740) it cannot be excluded that they committed suicide in that their deaths are recorded shortly after their failure.
14 For the small immigrant retailer, shopkeeper or tradesman, there was no need to acquire British citizenship by naturalization. Sometimes prosperous retailers or tradesmen became British citizens by denization, which was a restricted form of citizenship (Parry 1954, p 33; Dummett & Nicol 1990, p 29; Schulte Beerbühl 2006a, part 1).
alone for four decades from 1740 to 1780. The latter one comprises a much higher percentage of merchants than the figures for the country and the fact that the overwhelming majority of German merchants lived in the capital makes an evaluation of the development of risk based on his figures for London more interesting. A comparison between these data and the number of bankruptcies among German merchants reveals an increase of risk over the decades, although not evenly. Among the London businesses, Hoppit found the highest rate of failures in the 1740s, with the risk showing a decrease in the following decades.

Table 1. Rates of bankruptcies among English and German businesses in London

<table>
<thead>
<tr>
<th>Decade</th>
<th>No. of businesses</th>
<th>English</th>
<th>German</th>
</tr>
</thead>
<tbody>
<tr>
<td>1740s</td>
<td>2 250</td>
<td>1: 29.5</td>
<td>1: 381</td>
</tr>
<tr>
<td>1750s</td>
<td>3 573</td>
<td>1: 43.7</td>
<td>1: 204</td>
</tr>
<tr>
<td>1760s</td>
<td>4 553</td>
<td>1: 36.8</td>
<td>1: 137</td>
</tr>
<tr>
<td>1770s</td>
<td>6 550</td>
<td>1: 36.2</td>
<td>1: 226</td>
</tr>
</tbody>
</table>

The pattern of bankruptcies among the Germans is a different one. In the 1740s, only 1 in 371 London bankruptcies was a German bankruptcy; in the 1750s, the rate increased to 1 in every 204 and in the 1760s it was 1 in every 137. In the 1770s, the risk declined to 1 in every 226.

To evaluate the risk of failure among German immigrants a comparison between the total number of naturalized Englishmen of German birth per decade and the number of German bankruptcies may be more meaningful. As there exists a fairly complete series of naturalization data for the century, it is possible to present a long-term view on the development of failures among German immigrant merchants.

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15 Hoppit (1985) collected them for the years 1740 to 1783 (see p 67). The first three years of the 1780s are not included here. They would distort the picture because more German houses stopped payment in the latter part of the decade than in the earlier part.

16 Data of the number of businesses and English bankruptcy rate are taken from Hoppit (1985, p 69). Hoppit’s rates are average annual rates per decade. However, because of the low number of German failures, decennial rates are used regarding the German merchants. These differences do not lead to different conclusions.

17 The first two decades are excluded here because Anne’s liberal law of naturalization of 1709. The records that have survived the period 1709-1712 are neither complete nor do they give information about the places or countries of birth of the naturalized immigrants.
Table 2. *Decennial rates of bankruptcies among German merchants*

<table>
<thead>
<tr>
<th>Decade</th>
<th>No. of naturalizations</th>
<th>Bankruptcies</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1720s</td>
<td>41</td>
<td>2</td>
<td>1: 20.5</td>
</tr>
<tr>
<td>1730s</td>
<td>54</td>
<td>1</td>
<td>1: 54</td>
</tr>
<tr>
<td>1740s</td>
<td>38</td>
<td>3</td>
<td>1: 12.6</td>
</tr>
<tr>
<td>1750s</td>
<td>38</td>
<td>5</td>
<td>1: 7.6</td>
</tr>
<tr>
<td>1760s</td>
<td>51</td>
<td>10</td>
<td>1: 5.1</td>
</tr>
<tr>
<td>1770s</td>
<td>60</td>
<td>10</td>
<td>1: 6</td>
</tr>
<tr>
<td>1780s</td>
<td>68</td>
<td>17</td>
<td>1: 4</td>
</tr>
<tr>
<td>1790s</td>
<td>80</td>
<td>29</td>
<td>1: 2.8</td>
</tr>
<tr>
<td>1800s</td>
<td>86</td>
<td>11</td>
<td>1: 7.8</td>
</tr>
</tbody>
</table>

*Source:* Compiled from Shaw (1923), the bankruptcy records (National Archives London), docket books, registers of certificates, Gentleman’s Magazine and London Gazette. Before the 1720s, the data are not reliable because of incompleteness of the bankruptcy records and Anne’s law of naturalization between 1709 and 1712.

Although the comparison between the number of naturalizations and the number of failures has some imperfections because of the available sources, they can nevertheless be taken as an indicator of the general trend. Table 2 confirms that the rate of bankruptcy is rather low in the first half of the century and starts to rise after the middle half. The increased rate in the 1740s is only partly the result of the low number of naturalizations. In view of the following decades, the 1740s mark the beginning of a continual rise. While only every 22nd went bankrupt before the middle of the century, in the 1760s and 1770s every fifth or sixth failed; in the 1790s, it was more than every third. In the first decade of the new century, the relationship improved again.\(^{18}\) For the second decade of the new century, no reliable data can be compiled because the traditional policy of naturalization broke down. Under the conservative ministry of Liverpool, hardly any foreigner could acquire British citizenship. Although evidently the risk for London businesses going bankrupt in general declined between 1750 and 1780, the risk for German immigrants increased continuously with a temporary improvement in the 1770s. Because violent short-term peaks in London accompanied economic development, the question arises as to whether the picture may be a different one from a short-term perspective.

Although the total number of German failures is much too low to allow us to discern a pattern, especially for the first half of the century, it may be worth knowing whether they appeared during times of high levels of bankruptcy. As Ashton, Hoppit and others have elaborated, extremely high levels of bankruptcy occurred in times of financial crises, 2 or 3 years after the beginning and towards the end of the wars, as well as in the immediate aftermath (Ashton 1959, chap 5; Hoppit 1987 chap 7 and 8). High fluctuations in

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\(^{18}\) Several of the reported bankrupts failed more than once.
bankruptcy occurred in 1706 and 1712, with peaks at the end of 1706 and again in 1709-1710. An acute financial crisis occurred in 1710 so that failures remained on a relatively high level until the first half of 1712 (Ashton 1959, p 116; Hoppit 1987 app 4). Between 1725 and 1728, figures rose steeply again. They climbed over 300 per year with a peak of 388 in 1727. The high figures of the 1720s were due to the financial crisis of 1726 and the threat of war with Spain, which was averted only in 1728. In 1711 in the immediate aftermath of the financial crisis, a remarkable number of four German houses stopped payment. In 1727, another house gave up. No records of these houses have survived but in case of the latter one, it is known that it was deeply involved in the Iberian trade.¹⁹ Not all of the bankruptcies of Germans in London coincided with the general trend of bankruptcies in England in the first half of the century. Some German failures are recorded for years when the general number of stoppages was very low, as in 1750. In peak years (such as 1758) when the number of London bankruptcies rose to the highest point in that decade, no German house was closed. A similar irregular short-term pattern can be found in the second half of the century.

Chart 2. English Bankruptcies 1780-1806


¹⁹ For the total number of bankruptcies, see Hoppit (1987) app 4 and chap 8. The German immigrant houses that failed in 1711 were Peter Hollander & Herman Louis, Francis Heilman, John Jacob van Strasson and Theodore Stahl. In 1727, Paul Amsinck, who came from Hamburg, went bankrupt. Members of the family had settled in Portugal and Spain (see Schulte Beerbühl 2006b).
After 1770, the economy experienced quite a number of extreme short-term fluctuations. These fluctuations were accompanied by exceptional peaks of bankruptcies. In 1772-1773, 1778, 1788 and 1793, London in particular and England in general saw a wave of failures, with merchant houses collapsing like houses of cards. In the peak years of 1772-1773 and 1793, comparatively few German merchants went bankrupt. No German bankruptcies were observed for the peak year of 1778. On the other hand, there were more failures than was usual among the German merchants in 1784 and 1799. The year 1799 saw an exceptionally high number of bankruptcies, whereas for England in general this year had the lowest for the whole decade. The question is: Why did the German pattern not always correspond with the English one and what were the causes for this lack of correspondence?

Continental causes of bankruptcies among naturalized immigrants

Bankruptcy causes can be explained from two perspectives: One is the individual perspective of the bankruptcy, which means looking into the structure of the bankrupt individual’s trade and his ability or disability to cope with market changes. It includes a variety of non-economic individual factors, such as his financial and social background or his reputation. The second is from a more general perspective: besides general economic influences, each trade and business has a different level of inherent risk. Merchants who embarked on entrepreneurial or other financial activities might increase their
chances as well as their risk with them. Merchants who traded in sugar, e.g., often invested in sugar refineries, a business that was profitable as well as risky, not only because it was a capital-intensive one, but above all because of the geographical distance between the cultivation areas of cane sugar, the production centers and the customers. In times of war (e.g., the American War of Independence), refineries were temporarily cut-off from their supplies. In the 1770s, more than half of the sugar-refineries in London, which was the leading center of the English sugar industry, either went bankrupt or gave up their business. 20 The opportunities of profit created by this trade induced a considerable number of merchants (also among the Germans) to become either shareholders or owners of sugar refineries. 21 Others, such as Roger Teschemacher from Hanover, invested in inventions. He was a merchant-manufacturer in Nottinghamshire and had just been awarded two patents for his invention of a steam machine and a spinning and roving machine when he went bankrupt in the financial crisis of 1793. 22 Such investments increased risk when they coincided with general crises. Such specific factors as well as general economic trends have to be accounted for when considering failures.

To understand the pattern of bankruptcies among foreign overseas merchants in England, it is necessary to consider the geographical focus or backbone of their trading activities as well as political affiliations, i.e. it cannot be explained within a national or local perspective alone. A review of the German bankruptcies in London reveal that economic fluctuations and crises abroad had similar irregular repercussions as the ones in Britain. For instance, the outbreak of the American War of Independence caused a major disruption of trade in England, with bankruptcies peaking in 1778. Whereas many English houses stopped payments, it had less of an impact on the German houses in London. The financial crisis originated from the refusal of the American colonists to repay their debts. They owed more than 2.3 million pounds Sterling to Londoners only. 23 As Katherine Kellock pointed out, the American War of Independence did not affect all English houses in the same way. Those houses that suffered most were on the side of the loyalists.

20 The above-mentioned Cornelius Kettler had a refinery in London (Kent’s London Directory 1765).
21 Already, the very first sugar refineries in Scotland were established by sugar merchants. They engaged German and Dutch boilers to run the business (Smout 1961, pp 240-253).
22 Chronological Index of Patents, p 332, No 1808 and p 352, No 1916. The hosiery industry in Nottinghamshire was organized by merchant manufacturers. The second half of the eighteenth century was a period of great prosperity and rapid expansion in the East Midland hosiery industry. It coincided with a major endeavor in the technical development of the stocking industry. Numerous smaller or bigger technical improvements and inventions were made, which, however, did not lead to a breakthrough of the factory system as in the cotton or woolen industries (see Chapman 1974, pp 14-37).
23 The total claim by British merchants was close to five million pounds Sterling (Kellock 1974, p 114).
Hardly anything is known about the partners of the German houses in America and their relationships with the revolting colonists, but it cannot be excluded that they had partners across the Atlantic that were either of German origin or at least sympathetic with the American cause. Moreover, in view of the international kinship and compatriot networks, payment of debts could also be diverted to London via any Dutch or German port city. Such circumstances could have helped them to weather the crisis more easily than many of their English counterparts.

In 1788, not only the bankruptcies among English houses increased dramatically but also more German houses failed than in the whole decade. When Britain entered the war against Revolutionary France in 1793, failures among the German houses were surprisingly low in contrast to the general trend. There were fewer failures than in 1788. The last year of the century ended with a trough in failures for British businessmen, with figures falling to 546. For the German immigrant merchants this year became the worst of the century. Eleven houses went bankrupt, and with the exception of one, they all collapsed within 3 months.

During the eighteenth century, the causes of bankruptcies gained an increasingly international dimension. From the Seven Years War onwards, waves of bankruptcy swept over the channel. After the crash of the Amsterdam exchange in 1763, the Continent experienced a widespread crisis. However, this did not lead to a disproportionate rise in England or in Germany.

Apart from the serial sources, a few bankruptcy records of German houses did survive during the French Revolutionary War, which allow a more precise insight into the causes of individual failures. An interesting case is that of Theophilus Blanckenhagen, a Russian-German by birth who failed in 1793. Whereas the upsurge of failures among the English merchants was caused by the financial crisis at home, Blanckenhagen’s records reveal that the backbone of his trade was his country of birth. He did not only trade in naval stores, flax, hemp and other commodities, which he mainly imported from Russia, but he also acted as a banker. His bankruptcy was caused less by the financial crisis in Britain than by the developments in Russia. His two main partners in Russia – Hill, Cazalet & Co and M.G. Trosien – had failed at the end of 1792 and Blanckenhagen had accepted bills for more than £133,000 from them. In December and early January, he had struggled to prevent the bankruptcy but after Britain had declared war against France, he had no other option.

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24 For the transnational effects of this crisis, see Buist (1974, p 12f.) and Reininghaus (1995, pp 373-77).
The wave of bankruptcies among the German houses in 1799 was also essentially caused by developments across the Channel. They began in Hamburg. The outbreak of the French Revolutionary War had diverted the British trade with the Netherlands to the German port cities, primarily to Hamburg, but also to the smaller ports of Bremen and Emden. They experienced an unforeseen boom that lasted until 1799. That year already started with a bad foreboding on the Continent. During the very first days of the New Year, *The Times* remarked, “bankruptcies have multiplied of late … at Paris, Lyons, Marseille, Bordeaux, Rouen and other Places”. During the following months, the wave swept over Holland. In Hamburg, *Lutterloh & Sons* was one of the first houses to stop payment in February. In April, another house failed and in August, a witness reported that there were small bankruptcies every week. The situation dramatically worsened when several big accepting houses, among them *Milow, Henckel & Eimbcke* and *De Dobbeler & Hesse* stopped payment at the beginning of September. In Hamburg alone, 152 houses altogether went bankrupt.

About the middle of September, the first London houses were drawn into the Hamburg crisis. Two big accepting houses, *Persent & Bodecker* and *Cox & Heisch*, stopped payment on the 12th and 13th of September (they failed for about £200,000 and nearly £300,000, respectively). Their collapse had a domino effect. Many smaller German houses followed in London in October and November and a number of other houses failed that were deeply involved in trading with the German States. Among them was the big Swiss firm of *Battier & Zornlin* in London. Denmark was also drawn into the Hamburg wave of bankruptcy. By October 15, the number of failures had put a complete stop on all trade in Copenhagen. The first stop in Russia was reported in about the middle of November when the Russian-German house of *Maas & Son* failed for more than 2.2 Million mark banco.

It is not clear from the sources to what extent the earlier crisis in France contributed to the crisis in Hamburg. Contemporaries attributed the bankruptcy wave in Hamburg to two main causes: the glutting of the market with coffee and sugar some months before and the insufficiency of the banking system in the Hanse town. Contemporary observers in Hamburg and London remarked that Hamburg’s banking system had not kept pace with the increase in business since 1793 and that the trade in bills of exchange had gotten out of hand. A correspondent of *The Times* reproached the Hamburg

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26 *The Times*, 4 Jan 1799.
27 Diaries of Ferdinand Beneke 13. Sept 1799 (Staatsarchiv Hamburg; I have to thank PD Dr. Frank Hatje for referring me to that source).
29 B 3/ 824-7, 3862, 205-6; for *Cox&Heisch* and *Persent&Bodecker* see more explicitly Schulte Beerbühl (forthcoming), Welthandel, chap 5; for *Battier &Zornlin*, Hoppit (1987), pp 156-160.
30 *The Times*, 29 Oct and 20 Nov 1799.
merchants for their inactivity.\textsuperscript{31} They should have foreseen the crisis after the markets had been overstocked with colonial products and could have taken suitable measures to prevent it by the establishment of a public loan or a Discount Society. In September, the Hamburg Senate had established a private fund, but this measure came too late to prevent further collapses.\textsuperscript{32}

It is worthy to note that all the German houses that failed in 1799 were young businesses, with none being older than 6 years. The risk of bankruptcy among young businesses was generally higher than among old established ones, but the situation in 1799 was quite unusual. Over the entire century, only about 33\% went bankrupt in the first 5 years after their naturalization.\textsuperscript{33}

With the embargo of the Elbe in 1803 and the Blockade in 1806, bankruptcies in England reached a new level in the first decade of the nineteenth century. The German port cities were severely hit by these measures and a wave of failures swept over the German States after the renewal of war in 1803. In contrast to the 1790s, however, none of the big German houses in London was drawn into it (only a few smaller ones with little or no capital). The records of some of these smaller firms show that the causes of their failure were neither mismanagement nor that they were operating an unprofitable trade. They were confronted with liquidity problems that were caused by the inability of receiving returns during the Blockade and insufficient capital resources.\textsuperscript{34} However, overall they seem to have gotten through the economic difficulties of the Napoleonic Blockade better than many of their English counterpart.

The ‘certificate of conformity’ and the chances of restarting business

The bankruptcy laws of the early eighteenth century for the first time provided an instrument for a new start by granting a certificate. It released the debtors of all liabilities that they had contracted before the bankruptcy. The possibilities of a new beginning depended on various factors, including the causes of the bankruptcy, the general credit or reputation of the debtor within the local mercantile community, the relation between debtor and creditor, the

\textsuperscript{31} For this and the following, see Büsch (1800, p 91f.) and The Times, 19 Oct 1799.
\textsuperscript{32} In face of the development at Hamburg, a group of merchants in London decided to send over 1.5 Million Sterling. The ship “Lutine”with the money and bullion on board left Yarmouth in the beginning of October, but she never arrived in Hamburg. She was shipwrecked near Texel.
\textsuperscript{33} The decision to open a house generally went hand in hand with the decision to acquire British citizenship, although there are some cases when German merchants went bankrupt long before they became British subjects; e.g., Jacob William Luning from Hamelvorden near Hannover failed in November 1799 but did not acquire British citizenship until 1805 (Private acts of naturalization: 45 Geo III c 15 (HLRO).
\textsuperscript{34} B3 /2128, 1523.
willingness of the latter to grant a certificate of conformity, and last but not least, the kinship network of the debtor and its ability to support him.

The bankrupt received his certificate after four fifths of the major creditors had consented to it. In her research, Sheila Mariner elaborated that about 62% of the bankrupts were granted a certificate between 1786 and 1795 and only 57% for the period 1796 to 1805 (Mariner 1980, p 364). In about 50 cases, certificates could be found for German merchants. The actual number was probably higher. This is because in some cases no certificates could be found though the merchants of German origin had restarted successfully after a bankruptcy. As the relationship between debtor and creditors was essential for the granting of the certificate, it is interesting to know how quickly the bankrupts received the certificate. The reason for this is that the time span between the bankruptcy and the issuing of the certificate may not only tell us something about the reputation of the unfortunate among his creditors but may also give information about the changing perceptions of the causes of failures. Because of the imperfections of the docket books and the registers of conformity, entries in both records could only be found in 44 cases between 1733 and 1816.35 The figures show that between 1733 and 1780, about 56% of the German merchants were given a certificate within 1 year after their failure, and 46% received a certificate later. Two German merchants had to wait 16 and 18 years, but these were exceptions. After 1780, a visible change took place in that creditors became much more willing to issue such a ticket. Between 1780 and 1816, more than 82% of the bankrupts received their certificates within 1 year. Many of the German merchants who failed in 1799 received the certificates within 6 months.

Even if they were given a certificate, a new beginning after a collapse was not easy and hardly possible without the help of family and friends. The bankrupts had to deliver all their assets and personal belongings. If they always did it or if the bankruptcy commissioners and assignees always insisted on it, is a matter that cannot be taken up in this chapter. Nevertheless, quite a number of recorded cases of German merchants who started again: Theophilus Blankenhagen, George William Soltau and Hermann Jacob Garrels or Cox & Heisch all managed to build up new successful businesses within a decade after their bankruptcy.36

There were several ways for a bankrupt merchant to start again. The one they chose depended on the financial support they could receive. Those who lacked money could begin again as either a bookkeeper or a factor. Many of the German merchants restarted as partners in another house. Blankenhagen, e.g., became the partner of Thomas Wilson in 1774 and in 1794 he joined the

35 The registers of certificates, which show gaps, did not start before 1733. The docket books began 1710 but are also imperfect.
36 For a more explicit account, see Schulte Beerbühl (2006a).
banking house of the Dorriens.\textsuperscript{37} During the French wars, persons who went bankrupt increasingly turned to brokerage. Although they could not easily acquire a fortune as a broker, they had at least a relatively secure income from their commissions. According to the laws of the City of London, which controlled this trade, no broker was permitted to deal on his own account. This regulation was widely disregarded and complaints before the Court of Aldermen show that the City was unable to control them. Anthony Ulrich Hinrichs from Jever, e.g., became a broker after his second bankruptcy in 1804 and by 1810 he was again trading on his own account.\textsuperscript{38}

Not all German merchants managed a new beginning in England. Peter Hasenclever who did not get his certificate of conformity for 18 years and received it only a few years before his death, left England and went to Silesia, where he became a partner in a textile business. Justus Blanckenhagen, the brother of the aforementioned Theophilus, went to Riga after their first bankruptcy in 1772 and became partner in the banking house of Blanckenhagen, Oom & Co. Cornelius Kettler from Leer in East Friezeland left England for Russia. Simon Bethman from Frankfurt wandered around through Europe for years after his failure in 1799, until he finally entered the house of his relatives in Bordeaux in 1816 (Henninger 1993, vol. 2, p 529). Others were left in poverty (such as Henry Nantes) after the spectacular bankruptcy of Muilman & Nantes in 1797, where debts amounted to more than £450,000.\textsuperscript{39}

In summary, although in the long term the risk of failure among English and German merchants increased considerably, the bankruptcy curve of German merchant houses did not always follow the general trend in England. Considerable long- and short-term variations can be perceived. Although the sources do not allow a detailed insight, it may be concluded that two causes were responsible for this deviating picture. First, despite the international expansion of their mercantile activities, the backbone of trade of German merchants in England remained in their country of birth. Second, their trade was embedded in a widespread and often international kinship, compatriot and coreligionist network that provided a pool of support in times of crises. At times, these factors made them less prone to economic crises in England. On the other hand, financial crises on the German market had a stronger impact on the fate of the German merchants in England. However, no uniform pattern could be ascertained, not even during the French and Napoleonic Wars. After the financial crisis of 1799 in Hamburg, the German houses in England seem to have coped better with the economic consequences of the war than their English counterparts. Only young houses with little or no

\textsuperscript{37} CLRO, Court of Aldermen Papers, 12 August 1799.
\textsuperscript{38} CLRO, Brokers: Committees. Minutes and Papers of the Committee of the Court of Aldermen Respecting Brokers 1815-1823 (BR/C 1.5 and 1.7) BR/R 2, Register 1787-1815.
\textsuperscript{39} B3/3681-88, Prob 11/1552. He and his family were supported by his uncle Daniel Nantes, who also lived in London.
capital failed in the first decade of the nineteenth century. Overall, about a third of all naturalized merchants of German birth in England went bankrupt. Although this percentage seems high, fewer naturalized merchants failed as compared with the English merchants. Hoppit calculated that about 58% of all London merchants went bankrupt (Hoppit 1987, p 97).

Risk was high and increased considerably during the last quarter of the century, especially in the rapidly developing areas, such as in the new industries of the North or in the overseas trade. The decision to invest in new industrial and commercial ventures whose outcome could not be predicted heightened the risk. But risk-taking was not only a response to the new opportunities. The English bankruptcy law also contributed to it, as it provided an instrument of debt-discharge that other European countries lacked at that time. It allowed not only the less prudent merchants but also the more prudent ones to seize new market opportunities whose risks could not be predicted. Because large profits could be made, the temptations to embark on uncertain ventures or to expand more rapidly than the cash resources of the business would allow were high. The point here is that there was a prospect of a new start after failure in England, especially for those who could rely on kinship for support. As the above-mentioned examples have shown, the possibilities of a new successful beginning were very promising.

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