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Paper for IEHC Congress, Helsinki 2006, Session 16: *Merchants Settlements as Intermediaries for European Influences in the Baltic North 1650-1850, or elsewhere.*

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## Financial Networks, Migration and the Transformation of the Merchant Elite in 18<sup>th</sup> Century Stockholm

### Introduction

In the past 15 years, growing international research has presented new results on European, American and Asian commercial cities' social, genealogical, ethnic and financial networks among merchants during early-modern times. The researchers have, among other things, paid attention to the extensive transnational kinship- and credit networks which emerged among colonies of immigrant merchants and producers in strategically interesting commercial areas. In all directions – on Europe's peripheries, around south-east Asia and in North America – various types of mercantile colonies were formed, starting in the principal countries of Europe and Asia. These were often, but not always, religiously united.<sup>1</sup>

Immigrant merchants played an important role in negotiating foreign credit for their new countries, although they also ploughed their own profits back into their merchant houses. Research tends to assume that large merchant houses played the decisive role in meeting industrial society's need for capital before the second half of the 19th century.<sup>2</sup> This

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<sup>1</sup> Alexander Schunka, "Glaubensflucht als Migrationsoption. Konfessionell motivierte Migrationen in der Frühen Neuzeit" *Geschichte in Wissenschaft und Unterricht. Zeitschrift des Verbandes der Geschichtslehrer Deutschlands*, Jahrg 56, Heft 10, 2005; Clé Lesger & Leo Noordegraaf (eds), *Entrepreneurs and Entrepreneurship an Early Modern Times. Merchants and Industrialists within the Orbit of the Dutch Staple Market*. (Hollandse Historische Reeks XXIV) Den Haag 1995. *The World of the Indian Ocean Merchant 1500–1800. Collected Essays of Ashin Das Gupta*. (Compiled by Uma Das Gupta and introduced by Sanjay Subrahmanyam). Oxford University Press: Oxford, New Dehli 2001. Claude Markovits, *The Global World of Indian Merchants 1750–1947. Traders of Sind from Bukhara to Panama*, Cambridge University Press: Cambridge 2000, p 20–; Sushil Chaudhury & Michel Morineau (eds), *Merchants, Companies and Trade. Europe and Asia in the Early Modern Era*, Cambridge University Press: Cambridge 1999; Kate Fleet, *European and Islamic trade in the Early Ottoman state. The Merchants of Genoa and Turkey*, Cambridge University Press: Cambridge 1999; Rudolph P Matthee, *The Politics of Trade in Safavid Iran. Silk for Silver 1600–1730*, Cambridge University Press: Cambridge 1999; Kathryn A Young, *Kin, Commerce, Community. Merchants in the Port of Quebec 1717–1745*. (American University Studies, X: 145) Peter Lang: New York 1995. Jari Ojala, "Approaching Europe: The merchant networks between Finland and Europe during the eighteenth and nineteenth centuries" *European Review of Economic History* (323-352) 1997.

<sup>2</sup> Raymond de Roover, *Money, Banking and Credit in Mediaeval Bruges. Italian Merchant-Bankers Lombards and Money-Changers. A Study in the Origins of Banking*. Cambridge Massachusetts 1948; Stanley Chapman, *The Rise of Merchant Banking*. Allen & Unwin: London, Boston, Sydney 1985., Chap 1.

particularly applies to Scandinavia and Sweden.<sup>3</sup> Here, merchant houses in Stockholm and Gothenburg played a crucial role. In particular, the ‘Skeppsbron Nobility’ in Stockholm and British merchant colonies in Gothenburg have been highlighted in Swedish research as being crucial to the exportation and financing of the iron industry.<sup>4</sup>

The one-sided focus by Swedish research on the large exporters from Great Britain and Germany has long concealed the fact that wholesale trading in Stockholm in the 18<sup>th</sup> century comprised a myriad of trading forms and activities of various scale and lifespan. The statistics’ exact list of titles for the various kinds of traders – which in Swedish staple towns was carried out most thoroughly in Stockholm – hides, in many cases, a more complex interplay of activities pursued by individual traders: financial deals, traditional export combined with import and sometimes with an interest in handicraft or textile manufacture. We know very little about how trade and production, in this sense, were financed using local, regional, public and international capital and how these financial networks were built up.<sup>5</sup>

The main point of my research is to analyse the character of the financial networks of merchants – Swedish as well as the various aforementioned immigrant groups – and to look at how they were influenced by the migrants’ origins and confessions.<sup>6</sup>

The subject of this present paper is the way in which migrants’ financial networks can be investigated through studying how crises and breakdowns within credit networks were handled when wholesale traders became personally bankrupt, and by analysing how handling bankruptcy cases changed towards the end of the 18<sup>th</sup> century. The paper analyses, in particular, the actions of those who were entrusted to handle the various aspects of the legal process: civil servants from the City of Stockholm and government civil service departments, the so-called trustees who administrated the bankruptcy cases and who would have good knowledge of the debtor’s business, and, finally, those who acted as representatives of creditors based a long way from the local credit market. The underlying aim of the analysis is to show that concepts such as credit, security and dowries in the early-modern period were not just seen as strictly economic quantities. Financial relations based on promissory notes,

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<sup>3</sup> Eli F Heckscher, *Sveriges ekonomiska historia, I:2*, pp 360–380. Stockholm 1936; Kurt Samuelsson, *De stora köpmanshusen i Stockholm 1730–1815. En studie i den svenska handelskapitalismens historia*. Stockholm 1951, pp 38–45, see Kurt Samuelsson, ”International Payments and Credit Movements by the Swedish Merchant-Houses, 1730–1815” *Scandinavian Economic History Review*, 1955:2, pp 163–202, for an english version; Rolf Adamson, ”Finance and Marketing in the Swedish Iron Industry, 1800–1860” *Scandinavian Economic History Review*, 1968:1, pp 47–101; Some current works are: Chris Evans, Owen Jackson and Göran Rydén, “Baltic iron and the British iron industry in the eighteenth century” *Economic History Review*, LV, 4 (2002), pp 642–665; Lars Nilsson & Sven Lilja (red) *Invandrarnas roll i lokalsamhället. Historiska aspekter på integrationen av invandrare i nordiska lokalsamhällen*. Stockholm 1998; Ida Bull, *De Trondhjemske handelshusene på 1700-tallet. Slekt, hushold og forretning*. Trondheim 1998; Christina Dalhede, *Handelsfamiljer på Stormaktstidens Europamarknad. Resor och resande i internationella förbindelser och kulturella intressen. Augsburg, Antwerpen, Lübeck, Göteborg och Arboga*, Göteborg 2001, parts 1–3. The works cited here cover other aspects than just the procurement of capital.

<sup>4</sup> For a summary of Swedish research and historiography, see Klas Nyberg, *The ‘Skeppsbron Nobility’ in Stockholm’s Old Town 1650–1850. A Research Program on the Role and Significance of Trade Capitalism in Swedish Economy and Society*, Uppsala 2001. Current works include Leos Müller, *The Merchant Houses of Stockholm, c. 1640–1800. A Comparative Study of Early–Modern Entrepreneurial Behaviour*, Uppsala 1998, also presented in Lesger & Noordegraaf, pp 147–163; Åsa Eklund, *Iron Production Iron Trade and Iron Markets. Swedish Iron on the British Market in the First half of the Eighteenth Century* (Licentiatuppsats, Ekonomisk-historiska institutionen, Uppsala universitet), Uppsala 2001., which is related to the project “Baltic Iron and the organization of the British iron market in the eighteenth century”, mentioned in Evans et al, p 642, note 1; Bertil Andersson, *Från fästningsstad till handelsstad 1619–1820. Göteborgs historia. Del I. Näringsliv och samhällsutveckling*. Nerenius & Santérus: Stockholm 1996. For migration to Stockholm in general during the early modern period, see Robert Sandberg, “Invandring och etnicitet i det tidigmoderna Stockholm – några reflektioner”...

<sup>5</sup> The main works which focus on the financing of Swedish export are, Samuelsson, Chap IV; Karl-Gustaf Hildebrand, ”Bruk och förläggare”, *Fagerstabilen historia, I*. 1957; Rolf Adamson, *Järnavsättning och bruksfinansiering 1800–1860*. (Medd från Ekonomisk-hist inst vid Göteborgs univ Nr 7) Göteborg 1966; for an approach similar to that recommended here, see Bertil Andersson, *Göteborgs handlande borgerskap 1750–1805*, Göteborg 1988, Chaps. 4 and 5. For the financing of import and manufacture, see Samuelsson, Chap IV; Torsten Gårdlund, *Svensk industrifinansiering under genombrottskedet 1830–1913*, Stockholm 1947, p 85ff; Per Nyström, *Stadsindustriens arbetare före 1800-talet*, Stockholm 1955., pp 203–11, 309–13; Sven Fritz, *Studier i svenskt bankväsen 1772–1789*. Stockholm 1967, pp 68–98, 253–255, table E, F, G, H, J, K, L Christer Persson, *Stockholms klädesmanufaktur 1816–1846*, Stockholm 1993, Chap 5.3, pp 102–121; Klas Nyberg, *Kommersiell kompetens och industrialisering. Norrköpings ylleindustriella tillväxt på Stockholms bekostnad. 1780–1846*. Uppsala University Library: Uppsala 1999., Chap 4; Stefan Carlén, *Staten som marknadens salt. En studie i institutionsbildning, kollektivt handlande och tidig välfärdspolitik på en strategisk varumarknad i övergången mellan merkantilism och liberalism*. (SSEH 24) Stockholm 1997.

<sup>6</sup> The studies are included in the aforementioned project ‘The Skeppsbron Nobility’ ... financed by Svenska Handelsbanken’s research foundations, Nyberg, 2001, and my recently started project *Risk, Trust and Creditworthiness: The Institution of Bankruptcy in Stockholm, 1734–1862* [*Risk, tillit och kreditvärdighet. Konkursinstitutet i Stockholm 1734–1862*], financed by the Bank of Sweden Tercentenary Foundation (Riksbankens Jubileumsfond) The latter is being run in collaboration with Björn Jordell and Mats Hayen at the City Archive of Stockholm (Stockholms Stadsarkiv) digitalisation unit and SHD (Stockholms Historiska Databas).

cheques, bills of exchange, etc., between companies in the market were embedded in different types of networks between people which were made up of, for example, social and professional relations, kinships, genders, ethnicity and confessions.<sup>7</sup> A career as a wholesale trader was often begun after a long period of training from trade apprentice to commercial clerk for one or more commercial offices. When such a person was then free to operate as a wholesale trader, his creditworthiness was guaranteed by special so-called sponsors – commonly two wholesale traders of good repute. This kind of training was not just a learning period; it was also a period for the person in question to build up his creditworthiness.<sup>8</sup>

My paper is organised as follows. Firstly, I present how credit and trust were embedded in early modern financial networks and how private individuals and civil servants interacted to hold together and reconstruct the credit networks. After that, I present the basic developmental features of merchant migration and trade in 18<sup>th</sup> century Stockholm based on earlier research. This is followed by a look at how the different sized trading houses developed during my research period of 1740–1800. The reconstruction itself of wholesalers' financial networks for the same period is based on a study of all 80 recorded bankruptcies of wholesalers with preserved bankruptcy documents. Firstly, I briefly present some of the basic features of the material. After that, it is problematised how civil representatives together with industry representatives and those of creditors who lived far away contributed in a variety of ways to reconstructing the credit networks. These analyses are based on a detailed study of individual cases. The arguments and counterarguments of those involved about the claims and debts are studied in the different stages of a bankruptcy case and compared with the final judgment when all the evidence was assessed by the court.

### **Credit and trust**

Credit relations in the 18th and early 19th centuries were built around personal networks rather than banks and other credit institutions. The complicated network relations between private actors, bankers, kinsmen, wholesale and retail traders, and institutions all tended to be built on the trust between those involved. To have a good credit rating meant that others trusted in you as a person, and your increased trustworthiness as a business owner came from the various networks in which you participated.<sup>9</sup>

Large parts of the assets of wholesale traders, manufacturers and sometimes also craftsmen took the form of claims on other companies. If the owner of a large-scale economic enterprise filed for bankruptcy or lost his creditworthiness, the claims from other actors risked being doubtful. Their claims risked becoming regarded as worthless assets. As soon as the bankruptcy was announced, their good debts became bad debts. In those days, a person's assets during bankruptcies and estate inventories were often listed under the heading of one of these terms.<sup>10</sup>

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<sup>7</sup> Botticini, Maristella. "A tale of "Benovolent" Governments: private Credit Markets, Public Finance, and the Role of Jewish Lenders in Medieval and Renaissance Italy" *Journal of Economic History*, March 2000, v. 60, (1), pp 164–89; Peter Mathias, "Risk, Credit and Kinship in Early Modern Enterprise", i John J McCusker & Kenneth Morgan (eds), *The Early Modern Atlantic Economy*, Cambridge 2000; Fredric Bedoire, "Kyrka herrgård och bruk. Den fransk-reformerte kapitalisten som byggherre och kulturförmedlare i det svenska 1700-talet" pp 147–162, *Konsthistorisk Tidskrift*, LXIV, (3), Scandinavian University Press 1995; Andersson 1996, pp 139–142.

<sup>8</sup> The sponsors recorded the date on which a wholesaler was granted permission to trade, SSA, (The City Archive of Stockholm), Handelskollegiets arkiv, AI protokoll, huvudserien.

<sup>9</sup> Laurence Fontaine, "Antonio and Shylock. Credit and Trust in France, c. 1680–c.1780", *Economic History Review* 2001:1 pp 39–57; Cf., Balzac's novel on perfume trader César Birotteau, Honoré de Balzac, *César Birotteau*, Stockholm 1928. The novel was published in several versions during the 1830s (1833–1837) and is set in Paris at the end of the 1810s. The original title was *Histoire de la Grandeur et de la Décadence de César Birotteau*, see Graham Robb, *Balzac. A Biography*, London 2000, p 427 and Sigbrit Swahn, *Balzac i verket*. Natur och Kultur: Stockholm 1987., pp 200–208; see also Sheilagh Ogilvie, "The Use and Abuse of Trust": Social Capital and its Development by Early Modern Guilds" *Jahrbuch für Wirtschaftsgeschichte*, 2005:1, pp. 15–52. (Vertrauen/Trust) Akademie: Berlin 2005 and Ylva Hasselberg, *Den sociala ekonomin. Familjen Clason och Furudals bruk 1804–1856*, Uppsala 1998, Chap 4.

<sup>10</sup> SSA, Magistrat- och rådhusrätten, konkursakter 1740–1800 (bankruptcy files in the City Archive of Stockholm). The project covers all bankruptcy cases from the 1700s on which files were kept. Only a few cases are recorded from before 1740.

As a consequence, success often required a raft of different strategies on the part of the businessman.<sup>11</sup> One important strategy was to spread one's debts amongst different parties. That way, there would be a slightly greater chance of not being hit so hard in the event of a bankruptcy. Important financiers, too, monitored the frequent bankruptcies although they involved fairly small amounts.<sup>12</sup> The institution of bankruptcy in Sweden was given further effectiveness with the revised bankruptcy laws of 1767, which provided for faster administration and played an important role in the reconstruction of credit networks and companies with the aim of reducing losses.<sup>13</sup>

However, as shown, the financial networks should not just be seen as pure economic relations. Credit relations were embedded – as has often been claimed – in social, economic, ethnic relations and between parties related by blood or of the same confession. These ties were forged through the choice of godparents at a child's christening, through marital alliances, daughters' dowries, and through the distribution of estates, etc. In the event of bankruptcy, a wife's dowry risked being lost and the couple risked being left destitute, even if a premarital settlement existed between the spouses. The children risked losing their inheritance.

Dowries were part of a general problem related to the transfer of property between generations in early-modern capital formation. Traders and manufacturers transferred capital to each other's businesses via daughters' dowries. In a bankruptcy in 18<sup>th</sup> century Stockholm, it was common for debtors' wives to try and save the capital they had contributed by attempting to exclude it from the claimants' claim. Being legally incapacitated, women were owners of capital which they could not use. Access to the capital was granted to their male guardians, fathers, brothers or spouses. They were only entitled access to their capital as widows.<sup>14</sup> However, there existed a kind of underlying taboo preventing men from plundering their children's inheritance or their wife's dowry. If a spouse was declared bankrupt, women were able to cite the relevant section of the commercial code, the bankruptcy law and the marriage code under the so-called 1734 law, where the legal protection which married women's property had in the event of bankruptcy was framed. Preliminary results from the research of the project suggest that the higher the social status of these women concerned, the legal reasons were cited, to a greater extent, in their argument. Other women from lower

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<sup>11</sup> Peter Mathias, "Strategies for Reducing Risk by Entrepreneurs in the Early Modern Period", in Lesger & Noordegraaf (eds), pp 5–24.

<sup>12</sup> Klas Nyberg, *Säljes:Ull, Köpes: Kläde. Yllemanufakturernas företagsformer i 1780-talets Stockholm*, Uppsala 1992, p 175. My project comprises in-depth studies of 6 industries covering around 30 different professions in addition to wholesalers: textile manufacturers, artisans and retailers. The exceptions were made between 2000 and 2003. All claimants are listed for every debtor with preserved bankruptcy files: some of the claimants were included by the debtor himself, others were included by the agents representing their claims at the first meeting called by the trustees. The study's method is presented in an unpublished report, Klas Nyberg, *Grosshandlare på Stockholms kreditmarknad 1750-1800. Presentation av undersökningens uppläggning*. Uppsala 2002. See also Mats Hayen, Björn Jordell, Klas Nyberg, *Digitalisering av konkursärenden i Stockholms stadsarkiv, 1687–1849*. (Unpublished) Stockholm 2006.

<sup>13</sup> The main focus of the amended legislation is further, gradual formalisation with tightening up of the debtor's payment requirements, including limiting the extent of withdrawal, i.e., the right to be released from continued claims for repayment following bankruptcy. With the introduction of the 1773 bankruptcy law, the right to withdraw was granted only to debtors who had unquestionably suffered accidents and, in 1818, this right was tightened up further. In the same year, the provisions governing negligence and fraud were tightened up further. See *Sveriges Rikes Lag... med tillägg af de stadganden, som utkommit till den 20 december 1884 jämte bihang...* Norstedt: Stockholm 1884, pp 175–187, 568–597, Lars Welamson, *Konkursrätt*, Stockholm 1961, pp 7–17; annotated by Maria Ågren, *Jord och gäld. Social skikning och rättslig konflikt i södra Dalarna ca 1650–1850*. Uppsala 1992., pp 55–58; Printed statistics were first available after 1830, *Bidrag till Sveriges Officiella Statistik* (BISOS). B. Rättsväsendet. Ny följd . I. 3.a. Sammandrag... 1830–1858. Stockholm 1863; Cf., Sheila Marriner. "English bankruptcy Records and Statistics before 1850" *Economic History Review*, vol 33, (3), 1980, pp 351–366 och Julian Hoppit. *Risk and failure in English Business 1700–1800*. Cambridge University Press: Cambridge 1987.

<sup>14</sup> Linda A Pollock, "Parent-Child Relations", pp 191–220 in David I Kertzer & Marzio Barbagli (eds) *Family Life in Early Modern Times, 1500–1789*. Yale University Press: New Haven, London 2001, pp 210–213; Erickson, A L. *Women and Property in Early Modern England*. Chap 5, Routledge: London, New York (1993), 1995; Anita Göransson, "Kön, släkt och ägande. Borgerliga maktstrategier 1800–1850", *Historisk tidskrift* 1990:4, pp 525–543. Maria Ågren, "Fadern, system och brodern. Makt- och rättsförskjutningar genom 1800-talets egendomsreformer" *Historisk Tidskrift* 1999:4, pp 683–708; Cavallo S & Warner L (eds). *Widowhood in Medieval and Early Modern Europe*. Longman: London 1999; Sheilagh Ogilvie, *A Bitter Living. Women, Markets, and Social Capital in Early Modern Germany*. Oxford University Press: Oxford 2003, Chap 4–5; Christine Bladh. *Månglerskor. Att sälja från korg och bod i Sto ckhholm 1819–1846*. (Stockholmsmonografi 109). Stockholm 1991, Chap 7.

social groups in the middle classes were more likely to try and safeguard their dowries with emotionally-based arguments.<sup>15</sup>

Once a bankruptcy became reality, women from the middle classes often sought a judicial division of the estate. To apply for such a division was a common claim from women in a position where their spouse had abused his guardianship. There was, therefore, a call for property to be seen as separate and that a spouse should not be responsible for the other spouse's future debts. She could also be released from her spouse's debts if it could be proved that the spouse had made decisions regarding her real estate without her consent.<sup>16</sup>

All early-modern business deals were based on credit and trust. However, being creditworthy had a further significance than being a sound businessman with good liquidity. According to economic historian Laurence Fontaine, in the 18<sup>th</sup> century, the French word *crédit* meant that a person acquired respect through, for example, public office, and had integrity and was honest. *Crédit* was also linked to a person's reputation based on prosperity, power and authority. Alongside this is the economic aspect of good solvency and commercial credit.<sup>17</sup> Many researchers have shown the existence of, and stress the absolute necessity of extensive credit networks as a central part of early-modern wholesale trade and as an important part of the basic development conditions of medieval and early-modern entrepreneurship.<sup>18</sup>

To minimise the damage from personal bankruptcy, institutional administration of the bankruptcy itself developed across the whole of early-modern Europe. The underlying aim was partly to realise the estate's remaining assets and divide them between the claimants, and partly to ensure that none of the creditors were allowed to profit at the expense of the others through compulsion and manipulation. Before the 18<sup>th</sup> century, the effectiveness of bankruptcy was limited. Likewise, the view of financial relations varied from country to country and from region to region. For a long time Catholic areas set up obstacles to prevent the taking of interest in connection with loans, making it more difficult for the lending business.<sup>19</sup>

We know that the institution of bankruptcy was developed and made more effective during the 18<sup>th</sup> century in several European countries and the late 18<sup>th</sup> and 19<sup>th</sup> century America, but we still know very little about how the administration was handled and developed.<sup>20</sup> What

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<sup>15</sup> 14 cases have been studied and summarised in Susanne Paulsson, *Ekonomiskt omyndig! Synen på kvinnlig egendom inom äktenskapet speglad i grosshandlarhustrurs försvar av sina hemgifter. Grosshandlarkonkurser i Stockholm 1781–1799*, unpublished extended essay at Ekonomisk-historiska institutionen (Dept of Economic History), Uppsala universitet (Uppsala University), Uppsala 2004. The cases studied are: SSA, (The City Archive of Stockholm) Stockholms Magistrat och Rådhusrätt, konkursakter (bankruptcy files) 191½/1781, 22/1783, 38/1783, 192/1784, 156/1785, 104/1787, 221/1788, 126/1789, 166/1791, 51/1793, 47/1796, 56/1797, 119/1799.

<sup>16</sup> Klas Nyberg, "Finansiella nätverk – kredit och egendomsförhållanden", Chap 7 in Klas Nyberg (Ed), *Kopparkungen. Handelshuset Björkman i Stockholm 1782–1824*. (Stockholmsmonografi 172) Stockholmia: Stockholm forthcoming 2006.

<sup>17</sup> Fontaine, pp 39–43.

<sup>18</sup> Jenny Kermode, *Medieval Merchants. York, Beverley and Hull in the Latter Middle Ages*. Cambridge University Press: Cambridge 1998, p 242–247; Edwin S Hunt & James M Murray, *Företagande och handel i det medeltida Europa 1200–1550* (A History of Business in Medieval Europe, 1200–1550), SNS: Stockholm 1999, Chap 9; Peter Spufford, *Pengar och makt. Medeltidens handelsmän i Europa* (Power and profit. The merchant in medieval Europe), Bonniers: Stockholm 2002, Chap 1; Fernand Braudel, *Marknadens spel. Civilisationer och kapitalism 1400–1800* (Les Jeux de L'Échange). Band 2, Gidlunds: Stockholm 1986, p 126–; Joost Jonker, *Merchants, Bankers, Middlemen. The Amsterdam Money Market During the First Half of the 19<sup>th</sup> Century*. Amsterdam 1996.

<sup>19</sup> Fryde, Edmund. "The Bankruptcy of the Scali of Florence in England 1326–1328" pp 107–120 in R Britnell & J Hatcher (Eds), *Progress and problems in medieval England: Essays in honour of Edward Miller*. Cambridge University Press: Cambridge, New York, Melbourne 1996; John William Jones, *The Foundations of English Bankruptcy. Statutes and Commissions in the Early Modern Period*, Philadelphia 1979; Hoppit 1987; Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England*. Basingstoke 1998; I Agge. "Några drag av det svenska konkursförfarandets utveckling" *Minnesskrift ägnad 1734 års lag av jurister i Sverige och Finland*. Stockholm 1934; T M Safley. "Bankruptcy: Family and Finance in Early Modern Augsburg." *The Journal of European Economic History*, vol. 29, 1, 2000.

<sup>20</sup> Margot C Finn, *The character of credit. Personal debt in English culture, 1740–1914*. Cambridge University Press: Cambridge; Lester V Markham. *Victorian Insolvency. Bankruptcy, Imprisonment for Debt, and Company Winding-Up in Nineteenth-Century*. Oxford 1995; B H Mann. *Republic of debtors: bankruptcy in the age of American independence*. Harvard University Press: Cambridge, London 2002; Bradley Hansen. "Commercial Associations and the Creation of a national Economy: The Demand for Federal Bankruptcy Law" *Business History Review*, 1998, v. 72 (1), pp 86–113; Edward J Balleisen. *Navigating failure: Bankruptcy and commercial society in antebellum America*. University of North Carolina Press: Chapel Hill & London 2001; David A Skeel. *Debt's dominion: A history of bankruptcy law in America*. Princeton University Press: Princeton and Oxford 2001; Welamson, 1961; Karl Gratzer & Hans Sjögren (red). *Konkursinstitutets betydelse i svensk ekonomi*. Stockholm 1999.

particularly needs to be highlighted here – based on the results of on-going studies of the institution of bankruptcy in Stockholm – is the importance of trust and having credit in the interplay between private and public administrators in the actual handling of a crisis situation. The city’s civil servants administrated the bankruptcy itself in collaboration with industry organisations such as guilds and societies. Special trustees from industry with thorough knowledge of the debtor’s business administrated the bankruptcy in line with growing and increasingly detailed state regulations after 1750. A number of local, state and private representatives – parties who held special trust – represented claimants who lived far away, since the credit networks were often widespread among immigrant first and second generation merchants.<sup>21</sup>

The interplay between public and private actors in the handling of an often large number of claimants is a neglected aspect of the older history of the credit market. In Sweden, previous research has often viewed the private and public granting of credit as separate phenomena but they benefit from being seen in interplay. More recently, Philip Hoffman and colleagues compiled their studies of the Paris credit market, 1690–1840. They have shown, in particular, the huge significance the public notaries in Paris had in ensuring that the private credit market worked. The notaries helped, among other things, to stabilise the credit networks by applying especially strict regulations governing public loans.<sup>22</sup>

The institution of notary did not have the same impact in Sweden and the rest of Scandinavia, as it did in Italy, France and Germany. However, the system was institutionalised with public notaries (*notarius publicus*) for handling protests. The Bills of Exchange Act of 1748 expressly stipulated that protests regarding bills of exchange should be set down in writing by way of a *notarius publicus*.<sup>23</sup>

The examples given here and the subsequent argumentations are mainly based on studies of all recovered preserved bankruptcy cases with preserved documents on insolvent wholesale traders in the City of Stockholm between 1740 and 1800.<sup>24</sup> This survey must be supplemented with the cases contained in judgment books, bankruptcy records and which are advertised in the Swedish Government Gazette (*Post och Inrikes Tidningar*).

## **The Swedish context**

### Migration patterns and merchants in 18<sup>th</sup> century Stockholm

The migration patterns in Stockholm during the 18th century were influenced, in particular, by the trade, maritime and manufacturing policy of the time, which produced an element of several significant immigrant groups. They included the Reformed and Catholic confessions as well as Jews. During the period 1739–1773, for example, around 2,000 textile specialist workers and their households (altogether around 3,700 people) were recruited to build up

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<sup>21</sup> The aim of my project is to clarify the change in handling bankruptcy cases up until the introduction of the Swedish bankruptcy legislation in 1862 by looking at three periods which followed changes to the law: the period between the 1734 law and the 1773 bankruptcy law, between 1773 and 1830 when the bankruptcy law was modified (1818 and 1830) and 1830–1860, see also I Agge, ”Några drag av det svenska konkursförfarandets utveckling”, *Minnesskrift ägnad 1734 års lag av jurister i Sverige och Finland*, Stockholm 1934; Ulla Johansson, ”Stockholms magistrats och rådhusrätts arkiv 1720–1849. Ärendenas handläggning samt arkivets bestånd”, *Berättelse över Arkivnämndens förvaltning och verksamhet under år 1969*, Stockholm 1969, also published as an offprint in 1970; S R D K Olivecrona, ”Bidrag till den svenska konkurslagstiftningens historia...”, Uppsala 1862. Cf., also references given in note 13 above.

<sup>22</sup> Philip T Hoffman, Gilles Postel-Vinay, Jean-Laurent Rosenthal, *Priceless Markets. The Political Economy of Credit in Paris 1660–1870*, The University of Chicago Press: Chicago & London 2000; they have previously published a number of articles, including “Private Credit Markets in Paris, 1690–1840”, *The Journal of Economic History*, 1992:2, s 293–306 och ”Redistribution and Long-Term Private Debt in Paris, 1660–1726”, *Journal of Economic History* 1995:2, s 256–284. See also George Grantam. “Review of: Priceless markets: The political economy of credit in Paris, 1660–1870” *Journal of Economic Literature*, 2002, vol. 40, (2), pp 559–61 and B Arrunada. “The economics of notaries” *European Journal of Law and Economics*, Vol 3, Nr 1, 1996.

<sup>23</sup> 1748 21 jan. ”Förnyad Wäxel-stadga, af Rikens Ständer wedertagen”, R G Modee, *Utdrag utur alle ifrån den 7 Decemb. 1718. utkomne Publique handlingar...*, vol IV, s 2526–2541.

<sup>24</sup> The studies are presented in notes 6, 10, 12, 15 and 21 above.

textile expertise.<sup>25</sup> Almost half (around 1,600) came from the Verviers–Aachen woollen cloth industry area in the Vesdre region, which, at the time, was an expansive centre for the manufacture of woollen cloth.<sup>26</sup> The German influence was particularly conspicuous among the entrepreneurs and the middle class as a whole.<sup>27</sup>

The question of networks between merchants themselves and in relation to other actors in Stockholm during the 18th century must be seen in the light of the transformation of Stockholm's trading elite. The above-mentioned group of large-scale merchants, typically called the 'Skeppsbron Nobility' in Swedish historiography, eventually dominated the middle classes in Stockholm at the expense of other groups. These traders, who came from Great Britain, Holland and Germany, were primarily interested in the export of iron and copper from the Bergslagen region near Stockholm. Following the end of the Great Nordic War in 1718, this group of traders became involved in trade and municipal policy on a wide scale. Many of them had leading roles in the so-called Hat Party which dominated the Swedish 'Age of Liberty'. During the 1720s and 1730s, they pursued an active economic policy which favoured their own special interests in Stockholm's trading activities at the expense of other social groups and regions: alongside the aforementioned trade and industry legislation, there were also compulsory staple towns and the Gulf of Bothnia Trade Restraint (*Bottniska handelstvängnet*) which denied northern Sweden and Finland the right to conduct foreign trade. In 1724, the Swedish Navigation Act (*Produktplakatet*) came into force, which favoured Stockholm and Sweden's merchants at the expense of other traders and regions.<sup>28</sup>

The consequences of the economic disparities among Stockholm's middle classes from 1720–1740 were important. The old class of textile importers disappeared or were reduced to textile retailers with a sharp drop in income as a result. At the same time, as already mentioned, a large number of skilled specialists, who were to have an important, and, in part, new influence on the population either as part of the middle classes or as their workers, immigrated. Initially, the entrepreneurial class in the manufacturing industry was recruited from the wholesale traders and, to a certain extent, from the old textile importers. Later,

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<sup>25</sup> Jeanna Hamilton, *Utlänningarnas roll i svenskt näringsliv under 1700-talet*. Unpublished manuscript at the Department of Economic History, Stockholm University: Stockholm 1942, p 56–; Sven T Kjellberg, *Ull och ylle. Bidrag till den svenska yllemanufakturhistoria*. Lund 1943., pp 454–463; Nyberg 1992, p 257, 266, note 109; Ann Hörsell, "Siden, sammet, trasa, lump Importen av utländsk arbetskraft till Stockholms textilindustri 1759–1763" pp 105–158 *Migration. Utvandrare och invandrare i gångna tider*. (Sveriges släktforskarförbunds årsbok) Stockholm 1992.

<sup>26</sup> Hamilton, p 84 och Hörsell, p 123 about the origin of the immigrants; about textiles in the Vesdre region, see Patrick Chorley, "The Shift from Spanish to Central–European Merino Wools in the Verviers–Aachen Cloth Industry (1760–1815)" pp 96–104 in Erik Aerts & John H. Munro (eds.) *Textiles of the Low Countries in European Economic History*. Leuven University Press: Leuven 1990; Herman van der Wee, "The Western European Woollen Industries, 1500–1750" pp 466–67 in David Jenkins (ed.) *The Cambridge History of Western Textiles, I*. Cambridge University Press: Cambridge 2003.

<sup>27</sup> The German influence in Stockholm was prominent from the Middle Ages to the beginning of the 1800s: C C Sjöden, *Stockholms borgerskap under Sturetiden med särskild hänsyn till dess politiska ställning. En studie i Stockholms stads historia*. (Stockholmsmonografi nr 8). Stockholm 1950, pp21–24, 85–91; Nils Ahnlund, *Stockholms historia före Gustav Vasa*. (Stockholmsmonografi nr 15). Stockholm 1953, pp 218–231, 300–301; 373–385, 489; Göran Dahlbäck, *I medeltidens Stockholm*. (Stockholmsmonografi nr 81) Stockholm 1987, 1995, pp52–53, 71–72; Göran Dahlbäck, "Invandring – särskilt tysk – till Sverige under medeltiden" pp 11–30, in Nilsson & Lilja; Marko Lamberg, *Dannemännen i stadens råd. Rådsmanskretsen i nordiska köpstäder under senmedeltiden*. (Stockholmsmonografi nr 155) Stockholm 2001, pp 57–69; Ingvar Peterzén, *Studier rörande Stockholms historia under Gustav Vasa*. (Stockholmsmonografi nr 4) Stockholm 1945, pp 67–94; Birgitta Lager-Kromnow, *Att vara stockholmare under 1560-talet*. (Stockholmsmonografi nr 110) Stockholm 1992, Chap 3, pp 214, ; Lars Ericson, *Borgare och byråkrater. Omvandlingen av Stockholms stadsförvaltning 1599–1637*. (Stockholmsmonografi nr 84) Stockholm 1988, Chap 4, pp 336–340; Arne Jansson, *Bördor och bärkraft. Borgare och kronotjänare i Stockholm 1664–1672*. (Stockholmsmonografi nr 103) Stockholm 1991, Chap 13; Samuelsson, pp 38–45.

<sup>28</sup> A modern presentation in English of the Swedish "Age of Liberty" (1719–1772), which is based on Swedish research, is given in Michael Roberts, *The Age of Liberty – Sweden 1719–1772*. Cambridge University Press: Cambridge 1986; the main work on the social contrasts in Stockholm's middle class after 1719 continues to be Boëthius (1943) which is almost the primary material; the 1760s are studied in depth in j Per-Erik Brolin, *Hattar och mössor i borgarståndet 1760–1766*. Uppsala 1953 and in Nyström, p 245–253; the Swedish Navigation Act (Produktplakatet) is studied in depth by Eli F Heckscher in an essay from 1922, published in *Ekonomi och historia*, inter alia, although his perception of these negative effects has been re-evaluated, most recently in Carlén, pp 247–269; about the Gulf of Bothnia Trade Restraint (*Bottniska handelstvängnet*), see Nils Friberg, *Stockholm i bottniska farvatten. Stockholms bottniska handelsfält under senmedeltiden och Gustav Vasa. En historisk-geografisk studie*. (Stockholmsmonografi nr 53); Stockholm 1983; Åke Sandström, *Mellan Tärneå och Amsterdam. En undersökning av Stockholms roll som förmedlare av varor i regional- och utrikeshandel 1600–1650*. (Stockholmsmonografi nr 102) Stockholm 1990, Chap III.5; Eli F Heckscher, *Sveriges ekonomiska historia från Gustav Vasa. Andra delen, II:2*. Bonniers: Stockholm 1949, pp 709–720; see also Aulis J Alanen, "Stapelriheten och de bottniska städerna 1766–1808" pp 101–246, *Svenska Litteratursällskapet, litteraturhistoriska studier*, vol 131–132. Helsingfors 1956; the trade policy after 1719 is mainly addressed in older works of economic history, e.g. E Ekegård, *Studier i svensk handelspolitik under den tidigare frihetstiden*. Uppsala 1924.

however, some of the migrants, who were recruited from 1740–1765, also established themselves as textile manufacturers, albeit on a comparatively small scale, while the merchant class took a back seat.<sup>29</sup>

The regulations that unilaterally benefited the large exporters remained partially intact until the international trading crisis of the 1760s and the emergence of the Cap Party onto the political scene. The Gulf of Bothnia Trade Restriction and the Navigation Act of 1724 were repealed when the Caps took over in the 1765/66 session of the Riksdag and the old full and half duty exemptions for Swedish ships that had been renewed in 1722 were abolished. This deregulation coincided with the birth of Stockholm's era of industrial stagnation, which should have exacerbated the difficulties in the late 1700s.<sup>30</sup>

The question about migrants' financial networks in 18<sup>th</sup> century Stockholm is part of a wider, underlying problem concerning Sweden's integration in Europe's economy via merchant settlements in the staple towns of Stockholm, Norrköping and Gothenburg.

The supply of high-grade copper and quality iron had already back in the late Middle Ages brought about the establishment of permanent, foreign merchant colonies in Stockholm and other Swedish staple towns. Such permanent colonies of merchants and producers from Europe's principal industrial countries integrated Sweden into the international trade networks and migration streams. Not only did the migrants help finance the export of copper and iron, they also conveyed broadly internationally based, political, legal, economic and cultural impulses to the early-modern Swedish society. These influences and the world of ideas represented by the international merchants, including demands for the right to the free practice of religion (Catholic, Reformed and Jewish), the right to trade and production, which often conflicted with the guild system and demands for privileges and tax exemption, often gave rise to social disparities wherever they set up shop. International mercantile legal institutions as well as mercantile practice within foreign trade often came into conflict with other social fields and interest groups in Scandinavia: the land-owning nobility who strengthened their position in the 17th century, the lower middle classes and the practising Lutheran clergy. They were often supported by the Crown, government officials and the civil service as well as by the cities' magistrates.<sup>31</sup>

These foreign influences, without doubt, played a part in the long-term disintegration of the key institutions of the *l'ancien régime*, although this trend was by no means uniform across Stockholm in the decades after 1770. After the crisis of the 1760s – which was a crisis with international origins – there began, generally speaking, a transitional period in Sweden (1766–1815) which heralded the transition to modern times: the guild system and other corporative institutions started to weaken, the Swedish Tolerance Edict of 1782 accorded the right to practice the Catholic and, to a limited extent, the Jewish religions, and the nobility's privileges were thrown increasingly into question. While some politically active merchants played a leading role in this process, other immigrant groups represented the opposition. Those established in the textile sector in Stockholm, in particular, contributed to a corporative-based counter-reaction, and textile manufacturers, retailers and craftsmen fought for the preservation of the guild system's principles.<sup>32</sup>

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<sup>29</sup> Lili-Annè Aldman. *Protektionismens seger. Den svenska handels- och näringspolitikens omställning och dess effekt på Stockholm textila handel och importörer 1720–1738*. (Licentiatuppsats, Ekonomisk-historiska institutionen, Uppsala universitet), Uppsala 2006; The immigrants' careers can be assessed by comparing the dataset in Hörsell (1992) with the dataset in Nyberg (1992).

<sup>30</sup> For the effects of the Riksdag's 1765/66 trade policy, see Roberts, Chap IV; Staffan Högberg. *Stockholms historia I*. Stockholm 1981, pp 335–336. For the industrial decline, see Christer Persson. "The decline of manufacturing" pp 31–45 in Johan Söderberg, Ulf Jonsson & Christer Persson, *A Stagnating Metropolis. The Economy and Demography of Stockholm 1750–1850*. Cambridge University Press: Cambridge 1991 which should be compared with Persson, 1993, and Nyberg, 1999.

<sup>31</sup> See not 27, for the late 17th century, especially Nils Staf. "De främmande trosbekännarna i Stockholm under karolinsk tid. Några bidrag till karolinsk kyrkopolitik" pp 9–64 i *Studier och handlingar rörande Stockholms historia, III*. Stockholm 1966.

<sup>32</sup> The claim that the 1760s Swedish trade crisis was an international phenomenon is based on Franco Venturi, *The End of the Old Regime in Europe, 1776–1789. I: The Great States of the West*. Princeton University Press: New Jersey, Oxford 1991; the Swedish Tolerance Edict of 1782 is presented in Hugo Valentin, *Judarna i Sverige. Från 1774–1950-talet*. Natur & Kultur: 2004 [1924, 1964], Chap 8, see also Hugo Valentin, *Urkunder till judarnas historia i Sverige*. Bonniers: 1924, pp 18–25; the guild system's strong position in Stockholm continued at

## Stockholm's wholesale traders, 1740–1800: the basic features

Stockholm's wholesale trade mainly comprised small-scale, relatively short-lived trading houses. Current research shows, for example, that, during the 18<sup>th</sup> century, there were a growing number of unmarried wholesale traders in Stockholm and that this group appeared to have a poorer financial profit than wholesale traders who were married.<sup>33</sup> The rising number of unmarried wholesale traders coincides with Stockholm's long-term stagnation which afflicted the city from the 1760s onwards.<sup>34</sup>

Recent research into Stockholm's trading middle classes suggests that the concept of wholesale trade benefits from being broken down through further analysis of the various types of actors. The economic activities, marital patterns, and social, ethnic, financial and genealogical networks of the wholesale traders cannot be interpreted correctly if the differences in scale and specialisation of the companies being studied are not taken into account.<sup>35</sup>

Wholesale trade most likely represented a range of different company forms in 18th and early 19th century Stockholm. In Sweden, previous research, which tended to look at wholesale trade and trading houses as a homogeneous category, has ignored this fact. Likewise, researchers almost solely interested themselves in the largest traders and neglected the overwhelming majority of trading houses on a smaller scale. From that it also follows that network relationships between different types of merchant of various size and specialisation were not studied systematically.<sup>36</sup>

Research into 18th century wholesale trade in Stockholm after 1740 also placed an almost one-sided focus on the large exporters despite the fact that the majority of trading houses were active as importers and, to all appearances, involved in trading corn and foodstuffs on a small scale. Closely related to this, therefore, are the various kinds of small-scale retail trade: merchants trading in silk and/or woollen/worsted drapery and the various kinds of shopkeeper.<sup>37</sup>

Between 1740 and 1800 the tendency was for the disparity between wholesale and small wares trade in terms of average tax capacity to become further reinforced. The small wares trade certainly had the highest income level among other retailers, but remained stable during the second half of the 18th century. Food traders and, to a lesser extent, ironmongers strengthened their position but were 25 percent below the small wares trade. Within the handicraft trade, linen traders strengthened their position in the same respect while that of the flax traders was weakened. Finally, the position of spice merchants and general dealers was also weakened in terms of average tax capacity after 1760.<sup>38</sup>

The number of wholesale traders was just under 100 taxpayers per year before the mid-1700s, after which they rose to just over 100 towards the end of the century. Note that we are talking here about the number of reported "wholesale traders" in the tax registers. Many of the

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the beginning of the 1800s is emphasised by Erik Lindberg who focused on the retail trade, Erik Lindberg, *Borgerskap och burskap. Om näringsprivilegier och borgerskapets institutioner i Stockholm 1820–1846*. Uppsala University Library: Uppsala 2001 and by Nyberg 1999, Chap 9 who links Stockholm's industrial decline to the strong corporate institutions found there, compared to the industry in the country towns where such institutions were weaker. See also Sheilagh Ogilvie, "Guilds, Efficiency, and Social Capital: Evidence from German Proto-Industry" *Economic History Review*, LVII, 2 (2004) pp 286–333. The article makes a connection to a thesis on the negative impact of preindustrial institutions on central European development that the author has advanced in several works since the mid-1990s. A more in-depth presentation of this current transition process in Sweden is given in Martin Melkersson, *Staten, ordningen och friheten. En studie av den styrande elitens syn på statens roll mellan stormaktstiden och 1800-talet*. Uppsala 1997, Chap 6; och Klas Nyberg, "Bengt Magnus Björkmans gärning i perspektiv" i Nyberg (Ed) 2006, forthcoming, Chap 14.

<sup>33</sup> Martin Wottle, *Det lilla ägandet. Korporativ formering och sociala relationer inom Stockholms minuthandel 1720–1810*, Stockholm 2000, p 226–; Karin Ägren, *I nöd och lust. En studie av sambandet mellan äktenskapsmönster och ekonomisk status hos Stockholms grosshandlare på 1700-talet*. (Licentiatuppsats, Ekonomisk-historiska institutionen, Uppsala universitet), Uppsala 2003.

<sup>34</sup> The main work is Johan Söderberg, Ulf Jonsson & Christer Persson, *A Stagnating Metropolis. The Economy and Demography of Stockholm 1750–1850*. Cambridge University Press: Cambridge 1991.

<sup>35</sup> Nyberg 1999, Chap 5.

<sup>36</sup> Samuelsson, pp 23–38; J Norrby. *Jennings*. Köping 1991.

<sup>37</sup> Wottle 2000, kap 1; Lindberg 2001.

<sup>38</sup> Nyström bilaga VI; Ernst Söderlund, *Stockholms hantverkarklass 1720–1772. Sociala och ekonomiska förhållanden*, Stockholm 1943, p 335.

largest wholesale traders are reported, despite the fact that they originally had privileges as wholesale traders, as mill owners, boards of trade and also under other titles. These are, therefore, not covered by the description below, which only looks at people with the title of wholesale trade in the Means Committee's tax registers. It means that the number of really big wholesalers included in the following is lower compared to if, for example, all taxpayers who previously had privileges as wholesale traders were included.<sup>39</sup>

A rough measure of the extent of trading operations among reported wholesale traders can be obtained using the so-called ordinary contribution, which is that part of the tax levy which reflects the income from operations. In order for this taxation value to reflect developments over time, we need, however, to know the extent to which the tax level was adjusted after inflation which was fairly high during the latter half of the 18th century. If the taxation values took into account the price changes the sum of the ordinary contribution in fixed prices would give a truer picture of wholesale trade's total income trend compared to current prices. The accuracy is determined by how often the rates as taxation levels were set after being adjusted in relation to the price trend. This probably happened, but it is difficult to know how often without extensive studies.<sup>40</sup>

As mentioned, Stockholm's trading houses rose in number to around 100 companies, except for 1770 when over 130 were reported. According to my own calculations of the taxation values of trading houses every ten years, the number of companies was evenly divided into various sizes. The group of small trading houses – here defined as trading houses as a taxation value (the so-called ordinary contribution) which is below the mean value of the distribution – varied between 40 and 50 companies while the number of large companies was around 30 from the mid-1700s onwards.<sup>41</sup>

The small trading houses, however, accounted for a modest share of the financial profit. The share was frequently below 20 percent and, during the final quarter of the 18th century, small trading houses accounted for around a tenth of the wholesale trade's total taxation. However, it was not the smallest, but the medium-sized groups that lost the most in the long-term.

In contrast, the largest trading houses increased their share in the longer term. Right up until the mid-1700s, they accounted for just over half the ordinary contribution. Thereafter, they strengthened their position in the long-term so that, at the turn of the 19th century, they accounted for just under 80 percent.

### ***The reconstruction of the wholesale traders' financial networks, 1740–1800***

The argumentation in the following is based on the results of studies of recorded bankruptcy cases of wholesale traders held before the Stockholm court of law between 1740 and 1800. Besides the issue of the special representatives' role in the reconstruction after the merchants' financial collapse, which is relevant here, there are also a number of fundamental questions to be addressed: which kinds of wholesale traders were declared bankrupt? How widespread was the debt? And how many and what kind of creditors were represented? A main distinction in the study is whether the bankrupt trading houses worked with foreign and/or domestic capital

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<sup>39</sup> Nyström 1955, bilaga VI.

<sup>40</sup> Christer Persson's study of the price adjustments in Stockholm's hallmark court's (hallrätt) factory reports of the so-called value of production shows that these were adjusted in line with inflation. However, these adjustments became more and more less frequent and unsystematic, which resulted in a sort of administrative price rise. If the income levels which are reported in the tax rolls' ordinary contribution were adjusted in the same way, it would be inappropriate to calculate it in fixed prices, see Persson, p 41–. 'Hallrätter' were municipal supervisory bodies for manufacturers and existed beside the guilds 1739–1846 and up until their abolition in 1846. They had the right to give permission to starting a manufacturing business (mainly woollen, worsted, silk, linen and cotton) inspect products, hallmark them and, in certain instances, pass judgements. Hallmark Courts were created as a special jurisdiction, primarily related to textiles, in an interest political alliance among magistrates' interests, large merchants, and government officials against the corporations, and traditional textile importers, Nyberg 1992, Chap 1.

<sup>41</sup> The analysis is presented in greater depth in the third chapter and in Appendix 3 in the book 'Kopparkungen' due for publication at the end of 2006, Nyberg (ed.), 2006 (forthcoming).

and what role immigrant merchants played in the credit market and in trade networks generally. Another fundamental aspect is whether there were clusters of creditors or whether the creditors were spread out and what distinguishes each group. To find out what the creditors and debtors reflect, their taxation values have been compared with the normal population's levels. However, all these aforementioned problems cannot be addressed in the limited space available here. Only a short description of the basic features of bankrupt wholesale traders is given in the argumentation concerning the various kinds of representatives' roles in the judicial process and the extent to which the financial networks were genealogically, socially and confessionally closed or open.

In the study, there have been excerpts from the debtor's list of creditors and debts together with the trustees' list of the creditors who lodged proof of their claims. The creditors' proofs of debt and the court of law's judgments are selectively studied. Basic features and problems regarding the source criticism of the material will also be discussed in detail in a later context.<sup>42</sup>

### Basic features of bankrupt of 80 wholesale traders

When the trading house Appelroth & Spalding declared itself bankrupt in March 1776, its accumulated debts amounted to just over a million copper daler based on the creditors' own compilation. At the time, the trading house had been formally active for about three decades, a comparatively long time for this group.

The other wholesale traders declared bankrupt during the 1770s had been active for an average of just 15 years, which is also typical for the whole of the 1740–1800 period (14 years). Appelroth & Spalding's creditors totalled around 35 and the credit networks reported had considerable scope. Several foreign creditors are listed and also a couple of Swedish ones from Gothenburg, Sweden's second most important trading town after Stockholm. The credit networks in this bankruptcy were comparatively large.<sup>43</sup> (Appendix 1)

The trading house Appelroth & Spalding (Carl Appelroth & Karl Jacob Spalding) is one of the largest trading houses covered by the study. It represents the large group of textile importers who were almost wiped out as a professional group and who were all members of the Caps at the start of the Age of Liberty. Johan Spalding (1669–1738), father of Karl Jacob Spalding (1702–1772) studied here, was one of the leading textile traders in the political opposition to the protectionist customs laws passed between 1727 and 1738.<sup>44</sup>

The Spalding family, who originated from Scotland, emigrated both to Mecklenburg in Germany (Anders Spalding) and Norrköping in Sweden (Johan Spalding). One of Anders Spalding's sons Jacob, in turn, emigrated from Mecklenburg to Norrköping. The various branches of the family had considerable involvement in the 17th and 18th century foundry- and trading business. The involvement in Norrköping and the industrial community of Gusum mainly concerned the production and refining of brass which during this period took place in Norrköping, mainly in the form of drawing wire and the manufacture of nails. The merchants Johan Spalding and his nephew Jacob (1697–1745), who were working in Stockholm, are thought to have been involved in the import business.<sup>45</sup>

The debt structure of this particular bankruptcy is strongly connected to the family networks which Karl Jacob Spalding's father and his partner, the tailor Oloff Appelroth (1678–1744), were part of. The debts outside Stockholm concerned all the relatives. The

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<sup>42</sup> The study's structure is presented in the mentioned unpublished essay from 2002, Nyberg 2002.

<sup>43</sup> SSA. (The City Archive of Stockholm) Stockholms Magistrat och Rådhusrätt, konkursakt (bankruptcy file) 88/1777; see also Stockholms Magistrat och Rådhusrätt, protokoll- och dombok year 1776, vol AIII A:158, pp 677, vol AIII A:159, pp 82, 90, 108, 196, 246, 278, 296, 397, 510, 527; Stockholms Magistrat och Rådhusrätt, protokoll- och dombok year 1777, vol AIII A:162, pp 53, 119, 139, 144, 237, 285, 311, 456, 461, 507, 510, 850 recto–911 verso.

<sup>44</sup> Boëthius, pp 34, 52, 61, 76, 80, 89, 100–101, 107–109, 114, 116, 122, 126, 129, 133–135, 272, 335; Brolin, pp 32, 52, 77, 207.

<sup>45</sup> Edward Ringborg. *Bidrag till Norrköpingsindustriens historia. Förra delen*. Norrköping 1922, pp 60–62, 144–145, 166–171, 270, 274; Karin Forsberg. *Gusums bruks historia 1653–1953*. Stockholm 1953, pp 31–34, 55–86, 212.

biggest debt of just over 340,000 copper daler was to Karl Jacob Spalding's brother Abraham, a merchant in London. Another debt of just under 66,000 copper daler to the trading house Spalding & Brander, also in London, dates back to the father Johan Spalding's marriage to Anna Christina Brander. Daniel Pettersson, mayor of Gothenburg, who had a claim of just under 12,000 daler, was married to one of the children of Karl Jacob's sister Hedvig Dorothea from her marriage to Johan Henrik Schmээр – another well-known merchant family belonging to the same group of importers of German origin. The claimant Ulrika Willemoth (12,000 daler), married to Mayor Willemoth of Nyköping, was, however, one of Oloff Appelroth's daughters from his marriage to Anna Maria von Yhlen. The marriage to Appelroth was her second one. She was, at the time, the widow of the merchant Baltzar Daniel Schmээр. These two were the parents of the above-mentioned Johan Henrik Schmээр. Through his marriage to Hedvig Appelroth, daughter from Oloff Appelroth's first marriage, Karl Jacob Spalding was therefore married to his brother-in-law's half-sister.<sup>46</sup>

Among the other debts, too, which all concerned individuals residing in Stockholm, there were a number of family relations in the financial networks. Of the debts to other traders outside the family networks, those that dominated belonged to this group of traders. They all belonged to the Caps and had interests in the textile import business. In contrast to kinship, there were no confessional features which structured the credit networks in this case. Some of the Spalding family belonged to the non-territorial Lutheran St. Gertrud's Church, the so-called 'German Church', while others are registered in the books of the territorial parishes. The claimants were mainly of a Lutheran and, to some extent, Reformed confession.

The 1770s appear to have been a difficult time. Nearly half the bankruptcies studied (37 out of 80) occurred in the 1770s. Then comes the 1780s with 17 cases, after which the number of cases drops to just over 10. Before 1770, the number of cases found was few. As for Appelroth & Spalding, the decline is not thought to be linked to the state of things in the 1760s. In 1760, their tax bill came to 200 silver daler (ordinary contribution), while, in 1770, this rose to 250. The trading house was one of the highest taxed, but was not one of the 10 most prominent.<sup>47</sup> The high number of bankruptcies during the 1770s may be linked to the fact that the number of reported wholesale traders rose sharply during the 1760s. The 106 reported wholesale traders in the tax registers in 1760 rose to 134 in 1770. In the following decades, the number of reported companies once more fell and, by the turn of the 19th century, had returned to the level of the 1760s.<sup>48</sup>

If the extent of the credit networks is taken into consideration first, the 80 wholesale traders who later became bankrupt fall into two main groups: those who were restricted to the local credit market in Stockholm and those who had financial relations with country towns and trading towns in other countries. Appelroth & Spalding and the group they represent show a comparatively large number of creditors and debts of a relatively large size.

## Sponsors and representatives in the reconstruction of financial networks

A wholesale trader's credit, in the broad sense of the word as discussed here, was built up over a succession of years, from the early apprenticeship years until he was free to operate as

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<sup>46</sup> Note 45; SSA, (The City Archive of Stockholm), Justitiekollegium och Förmyndarkammarens arkiv, Bouppteckningar (probate inventories): 1702:355, 1704/1:294, 1712/1:570, 1726:1324, 1739/71:808, 1741/1:472, 1743/1:729, 1745/1/454, 1746/1:168, 1752/1:359, 1758/1/1:126, 1758/1/2:1134, 1767/4:36, 1769/1:293, 1771/1:717, 1773/1/2:697, 1777/4:96, 1783/3:1, 1788/3:749, 1789/1:305, 1791/2:415, 1794/1:30, 1797/4:268; S:t Nicolai Church (Storkyrkoförsamlingen, lysnings- och vigselbok) EIA, vol 1, pp 270, 272, 305, vol 2, pp 72, 96, 232, 239, vol 3, pp 293, 358; S:t Nicolai Church (Storkyrkoförsamlingen, död- och begravningsbok) FIA, vol 1, pp 25, 92, 113, 124, 125, 141, 165, 171, 186, vol 2, pp 44, 47, 51, 147, 188, 210, 229, 243, 247, 441, 304, 306, 392, vol 3, pp 107; St. Gertrud's Church, (vigselbok) 1640–1700, pp 16, 33, 60, 62, 64, 79, 82, 90, 95, 1701–1734, pp 101, 107, 117, 138, 145; St. Gertrud's Church, (dödbok) 1681–1747, pp 3 recto, 13 verso, 17 verso, 23 recto, 26 verso, 31 recto, 32 recto, 39 recto, 41 verso, , 41 recto, 54 recto, 55 recto, 56 recto, 57 recto, 62 verso, 63 verso, 65 verso, 71 verso, 72 verso, 78 recto, 133 verso, 144 verso, 152 verso, 155 verso, 180 verso, 181 verso, 185 verso, 445 verso, 451 verso, 456 verso, 469 verso, 473 verso, 475 verso, 485 verso, 552 verso, 971 verso, 1221 verso; St. Gertrud's Church, (dopbok) 1701–1734, pp 818, 828, 842, 869, 901, 920, 941, 961.

<sup>47</sup> See Samuelsson, who lists the ten biggest every 10 years between 1730–1820, in a number of respects, in his appendices, pp 232–235.

<sup>48</sup> SSA, Taxeringslängder, ordinarie kontribution, Bemedlingskommissionens arkiv.

a trader. Often, they had parents and siblings in the trade or another middle-class business. For the time in which he was an apprentice and then later on a clerk, the trading house where they did their apprenticeship acted as a kind of guarantor for the apprentice's financial dealings. When they themselves won their freedom, which was formally examined in the trade council, well-reputed wholesale traders or other middle-class citizens acted as so-called sponsors. In specific terms, these people guaranteed the ability of the applicant to pay tax for the next five years. In terms of credit and trust, the pledge had, however, a further significance for various reasons. Sponsors guaranteed that they had a personal confidence in the applicant, that they trusted him. Leading business families were often intermarried, as shown earlier, but wholesale traders married relatively late, usually after the trading house was established.

By having affairs in order, parents and siblings in the trade and other businesses as well as being married to one of his boss' daughters, a wholesale trader in the making could gradually build up his creditworthiness. It is also thought to have been common for an older, more established person to build up a trading house with a younger person whom he had had as an apprentice or had employed as an office employee or clerk. Once a person had established himself, received his freedom and perhaps got married, his credit could be further developed and strengthened with commitment and positions of trust. Besides official duties as a councillor and positions of trust in the wholesale trade society, membership of an order or society was an important part of creating a network in Stockholm for the wholesale trader.<sup>49</sup> There were also arenas in which wholesale traders or their representatives moved almost daily: the Stockholm Stock Exchange which was open on weekdays, the public scales scattered about the harbour where pig iron, bar iron and corn were weighed as well as the town court's courtyard where all proclamations of cession were posted when a company was formally declared bankrupt, and, of course, the cellars and eateries.

Once a wholesale trader's insolvency was made public to all parties, either the debtor could declare himself bankrupt or the creditors could request that the person in question be declared bankrupt. It was also common for insolvency to be announced in connection with a death and estate proceedings, which resulted in bankruptcy of the estate. In all cases, the debtor was declared financially incapable and his financial assets administrated by the court officials until judgment was passed. During this process, from when the proclamation was issued until the judgment itself was passed, the various kinds of representatives in the trade networks played a crucial role in the networks' reconstruction.

The public representatives represented the city or the state – the latter were mainly public prosecutors from boards, principally the Swedish National Board of Trade. They represented public financial institutions such as the Swedish Central Bank, but also various kinds of cashier's offices and discount houses. It was also common in Stockholm for them to act as representatives for private creditors who could not be present at the mandatory sitting which began every bankruptcy and to where all creditors were summoned. The private representatives comprised those who acted as the trustees of the bankruptcy as well as those who acted as representatives for private Swedish and foreign creditors who could not attend. An important question concerns the extent to which people from the wholesale network were a part of it: to what extent did previous employers and sponsors and relatives act as representatives in trying to minimise the damage resulting from the bankruptcy? To what extent did they belong to the debtor's confessional networks, and to what extent did they come from the debtor's close or distant relatives?

The representatives' work acquired its special dimension from the fact that the wholesale trader's financial networks were based on trust and confidence between people. Many creditors felt let down when a person voluntarily or was compelled to file for bankruptcy.

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<sup>49</sup> Staffan Högberg, *Kungl. Patriotiska Sällskapets historia. Med särskild hänsyn till den gustavianska tidens agrara reformsträvanden*, Stockholm 1961, p 65.

Even though the debtor was not a fraudster – which also happened and was perhaps even common – there is much to suggest that the initiation of insolvency proceedings forced a trader to behave without regard for his creditors. Thousands of creditors in Stockholm’s recorded cases of bankruptcy from the 1700s tell a similar story. In detailed petitions, they put forward requests to be prioritised creditors in the bankruptcy or quite simply that the debtor be removed. The confidence and the personal trust between the parties which formed the basis of the credit disappeared and were replaced, in many cases, by personal hatred and desperation. Behind the theatrical tone was the previously mentioned fact that a creditor’s claim was part of the person concerned’s own position; his own credit was affected by it.<sup>50</sup>

The whole of the institutional and social context surrounding a bankruptcy stabilised the unforeseen effects of the division of the debtor’s assets which could be caused by such tensions.

### **Conclusions**

The paper aims to problematise the origin, cohesiveness and reconstruction of financial networks between internationally active trading houses in Stockholm during the early modern period. In particular, it discusses the importance of credit and trust and of being creditworthy in the interplay between private and public administrators for the reconstruction of private financial networks in crisis between 1740 and 1800. The study is part of a larger project concerning the transformation of the Swedish institution of bankruptcy from a European perspective, 1734–1862. The results discussed concern ongoing studies.

The background to the project is a number of studies which have shown that well-developed public credit institutions favoured the development of the private credit market, including the so-called institution of notary which was most developed in southern Europe. Although ‘notary’ was more restricted in the Scandinavian countries, this present study of the institution of bankruptcy in Stockholm indicates that municipal and state lawyers actively contributed to the private credit networks’ reconstruction during the financial collapses of merchants. The city’s civil servants administered the bankruptcy in cooperation with special ‘trustees’ from the industry, who would possess in-depth knowledge of the debtor’s business. A number of local, state and private representatives also acted for claimants who lived far away during the often drawn-out proceedings. The study of 80 wholesalers who became bankrupt between 1740 and 1800 suggests that notaries and lawyers in Sweden, too, were important players in the reformation of the bankruptcy laws and judicial practice which took place from the end of the 1760s onwards.

The reconstruction of the trading houses’ financial networks acquired their special dimension from the fact that terms such as credit, security, property and dowries during the early modern period were not just seen as strictly economic quantities. Financial relations between companies in the market were embedded in various types of networks between individuals which were made up of social and professional relations, family, gender, ethnicity and confession. The migration patterns in Stockholm during the 18th century were, above all, influenced by the trade, maritime and manufacturing policies at the time, which featured several significant immigrant groups. They were of the Lutheran, Reformed and Catholic confession as well as Jews. The majority of these were part of European trade and family networks where the establishment of the networks in Stockholm was just part of the larger networks originating mainly from Northern Germany, England, Ireland, the Low Countries and France.

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<sup>50</sup> Pierre Claude Reynard, “The Language of Failure. Bankruptcy in Eighteenth Century France” *Journal of European Economic History*, vol. 30, nr 2, pp 355–390

## Appendix 1.

### *Bankruptcies of 80 wholesale traders in Stockholm 1740–1800*

Act	Year	Title	First Name	Surname
55a	1746	handelsman	Paul	Norling
397	1746	handelsman	Martin Albert	Overkkampf
299	1750	handelsman	Olof	Bång
6	1753	grosshandlaren	Michael	Hising
6	1753	grosshandlaren	Wolter	Petersen
510	1759	handelsman	Carl	Sifvert
159	1760	handelsman	Carl Frantz	Funck
828	1765	grosshandlaren	Isaac	Ahlnoor
7	1767	grosshandlaren	Hans	Wittfoth
7	1767	grosshandlaren	Erik	Zettersten
8	1767	grosshandlaren	Isaac	Clason
95	1767	grosshandlaren	Carl Christopher	Pauli
205	1767	grosshandlaren	Friedrich	Lundin
27	1768	grosshandlaren	Johan	Fenvik (Fenwick)
2	1770	grosshandlaren	Abraham	Winberg
56	1771	grosshandlaren	Carl Emanuel	Lang
480	1771	grosshandlaren	Olof	Wählberg
119	1772	grosshandlaren	Alexander	Donner
196	1773	grosshandlaren	Carl	Pohl
287	1773	grosshandlaren	Jean Adolph	Kiellberg
292	1773	grosshandlaren	Eric	Dufwenberg
106	1774	grosshandlaren	Olof	Nilsson Sandberg
163	1774	grosshandlaren	Nils	Forström
228	1774	grosshandlaren	Jan	Jansson Cosswa & Anna Brita Palin
1028	1774	grosshandlaren	Nils	Schwartz
159	1775	grosshandlaren	Friedrich	Werderman
162	1775	grosshandlaren	Johan Magnus	Lönbom
173	1775	grosshandlaren	Jean Adolph	Kiellberg
26	1776	handelsman	Nicolas	Öhrn
30	1776	grosshandlaren	Hinric	Busch
37	1776	grosshandlaren	Daniel	Müller
47	1776	grosshandlaren	Petter	Siöstedt
124	1776	grosshandlaren	Friedrich	Kahl
1266	1776	grosshandlaren	Daniel	Zelling
1266	1776	grosshandlaren	Abraham	Sundberg
42	1777	grosshandlaren	Johan Hindrich	Müller
68	1777	grosshandlaren	Zacharias	Wall
88	1777	grosshandlaren		Appelroth & Spalding
136	1777	grosshandlaren	Anders	Plongstedt
142	1777	grosshandlaren	Erik	Robergs
272	1777	handelsman	Abraham	Cassell
314	1777	grosshandlaren	Johan Georg	Uhlen
73	1778	grosshandlaren	Jonas	Hamn
103	1778	grosshandlaren	Jacob	Kahl
256	1778	grosshandlaren	Joachim	Ulmgren
272	1778	grosshandlaren	Hindrich Reinhold	Grot
1414	1778	grosshandlaren	Bengt	Olofsson Ström
30	1779	grosshandlaren	Anders	Landsent Åkerman
103	1779	grosshandlaren	David	Müller
212	1779	grosshandlaren	Carl Gustaf	Thuring

8	1780	handelsman	Carl	Danielsson Sten
11	1780	grosshandlaren	Abraham	Arfwidsson
70	1780	grosshandlaren	Samuel	Cöhler
191½	1781	grosshandlaren	And	Broberg & Comp
22	1783	grosshandlaren	Johan	Bays O.H.H. Juliana Holming
38	1783	grosshandlaren	Johan	Melchior Sterbhus Änka N C Willman
187	1783	grosshandlaren	Anders	Maulström Änka C E Crom
17	1784	grosshandlaren	Carl	Sivert Sterbhus
192	1784	grosshandlaren	Jonas	Lövgren
50	1785	grosshandlaren	Sven	Hierton
156	1785	grosshandlaren	Jacob	Winstedt
2524	1785	grosshandlaren	Johan Eric	Schön
193	1787	grosshandlaren	Jan Hindrich	Snicker
21	1788	grosshandlaren	Lars	Clever
22	1788	grosshandlaren	Moses	Nathan Judiska Handelshuset
221	1788	grosshandlaren	Jacob	Galetski
126	1789	grosshandlaren	Thomas	Hedberg Jr
166	1790	grosshandlaren	Carl Fredric	Spann
18	1791	grosshandlaren	Jacob	Neostadii
74	1791	grosshandlaren	Carl	Fyrberg
166	1791	grosshandlaren	Philip Emanuel	Wasmouth
137	1792	grosshandlaren	Samuel	Wickman
51	1793	grosshandlaren	Jac. Lor.	D'ailly Johson
15	1794	grosshandlaren	Sven	Holmström
37	1796	grosshandlaren	Johan Ulric	Egge
47	1796	grosshandlaren		Hultman
110	1796	grosshandlaren	Olof	Engström
56	1797	grosshandlaren	Joachim	Gabien
86	1799	grosshandlaren	Frans Gustaf	Carré
119	1799	grosshandlaren	Nils	Wennerberg
11	1800	grosshandlaren	Jonas	Löhngren
213	1800	grosshandlaren	Carlos & Clas	Grill

Source: SSA, Magistrat- och Rådhusrätten, konkursakter 1740–1800. (Bankruptcy acts in the City archive of Stockholm 1740–1800)