The eighteenth century has generally been seen as a period of success and achievement. It was a period which 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 melded 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 due 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 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 a certain awareness grew that failures did not always originate from the dishonest, fraudulent or criminal behaviour of the bankrupt. The changes which 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 by Julian Hoppit who investigates the level of risk and the occupational composition of the bankrupts, the other one 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 article. To focus on immigrants may not only highlight the risk they faced in a foreign environment with

\[\text{I wish to thank Michael Schneider (University of Düsseldorf), Paolo Di Martino (University of Manchester) and the participants of the workshop at the Södertörns Högskola, University College Stockholm (August 2005) for comments and suggestions.}\]
different economic traditions and different patterns of behaviour 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 a 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 centre of the world by the end of it. The major part of British overseas trade was centred 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.). Due to 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 to a large extent a cosmopolitan one. According to Stanley D. Chapman about three quarters of its merchants were of foreign descent (Chapman 1992, p.30). While in the seventeenth century the mercantile immigrant community was dominated by Dutch and Huguenot merchants, 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 part 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 part 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.

1. 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 like the Barings, the Schroders or Rothschilds. One of the reasons why they have not been researched is that the big 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 with respect to the foreign community of overseas merchants some more reliable information can be gathered from the naturalization records. Due to the alien laws and the Navigations Acts the overwhelming majority of foreign merchants acquired British nationality. Among them about three hundred naturalized British subjects of German birth could be identified as merchants between 1715 and 1800. They comprise the sample for the present paper. They were all of Protestant denomination, for the contemporary law of naturalization excluded Jews and Catholics.

In order to understand the pattern of behaviour 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 like Westphalia, Osnabrueck or the Dukedom of Berg. The German linen producing regions were traditionally export-orientated and after the decline of the old Hanse corporation they had continued to send sons and other young relatives into the leading European trading centres to organise sales. Thereby the German families established international commercial networks based on kinship ties, religious affiliations and compatriots. A settlement in the British capital was just one part of their expansionist commercial strategy, for at home long-

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1 This sample also includes merchant-bankers and merchant-manufacturers (see more explicitly part 4 of this article). 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).
distance trade was hampered by the frequent borders and toll-stations. Moreover the German states did not have any colonies and the protectionist policy of the colonial empires excluded foreigners from any direct trade with them. With the rise of the British Empire a settlement in London became strategically important to the German merchant families.

The organisation of long-distance trade in the expanding world along kinship, coreligionist or compatriot ties helped to keep transactions 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. They coordinated help either 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.

2. 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 travelled to distant and unknown places to bring back new products for which they had to find markets. Remote regions in the Americas or in South East 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. As the outcome of adventures or experiments was generally not to be foreseen, expected gains could at any time

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1 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: Schulte Beerbühl 2006b.
2 On the role of trust and obligation see Muldrew 1998.
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 which 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 nearby Continent and Russia it took about six to twelve months before money was returned, in the trade with the Levant or the Americas it took even longer, at least two to three 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 they started to rise. The acceleration of economic growth and early industrialisation 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). The actual number was probably much higher, for the bankruptcy records are rather incomplete and failures could also be dealt with outside the official procedure.

As research by Stanley D. Chapman and Griffith et al. have shown, most of the inventions in the textile industry were either not successful or were short-lived (Chapman 1974, pp. 21ff., Griffith, et al., ibid.)

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 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 and 1826. In 1811 more than 2 100 cases were counted and in 1826 almost 2 600 (Duffy 1985, p. 339).

A striking feature of the geographical pattern of bankruptcy is the dominance of London. In the first twenty years more than 52% of all cases took place in the capital (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. They only reflect London’s declining share in economic activity. Nevertheless London remained the dominant centre 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. On the whole bankruptcy figures were higher in the coastal areas than in the agricultural and traditional wool manufacturing regions.

2. The law of bankruptcy

The bankruptcy figures by no means include all cases of failure. The contemporary law distinguished between insolvency and bankruptcy. This paper focuses on the bankrupts, not on the insolvent debtors, for merchants generally fell under the bankruptcy laws. 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 licence 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 one 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 which came under the official proceedings gives a fair impression of the risk of failure in the early period of industrialisation.

The law of bankruptcy was confined to traders owing more than £100 to one creditor (£150 to two or £200 to three or more). Debtors who were not traders or whose debts were below that sum 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 and it included most

[^8]: An official bankruptcy court did not exist until 1831 (Duffy 1985, p.45). Cases were generally be dealt with at the Lord Chancellor in Chancery Lane.
artisans. Although some groups such as farmers were explicitly excluded from bankruptcy, they are to be found in the records. They strived to come under the bankruptcy law due to the harshness of the insolvency ones. 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 faced imprisonment often 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 not became more and more controversial and the distinctions became 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, for until 1825 a debtor could not declare himself bankrupt. The creditor initiated the legal proceedings with a petition to the Lord Chancellor in Chancery Lane for a commission of bankruptcy. With it 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 who 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. Then 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. The collecting 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 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

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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.
merchants of German birth have survived, not much is known about their fate in the early stages of the proceedings. In two cases they did not escape imprisonment.\textsuperscript{12} A few other bankrupts left the country.\textsuperscript{13} 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.

4. The risk of failure among German merchants in London

Of the total of bankruptcies in England which 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 naturalisation records, it may be stressed that those who went bankrupt were more or less all overseas merchants.\textsuperscript{14} 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 who went bankrupt, several were merchant-manufacturers, like sugar refiners, a hosier, a watchmaker and a paper manufacturer as well as 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? and 2. were they more or less liable to failures than their British counterparts?

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

In view of the low number of bankruptcies among the German merchants during the whole century compared with the total English figures, it is problematic to compare them. Hoppit

\textsuperscript{12} Simon Bethmann and Christian August Eschke (B3/208 and 209, for Eschke B3/ 1523).

\textsuperscript{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, for their deaths are recorded shortly after their failure.

\textsuperscript{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).
has published bankruptcy data for London 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 on the basis of his figures for London more interesting. A comparison between this 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, while the risk decreased in the following decades.

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

<table>
<thead>
<tr>
<th>Decade</th>
<th>No of businesses</th>
<th>English Rate</th>
<th>German Rate</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, 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.

In order 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.

Tab. 2: Decennial rates of bankruptcies among German merchants

<table>
<thead>
<tr>
<th>Decade</th>
<th>Nos. 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>
</tbody>
</table>

15 Hoppit 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, as more German houses stopped payment in the latter part of the decade than in the earlier.  
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, while due to the low number of German failures are used decennial rates. These differences do not lead to a principally deviating conclusion, they only move the place of the comma.  
17 The first two decades are excluded here, due to Anne’s liberal law of naturalization of 1709. The records that have survived of the period 1709-1712 are neither complete, nor do they give information about the places or countries of birth of the naturalized immigrants.  
18 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 due to the available sources, they can be taken as an indicator of the general trend. The table again confirms that the rate of bankruptcy is rather low in the first half of the century and starts to rise after the middle. The increase of 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. 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. While evidently the risk for London businesses in general declined between 1750 and 1780 the risk for German immigrants increased continuously with a temporary improvement in the 1770s. As economic development was accompanied by violent short-term peaks in London, the question arises if the picture may be a different one from a short-term perspective. Although the total figures of German failures are much too low to be able to discern a pattern especially for the first half of the century, it may be worth knowing if they appeared in times of high levels in bankruptcy. As Ashton, Hoppit and others have elaborated, extremely high levels of bankruptcy occurred in times of financial crises, two or three years after the beginning of the wars as well as towards the end of them and in the immediate aftermath (Ashton 1959, chap. 5, Hoppit 1987 chap. 7 and 8). High fluctuations in bankruptcy occurred in 1706 and 1712 with peaks at the end of 1706 and again in 1709/10. 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 only diverted in 1728. In 1711 in the immediate aftermath of the financial crisis, a remarkable

<table>
<thead>
<tr>
<th>1750s</th>
<th>38</th>
<th>5</th>
<th>1 : 7,6</th>
</tr>
</thead>
<tbody>
<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>

19. Several among the bankrupts failed more than once.
number of four German houses stopped payment. In 1727 another one gave up. No records have survived of these houses but in case of the latter one it is known that it was deeply involved in the Iberian trade.\textsuperscript{20} 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 like 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.

\textbf{Chart 2}

\begin{center}
\begin{tikzpicture}
\begin{axis}[
    title={English Bankruptcies 1780-1806},
    xlabel={Years},
    ylabel={Number of Bankruptcies},
    xtick=data,
    ytick={0,200,400,600,800,1000,1200,1400},
    xticklabels={1780,1782,1784,1786,1788,1790,1792,1794,1796,1798,1800,1802,1804,1806},
    yticklabels={0,200,400,600,800,1000,1200},
    axis lines=left,
    enlarge x limits=0.1,
    enlarge y limits=0.1,
    legend pos=north west
]
\addplot coordinates{
    (1780,500)
    (1782,500)
    (1784,500)
    (1786,500)
    (1788,500)
    (1790,500)
    (1792,500)
    (1794,500)
    (1796,500)
    (1798,500)
    (1800,500)
    (1802,500)
    (1804,500)
    (1806,500)
};
\end{axis}
\end{tikzpicture}
\end{center}

Source: Hoppit, App.4 and Duffy, table A.1, p.399.

\begin{center}
\begin{tikzpicture}
\begin{axis}[
    title={German Bankrupts 1780-1806},
    xlabel={Years},
    ylabel={Number of Bankruptcies},
    xtick=data,
    ytick={0,2,4,6,8,10,12},
    xticklabels={1780,1782,1784,1786,1788,1790,1792,1794,1796,1798,1800,1802,1804,1806},
    yticklabels={0,2,4,6,8,10,12},
    axis lines=left,
    enlarge x limits=0.1,
    enlarge y limits=0.1,
    legend pos=north west
]
\addplot coordinates{
    (1780,2)
    (1782,4)
    (1784,6)
    (1786,8)
    (1788,10)
    (1790,12)
    (1792,2)
    (1794,4)
    (1796,6)
    (1798,8)
    (1800,10)
    (1802,12)
    (1804,2)
    (1806,4)
};
\end{axis}
\end{tikzpicture}
\end{center}

Source: compiled from B4/22-34, B6/5-21, The London Gazette and The Times

\textsuperscript{20} For the total number of bankruptcies see Hoppit app. 4 and his chap.8. The German immigrant houses which failed in 1711 were Peter Hollander& Herman Louis, Francis Heilman, John Jacob van Strasson and Theodore Stahl. In 1727 Paul Amsinck went bankrupt. He came from Hamburg. 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. They were accompanied by exceptional peaks of bankruptcies. In 1772/3, 1778, 1788 and 1793 London and the country saw a wave of failures, merchant houses collapsing like houses of cards. In the peak years of 1772/3 and 1793 comparatively few German merchants stopped business. No German bankrupts were found for the peak year of 1778. On the other hand there were more failures than usually among them in 1784 and 1799. The year 1799 saw an exceptionally high number, while for Britain in general this year had the lowest of the whole decade. The question is: Why did the German pattern not always coincide with the English one and what were the causes for this deviating picture?

5. Continental causes of bankruptcies among naturalized immigrants

Bankruptcy causes can be explained from two different angles: 1. from the individual perspective of the bankrupt that means looking into the structure of his individual 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. 2. 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 for example often invested in sugar refineries, a business which 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 centres and the customers. In times of war like 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 centre of the English sugar industry, either went bankrupt or gave up. The opportunities of profit which this trade created induced a considerable number of merchants, also among the Germans, to become either shareholders or owners of sugar-refineries. Others had invested in inventions, like John Roger Teschemacher from Hanover. He was a merchant-manufacturer in Nottinghamshire and had just got two patents for his invention of a steam machine and a spinning and roving machine, when he went bankrupt in

21 The above-mentioned Cornelius Kettler had a refinery in London (Kent’s London Directory, 1765).
22 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).
the financial crisis of 1793. 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 also necessary to consider the geographical focus or backbone of their trading activities as well as political affiliations. It cannot be explained within a national or local perspective alone. Reviewing the German bankruptcies in London, they reveal that economic fluctuations and crises abroad had similar irregular repercussions on them as the ones in Britain. The outbreak of the American War of Independence for example caused a major disruption of trade in England and bankruptcies peaked in 1778. While many English houses stopped payments, it had less 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. As Katherine Kellock has pointed out not all English houses were affected in the same way by the American War of Independence. Those houses which suffered most were on the side of the loyalists. So far hardly anything is known about the partners of the German houses in America and their relationships with the revolting colonists, but it cannot not be excluded that they had partners across the Atlantic which 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 leaped up, but in that year 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 than in 1788. The last year of the century ended with a trough in failures for British businessmen. Figures fell down 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 three months.

During the eighteenth century the causes of bankruptcies gained an increasingly international dimension. At the latest from the Seven Years War onwards bankruptcy waves swept over the

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23 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 endeavour 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 woollen industries (See Chapman 1974, pp.14-37).

24 The total claim by British merchants was close to five million pounds Sterling. (Kellock 1974, p. 114).
channel in either way more often, although not always to the same extent. After the crash of
the Amsterdam exchange in 1763 the Continent experienced a widespread crisis.\(^{25}\) It did
neither lead to a disproportionate rise in England, nor were the German houses effected to a
larger extent.

Apart from the serial sources, a few bankruptcy records have survived of German houses
during the French Revolutionary War, which allow a more precise insight into the causes of
individual failures. An interesting case it that of Theophilus Blanckenhagen, a Russian-
German by birth who failed in 1793. While 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, but by developments
in Russia. His two main partners there *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.\(^ {26}\)

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, in the first place to Hamburg, but also to the smaller ports of Bremen or Emden. They
experienced an unforeseen boom, which 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* already
remarked that “bankruptcies have multiplied of late … at Paris, Lyons, Marseille, Bourdeaux,
Rouen and other Places”.\(^ {27}\) During the following months the wave swept over Holland. In
Hamburg *Lutterloh & Sons was* one of the first houses which stopped payment in February. In
April another house failed and in August a contemporary witness reported that there were
small bankruptcies every week.\(^ {28}\) The situation became dramatic 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.\(^ {29}\)

\(^{25}\) For the transnational effects of this crisis see Buist 1974, p. 12f. and Reininghaus 1995, pp. 373-77.


\(^{27}\) The Times, 4. Jan. 1799.

\(^{28}\) Diaries of Ferdinand Beneke 13 Sept 1799 (Staatsarchiv Hamburg; I have to thank PD Dr. Frank Hatje for
referring me to that source).

\(^{29}\) Franklin Kopitzsch, Zwischen Hauptrezeß und Franzosenzeit 1712-1806, in: Hans-Dieter Loose, Hamburg.
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 on the 12th and 13th of September, they failed for about £200 000 and nearly £300 000. Their collapse had a domino effect. Many smaller German houses followed in London in October and November and also a number of others, which were deeply involved in trading with the German States. Among them was the big Swiss firm Battier & Zornlin in London. Denmark was also drawn into the Hamburg wave of bankruptcy. By the 15th of October the number of failures had put a complete stop to all trade in Copenhagen. The first stoppage in Russia was reported 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 as well as in 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 got out of hand. A correspondent of the Times reproached the Hamburg merchants for their inactivity. They should have foreseen the crisis after the markets had been overstocked with colonial products and could have seized 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.

It has to be highlighted that all the German houses which failed in 1799, were young businesses. None was older than six 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 whole century only about 33% went bankrupt in the first five years after their naturalisation.

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 19th 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 were 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 caused by the inability of receiving returns during the Blockade and insufficient capital resources. However on the whole they seem to have got through the economic difficulties of the Napoleonic Blockade better than many of their English brethren.

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 which they had contracted before the bankruptcy. The possibilities of a new beginning depended on various factors, 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 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 and 1805 (Mariner 1980, p. 364). In about 50 cases certificates could be found for the German merchants. The actual number was probably higher, for in some cases no certificates could be found although the merchants of German origin had restarted successfully after a bankruptcy. As the relationship between debtor and creditors was essential for the granting of it, it is interesting to know how quickly the bankrupts got the certificate, for the timespan 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 some information about the changing perceptions of the causes of failures. Due to 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. The figures show that between 1733 and 1780 about 56% of the German merchants got a certificate within one year after their failure. 46% got them at a later

35 B3 /2128, 1523.
36 The registers of certificates do not start before 1733 and have gaps. The docket books begin 1710 but are also imperfect.
date. Two German merchants had to wait 16 and 18 years, but these were exceptions. After 1780 a visible change took place. Creditors became much more willing to issue such a ticket. Between 1780 and 1816 more than 82% of the bankrupts got their certificates within a year. Many of the German merchants who failed in 1799 got them within six months.

Even if they got 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 up 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 which cannot be discussed in this paper. Nevertheless there are quite a number of recorded cases of German merchants who started again. Theophilus Blankenhagen who failed in 1772 for the first time, George William Soltau who failed in 1782 as well as Hermann Jacob Garrels or Cox & Heisch in 1799 managed to build up new successful businesses within a decade after their bankruptcy.37

There were several ways for a bankrupt merchant to start again. The one they chose depended on the financial support they got. Those who lacked money could begin again as either a book-keeper or a factor. Many of the German merchants restarted as partners in another house. Blankenhagen for example became the partner of Thomas Wilson in 1774 and in 1794 he joined the banking house of the Dorriens.38 During the French wars bankrupts 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 for example became a broker after his second bankruptcy in 1804 and by 1810 he was again trading on his own account.39 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 Blankenhagen, the brother of the aforementioned Theophilus, went to Riga after their first bankruptcy in 1772 and became partner in the banking house of Blankenhagen, Oom & Co. Cornelius Kettler from Leer in East Friezeland also left England for Russia. Simon Bethman from Frankfurt wandered around through Europe for years after his failure in 1799, until he

37 See for this more explicitly Schulte Beerbühl 2006a.
38 CLRO, Court of Aldermen Papers, 12 August 1799.
39 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.
finally entered the house of his relatives in Bourdeaux in 1816 (Henninger 1993, vol. 2, p. 529). Others were left in poverty like Henry Nantes after the spectacular bankruptcy of Muilman & Nantes in 1797 with debts amounting to more than £450 000.  

To sum up: 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-term as well as 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: 1st: despite the international expansion of their mercantile activities, the backbone of trade of German merchants in England remained their country of birth; and 2nd: the fact that their trade was embedded in a widespread and often international kinship, compatriot and coreligionist network which 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 brethren. Only young houses with little or no capital failed in the first decade of the nineteenth century. On the whole about a third of all naturalized merchants of German birth in England went bankrupt. Although this percentage seems high, fewer naturalized merchants failed than English ones. Hoppit computed 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 foreseen 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 which 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 foreseen. The temptations to embark on uncertain adventures or to expand more rapidly than the cash resources of the business would allow were high, for large profits could be made. What has to be highlighted is, that there was a prospect of a new start after a failure in England, especially for those who could rely on a

40 B3/3681-88, Prob 11/1552 He and his family were supported by his uncle Daniel Nantes, who also lived in London.
supporting kinship group. As the examples abovementioned have shown, the possibilities of a new successful beginning did not only just exist but were high and promising.

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