Credit, trust and risk

Shopkeepers bankruptcies in the eighteenth century Paris

‘Everybody buys bread on credit’ wrote abbé Galiani in 1770 in his Dialogue sur le commerce des blés (Kaplan 1996: 159). The general recourse to credit during the early modern age was an answer to the problem of money mobilisation and mobility due to the lack of credit institutions and specialised financial markets (Bouvier 1970: 301–21; Lüthy 1959–61: 9–46). In the eighteenth century, the trade needs were satisfied with the traditional monetary and credit system. This system relied on private bankers and on old exchange techniques supported by the increases in price, stock, money and exchanges. South America provided additional support to the highly increasing circulation of payment means, money flows and commercial papers (Labrousse 1970: 394–5; Morineau 1985: 351–549). In this context of abundance, the gathering of capital remained however difficult for small entrepreneurs. The lack of liquid assets was general and payment in cash, rare (Bergeron 1978: 119–135; Braudel 1979: I 411; Meuvret 1971: 127–138). So, the chain of credit was the basis of trade, as Daniel Defoe observed (Defoe 1726: 198). In the sixteenth and seventeenth centuries England, Craig Muldrew studied this credit economy, in which everything was measured by monetary prices but where money was not the main means of exchange (Muldrew 1998: 95; Muldrew 2001: 84 passim; Anderson 1970: 85–101).

Shops were one of the transfer hubs of the credit and this was one of their best attractions. Shopkeepers, because of their profession, were on the first front, at the same time give and asking for credit. They were in the heart of a more or less spread network of partners, wholesalers, brokers, customers, capitalists. Included in money matters, they participated actively in the networks of local credits, as did the notaries (Hoffman et alii

---

1 Many thanks to Marie-Agnès Dequidt and Thomas Max Safley for the translation.
The loan of money was an element of power. The key issue was the control of the credit. On the credit depended the success or the failure of the company, however small. Retailers were tangled up in credit. They lived between those who owed them some money and those to whom they owed some. It was a double-edged weapon, as Fernand Braudel underlined: ‘A precarious balance always on the edge of the tumble’ (‘équilibre précaire, au bord, sans fin, de la culbute’) (Braudel 1979: II, 57; Hoppit 2002: 66–7). Credit meant easy terms, speedy exchange and earnings. As Craig Muldrew wrote, it was the oil in the wheels. But it entailed vulnerability and uncertainty. The weak part in the chain could check it and lead to the fall. The interdependence became formidable and lead to spate of bankruptcies. Credit made the exchange easy but linked it with risk. It was dangerous but inescapable. How did the shopkeepers dominate time, inevitable and unpredictable, and the art of synchronization, which was in the heart of the economic problem? How did they master flows and stakes of money, under their various forms? In short, how did they face the uncertainty (Lepetit 1999: 252 sqq, 277–80; Grenier 1996: 425)?

Account books and statements kept within bankruptcy files give part of the answer since shop accounting could not be neutral. Accounting cannot be examined without its own social and institutional context: it was a practice constructive of socio-economic relations, it was a trial-and-error adaptation to the evolution of the operating conditions and to the environment of businesses, a specific way to try to have a hold over one’s contemporaries and over events (Colasse 2003: 42). In this way, accounting was both a kind power and knowledge (Hopwood and Miller 1994: 1–2). Indeed, the credit systems reveal a strong social intricacy. Credit relations make appear professional relations as well as hierarchies and tensions internal to trading world. This is why accounting gives much more than a distorted image of the economic reality. Credit relations between actors were manifold: links of dependence and interdependence, of subordination and domination, of trust and mistrust, looked for and dreaded links, sign of power or success and sign of failure or even ruin. In spite of the disputes due to the debts and the insolvency, trust, this ‘invisible institution’ (Arrow 1974), played a major part in exchanges. This is why such

---

2. I studied 140 accounting documents in Paris Archives (Archives de Paris) and in the notary files from the National Archives (Minutier central des Archives nationales), including 61 bankruptcy files, 36 post-mortem inventories of estate, 24 contracts of postponement or of creditors’ union which included assessments or debts statements.
notions as reputation, honour or honesty weighed so much in the shopkeeper world. (Muldrew 2001: 83; Hoppit 2002: 65). Integration into the small business community was paramount in a career: winning and keeping the trust of lenders, suppliers and customers were mandatory (Martin 1980: 1262–3). Trust was necessary to create social links since common interests made up an unstable and precarious basis. Trust united individuals, it opened on the exchange (Orléan 1994: 19).

Bankruptcies analysis provides a good means of thinking over the relations between credit, trust and risk, or in other words, over cooperation and disagreements between shopkeepers. Bankruptcies highlighted the difficult control over time, and more precisely the absence of synchronization, the badly managed time shifts. However, bankruptcy did not necessarily mean closing down, incapacity, mediocrity, tragedy or final forfeiture. Some shopkeepers underwent several bankruptcies, which proves the usually temporary nature of the accident. The bankruptcy also expressed the fight and the efforts to recover after a wrongly assessed risk, the difficulty in escaping the pitfalls of credit, the control of which was the key to success; in short, the vitality. Bankruptcy especially highlighted the crucial role of credit in the interdependence relations linking the actors of the exchange. Only a detailed study can show how far credit was important both in quality and quantity in the early modern age society. Jewellers and tapestry-makers shops provide a good ground for study since they represented two emblematic sectors of the expanding luxury and semi-luxury markets in the eighteenth century Paris (Coquery 2011: 273–300). Through their speciality – jewellers adorned the body; tapestry-makers the households – jewellers and tapestry-makers held cash and gave credit. They sold rare and costly goods asking for important funds. They stood at the heart of the exchanges because they gave credit both upward (towards production, wholesalers) and downward (a direct hold on the market, on consumers).

What is to be understood, beyond the necessary credit relations the shopkeepers formed, is the inexhaustible business vitality. Most of the success and fame of the capital of fashion and luxury rested on this vitality. This last can only be understood against its background: the embeddedness of individuals in social systems, in institutions setting the rules and regulating behaviours, these systems and institutions being themselves produced.

---

3 This work derives from a habilitation à diriger des recherches (professorial thesis) entitled ‘La boutique à Paris au XVIIIe siècle’ (‘The shop in Paris in the eighteenth century’) (University of Paris I, 2006).
by the individual strategies and behaviours (Pecqueur and Zimmermann 2004: 21). At the end of the day, more than a sanction, more than an economic indicator, bankruptcy revealed the tensions and fights within the commercial society (Martin 1978: 500; Martin 1980: 1251). I shall first explain the causes of bankruptcy, i.e. the relations between credit, trust and embeddedness. Then I shall show the different ways to overcome the crisis – by the commercial law, a pragmatic law framing the discussion between peers.

Credit, trust, embeddedness

The selected documents concern about 120 shopkeepers, mostly Parisian jewellers or tapestry-makers; 96 offer a clear enough statement. They enable to bring to light two major points: the strong implication of shopkeepers in the Parisian luxury market; the embeddedness of shopkeepers.

Debts and economic activity

The market of the capital, boosted by the presence of the king and the court, aroused keen interests (Coquery 1998; Coquery 2004). The importance of the amounts at stake, in assets and liabilities, proves the integration of shops in the Parisian commercial exchange centre: capital outlays and investments, working capital, fixed assets... all is expensive. Credit arises from everywhere in the statements: called ‘dettes actives’ for the assets due to the shopkeeper, called ‘dettes passives’ for the liabilities he owned. The omnipresence of credit was not a tare: it was mandatory given the absence of liquid assets. Jean Meuvret observed the small number of important amounts in cash in the inventories: this shows that

---

4. The concept was used by M. Granovetter (1985) and by D.C. North (1991).
5. The corpus gathers 47 jewellers, 9 goldsmiths, 17 tapestry-makers and tapestry-and-mirror makers, 11 watchmakers and 2 merchants for comparative purposes. The way shopkeepers called themselves was preserved as far as translation permitted. 63 files are bankruptcy statements from the series D4B6 of Paris archives (archives de Paris, Arch. de Paris) or from the notary archives in the National archives (minutier central des Archives nationales, A.N.); 33 come from post-mortem assets inventories. Some files were too incomplete to be taken into account. The 88 statements used are spread as follows: 1 in 1715, 1 in 1726, 1 in 1738, 2 in 1742, 1 in 1750, 3 in 1751, 3 in 1753, 1 in 1762, 2 in 1766, 3 in 1768, 3 in 1770, 1 in 1771, 2 in 1772, 3 in 1774, 1 in 1776, 6 in 1777, 2 in 1778, 8 in 1779, 7 in 1780, 6 in 1781, 3 in 1782, 7 in 1783, 6 in 1784, 2 in 1785, 2 in 1787, 3 in 1788, 6 in 1789, 2 in 1790, 1 in 1791, 1 in 1792 (see table 1). The commercial crisis of 1777 appears, as do the years 1779-1784 or the year 1789, but a small sample makes a formal reasoning difficult.
sixteenth century shopkeepers did almost totally without cash working capital. In Niort (West of France), three centuries later, two bankrupts out of three had no cash at home at bankruptcy time (Meuvret 1971: 132; Martin 1978: 416). The statements show it too: the proportion of cash reached 1.5 to 2 per cent of the goods for the most prosperous shopkeepers. Jeweller Augard’s asset amounted to 26,000 livres tournois in 1750; his widow held 352 livres ‘which represent all the cash […] in the estate’, i.e. 1.5 per cent of the asset. Jeweller Buteux’s asset amounted to 10,000 livres in 1779, out of which 186 livres in cash, two per cent… The lack of liquid assets lead to a drastic increase in promissory notes issued by individuals – gentlemen, bourgeois, officers, clergymen, moneymen, shopkeepers – in favour of merchants, bankers, shopkeepers and craftsmen (Martin 1978: 476–8; Kent 1994: 47–64; Carrière 1973: 793–874; Bergeron 1978: 369). These notes were used as credit instruments. All the accounting documents of the time – account books, post-mortem inventories of assets, statements of affairs – prove the large and varied usage of ‘credit paper’ as Morellet called them in his Prospectus d’un nouveau Dictionnaire de Commerce (1769) (Prospectus for a new commerce Dictionary): fixed-term notes, bill of exchange, money orders, acknowledgement, drafts… The most usual form of payment was private acknowledgement of debts: these bills (effets) or notes (billets) amounted to short-term loans, sometimes renewable, with a high interest rate. As a consequence, the main difficulty was to check the notes: it was necessary to make sure of the balance between assets and liabilities but also among assets, of the balance between real asset (bonne dette) and bad debt (dette douteuse or mauvaise dette) which were lost most of the time, what shopkeepers perfectly knew.

For about fifty shopkeepers the assets amounted to an average of 54,000 livres, liabilities to 59,000 livres (table 1). The high figures emphasize the part played by shopkeepers in the rapidly expanding Parisian luxury market during the last part of the eighteenth century (87.5 per cent of bankruptcies took place after 1765, 77 out of 88) (Coquery 2011: 286–300). However, the global figures should not hide the intrinsic diversity of the shopkeepers’ world: the large range of situations is striking (see table). The span of

---

6. For Serge Chassagne, the absence of working capital due to the inelasticity of the financial market was one of the recurring defects of the Ancien Regime. ‘This was sometimes due to the scarcity of cash, always to the absence of an efficient credit system, and probably also to the lack of a thorough and regular book-keeping’ ‘Cela tient parfois à la rareté du numéraire, toujours à l’inexistence d’un système de credit efficace, et aussi probablement à l’absence d’une comptabilité minutieuse et régulière’ (Chassagne 1970: 492–3).
assets varied from 500 to 400,000 livres, liabilities from 3,000 to 375,000 livres, account receivables from 400 to 191,000 livres, good debt from 0 to 168,000 livres, goods up to 171,000 livres, losses from 1,300 to 116,000 livres, fortunes from less than 215,000 to 97,000 livres...

The high figures of debt receivable, a good index of business vitality, indicate the wealth and reputation, leading to confidence and hence to credit. The assets average of 54 jewellers or goldsmiths reached 53,500 livres, that of 14 tapestry-makers 25,400 livres. Taking into account secure assets, i.e. assets without losses and bad debt, the averages reached 54,400 livres for the 27 jewellers and 22,000 livres for the eight tapestry-makers considered. The debt receivable average reached 3,080 livres for 40 jewellers, 15,300 for 11 tapestry-makers. Liabilities were even more impressive, and with good reason (they caused bankruptcy): the averages amounted to 59,000 livres for the 58 jewellers and to more than 32,200 for the 17 tapestry-makers. The 42 known amounts of losses reached 33,500 livres.

Tension was constant between accounts receivable and accounts payable. Businesses were then run under economic strangulation threat since a non-renewed credit could lead to bankruptcy. That just shows how much shopkeepers were subordinated to their creditors and even more if in a tricky situation. Comparing account receivable ‘bonnes dettes’ and liabilities ‘dettes passives’, or account receivable and bad debt ‘mauvaises dettes’, in the statements is enough to understand the situation. The tapestry-maker Law held 3,455 livres in account receivable but 19,000 livres in bad debt; the jeweller Aubourg, 11,000 livres in account receivable buts 10,000 livres in bad debt and 39,000 livres in very bad debt; the jeweller Dezarot, 300 livres in account receivable but 31,500 livres in bad debt and so on.

---

7. The statement uses the words account receivable (dettes actives) and liabilities (dettes passives). ‘The dette active is what is due to us; the dette passive is what we owe. […] there are three kinds of dettes actives; those which are receivable; those which are bad and those which are thought absolutely lost. There are also three kinds of dette passive; deposit money; what is due to individuals who are not merchants nor shopkeepers; and what is due to merchant and shopkeepers with whom there are commerce relation.’ (‘Dettes’, Savary des Bruslons 1741).

(‘Les dettes actives, c’est ce qui nous est dû ; les dettes passives, c’est ce que nous devons. […] on compte de trois sortes de dettes actives ; celles qui sont bonnes et exigibles, celles qui sont douteuses, et celles que l’on croit absolument perdues. On compte aussi de trois sortes de dettes passives ; l’argent de dépôt ; ce qu’on doit aux particuliers, qui ne sont point négocians, ni marchands ; et ce que l’on doit aux marchands et négocians avec lesquels on est en commerce…’)
Bankrupts could not or did not manage to keep balance between account receivable and liability or bad debt. They were overcome by credit.

The omnipresent credit: the embeddedness of shopkeepers

There is no business without capital outlay or without share capital. Rising capital is critical for the success of the business. Shopkeepers needed money to start their business, to increase it, to buy or renew stocks and to cope with cash problems. In order to get it, they appealed to credit: notes, liquidity, current accounts, which formed the so heavy burden of liabilities in the statements. As such, the statements testify to the integration of the shopkeepers in the economic fabric. The jewellers Baudouin, Blézimar, Charpentier, the tapestry-maker Deshayes owed 20,000 to 30,000 livres to about thirty persons; the tapestry- and mirror-makers Grandin and Jourdain owed 50,000 livres to about twenty persons; the jewellers Carelu and Combes 60,000 to 70,000 livres to about forty. To understand the relations linking the shopkeepers to their creditors, the list established to carry out to check the claims is invaluable. Setting the list of creditors was part of the legal process activated by filing for bankruptcy. The files included very specific information about credit: the various means of payment, the values, the deadlines, the age of credits, the flow of notes, etc. The lists show that the investors who run the retail shops in Paris were ... the shopkeepers themselves. The vast majority of creditors were actually shopkeepers and craftsmen, small and big. Credit relation criss-crossed among shopkeepers, which is precisely the basis of their embeddedness. Let’s study the jewellers. The 48 shopkeepers considered called upon 1,098 creditors whose profession is known (table 2). 90 per cent (985) belonged to trade, to goods or craft, to bank, to factory: 170 merchants, 179 jewellers, 54 haberdashers, 45 goldsmiths... The bankers or ‘money sellers’ represented hardly one

8. Bankruptcy law relied on two texts: the royal decree of 1673 and the statement of 1739. In Paris, three jurisdictions were in charge of commerce: the Châtelet, the commercial court (la juridiction consulaire), the Bureau of the City (Bureau de la ville). The royal decree of 1673 handed the bankruptcy jurisdiction over to the royal judge, but gave the power to check the claims, debt states and account books to the commercial court. Because of the increasing number of bankruptcies, a statement of 1715, renewed, handed absolute jurisdiction to the consular magistrates. After the reaction of the Châtelet, the statement of 1739, applicable in Paris, stated that in all bankruptcies and fraudulent bankruptcies the royal magistrates would not receive claim assertions and would not ratify any deadline contract without the titles being examined by the judges and consuls (Dupieux 1934: 134; Lafon 1973: 217–70; Lafon 1979: 113–34; Kessler 2007).

9. The number of creditors per shopkeeper ranged from 5 (the jeweller Sévenet) to 107 (the jeweller Granchez).
per cent. Few came from outside of the world of commerce: bourgeois of Paris (less than three per cent), the office circles (two per cent), nobility (1.5 per cent)... On whom did the jewellers depend? Observing the paid amounts (from 3 to 50,600 livres) emphasizes the balance of power structuring the commercial society. Merchants dominated by far (25 per cent of the supplies), followed by the very active the goldsmiths (17 per cent). The jewellers (9.8 per cent) fell behind and shortly got ahead of bourgeois de Paris (4.6 per cent). So, the Parisian retail jewellery was financially dependent upon merchants and goldsmiths, great capital holders. They mastered information because they participated – mainly the former – in the international market and in the flow control (Grenier 1996: 417–8). Through credit as much as through goods, merchants and goldsmiths held the shopkeepers. The vast majority of bankrupts were debtors towards merchants and (or) goldsmiths, even the smallest. For the most active, the amounts at stake were quite significant, ranging from 20,000 to more than 80,000 livres. In 1778 and then in 1784, the jeweller Leconte owed 82,000 livres to 24 goldsmiths, 77,000 livres to 6 merchants, 58,000 to 13 jewellers, 17,000 to a bourgeois de Paris. In 1781 then 1788, the jeweller Nollet owed 62,000 livres to two merchants (more than 50,000 livres to Delaunay), 29,000 to 18 manufacturers in Beauvais and Rouen, 27,000 to two bourgeois de Paris, 26,000 to a wood dealer, 17,000 to a jeweller and 17,000 to a tapestry-maker.10 The haberdasher-jeweller Granchez spent fortunes to supply his shop. In the statement, he owed to more then a hundred shopkeepers.11 He owed 80,000 livres in goods to 14 merchants, out of which 18,000 to a merchant in the City (Grenier frères), 30,000 to three Londoners (Gray, Holy and Josué Ogier),12 7,000 to a merchant in Birmingham (Glover son and Frey) and 5,000 to two Swiss (Dubois, of Neuchâtel, and Mallet, of

---

10. Arch. de Paris, D4B6 69-4518, Leconte; D4B6 82-5521, Nollet; D4B6 90-6197, Virlouret.
11. They were goldsmiths, jewellers, merchants, toy dealer, watchmakers, mirror-makers, caster, gilder, varnisher, enamel maker, cutler, fan maker, the Queen’s china factory, the royal crystal factory in Besançon, etc. Most of the claims were notes that were ‘ready made value in goods [...] and current account’ (‘tous faits valeur en marchandises [...] et en compte courant’) (Arch. de Paris, D4B6 91-6280, creditors list, 1787, Granchez, deposition of Léon Zacharie, Jewish merchant, checked claims list).
12. Thomas Grey, 90e creditor on the list, merchant in London, represented by Dominique Daguerre then settled in the English capital but holding a shop rue Saint-Honoré in Paris. Daniel Holy’s deposition (103e) mentioned London as place of residence although the business was in Sheffield (Sargentson 1996: 126). Granchez also owed 25,000 livres to his son for ‘pension revenue and various refunds’ (‘produits de rentes et divers remboursements’).
These great merchants specialised in import, redistributed on the Parisian market, showing the strong hierarchy within the commercial world. The recurrence of a few names emphasizes the power of a dozen merchants or shopkeepers and the diamond supremacy in the Netherlands: Léon Zacharie, a Rotterdam native (named 9 times), and Israel Simon, from Amsterdam (6), the hardware dealers Orcel (6), the jeweller Abraham Bernard Wolf (5), the goldsmith Tirard (5)… At a smaller scale, creditors’ lists show the dominant part played by some jewellers and the intertwining of relations. Merchants and goldsmiths were hence the great suppliers of credit in Parisian jewellery and, consequently, masters of the market.

However, the small businesses operated also thanks to intense horizontal relations, as shown by the multiplicity of creditors and informal links between peers. The invasion of credit was normal. It set trust as the key issue of commercial relations in the heart of shopkeepers’ activity. Trust irrigated the commercial society. The chapter ‘losses’ gives many indications about widely held practices: association between shopkeepers, common purchasing and selling, gifts ‘in trust’ or ‘on condition’, i.e. goods deposit at each other’s shop. Deposit between shopkeepers, as well as associations, took part in goods circulation flows, inside the Parisian market but also towards provincial markets (Lyon, Montpellier…) and foreign markets, via London, Naples, Genoa, or even Constantinople… Deposits allowed to bypass regulations rigidity. They rendered null and void the prohibition to hold several shops.

… delivered in trust [to Bélalie brothers] an enamelled china box with Flemish figures, to be sold for 30 livres.16 (… livré par confiance [à Bélalie frères] une boîte de porcelaine en email figures flamande, pour être vendu la somme de 30)

---

13. The jeweller still owed 100,000 livres to 35 goldsmiths, out of which 19,000 to Blerzy and 17,000 to Marcillac, 18,000 to 7 watchmakers, 12,000 to 8 toy dealers, 8,800 to the Queen’s china factory, 4,000 to two mirror-makers, etc.

14. Blézimar, bankrupt in 1779 with assets of 15,000 livres, was Granchez’s (asset of 400,000 livres) and Clément’s creditor (12,800 livres); Granchez, bankrupt in 1787, was Dezarot’s (41,000 livres) and Diodet’s creditor (2,800 livres)…

15. Company set between Diddet, Armenian shopkeeper in Constantinople, usually in Constantinople, residing rue de l’Arbre-Sec (Paris), and Casadur dit Chamas, Chaldean shopkeeper from Mesopotamia, same street, 6 August 1738, A.N., minutier central, et/X/445.

To James Staphens, London shopkeeper for entrusted goods... 3,880 livres

But the risk increased since there was no protection possible within trust relation: the gifts in trust were made over-the-counter. The association did not suppress risk either, although it tried to contain it:

In false losses in the association [with Master Roger] [...] and common loss for my of share... 6,000 livres (en fausses pertes dans l’association [avec le sieur Roger] [...] et perte commune pour ma part de portion... 6,000)

Distance increased uncertainty. The lender in trouble was helpless in front of betrayal. He had to write matters of trust on the losses side of the statement. The main part of bad debts and losses were deferred liabilities. They were ‘debts lost with trust in the breakdown’ (‘dettes perdues au détail par confiance’) as the jeweller Lecuyer wrote, ‘money lent by trust’ (‘argent prêté sur parole’), honour notes (‘billets d’honneur’),¹⁹ bankrupt or dead shopkeepers debts. Shopkeepers, as merchants, entertained between them strings of affairs during years, paying by paper transfers and registration of account. The credit relied on acquaintance relations and on the belief in the value of signatures or verbal agreements, hence the importance of words such as ‘reputation’, ‘credit’, ‘trust’.

Lost with the named Frigelly, Italian residing in Genoa through goods in trust I delivered to him in 1777... 4,005 livres (Perdu avec le nommé Frigelly Italien demeurant a Gennes par marchandises de confiance que je lui ai livré en 1777... 4,005)

---

¹⁷. Étienne Dubois’s statement, agent merchant, bourgeois de Paris, 1779, D4B6 42-2364.

¹⁸. Claude Guillermet’s statement, privileged jeweller, 28 March 1781, D4B6 80-5369.

¹⁹. Arch. de Paris, D4B6 77-5135, 26 May 1780, Jean Nicolas Lecuyer’s statement, jeweller. The jeweller Claude-Luc Langlois was creditor of an ‘honneur note’ (un billet d’honneur) (1,792 livres) owed by the marquis de Fénelon, of three ‘honneur notes’ (572 livres) owed by the baron de Fénelon and about ten others (arch. de Paris, D4B6 70-4603, 19 January 1779, statement). Jouy, ribbon dealer, stated that, at the time of the first bankruptcy of the jeweller Guy, ‘about six or seven years ago’ (‘il y a six à sept ans environ’), he was creditor for 4,000 livres, non refunded, and that he has ‘again had the great weakness to give [...] another two thousand livres in cash about two to three months ago without asking for note nor acknowledgment’ (il a ‘encore eu la plus grande faiblesse de donner [...] deux autres mille livres en espèces il y a environ deux ou trois mois sans prendre aucun billet ni reconnaissance’) (arch. de Paris, D4B6 64-4154, June1780, creditors list).

²⁰. Claude Guillermet’s statement, privileged jeweller, 28 March 1781, D4B6 80-5369.
Profits and risk remained inseparable. ‘Profits appears as very fortuitous, implying risks and chance: this why this word is of great use for players and shopkeepers’ (‘Le gain semble être quelque chose de très casuel, qui suppose des risques et du hasard : voilà pourquoi ce mot est d’un grand usage pour les joueurs et pour les commerçants’). Risk stood in bankruptcy. ‘It is the state of a shopkeeper [...] whose affairs are so disrupted that he cannot meet the commitments he made and pay the amounts he owes’ (‘C’est l’état dans lequel se trouve un marchand [...] dont les affaires sont tellement dérangées, qu’il est dans l’impossibilité de remplir les engagemens qu’il a contractés, et d’acquitter les sommes dont il s’est rendu débiteur’) (Guyot 1784–5: 273). Bankruptcy was a crisis of both credit and confidence; ‘if trust eases so many matters, it also causes so many troubles in business when those who put trust in some people, suddenly withdraw it and deny credit to them to whom they used to give it’ (‘si la confiance facilite une infinité d’affaires, elle cause aussi une infinité de maux dans le commerce lorsque ceux qui ont eu de la confiance pour quelques-uns la retirent tout d’un coup et refusent le credit à ceux auxquels ils avaient accoutumé d’en donner’) (Ricard 1724). What happened in case of ‘breach of trust’ (‘abus de confiance’), of partner faithless and without tactfulness (‘sans foy et sans délicatesse’)?

Bankruptcy tolled the bell of trust, at least momentarily, and moved the exchanges onto the ground of mistrust and suspicion. But the fundamental pragmatism of the commercial community remained. The relations wavered between sanction and compromise since the crisis lead to a new gamble for creditors: how could they avoid the expenses and get a chance to recover the debts?

Trust crisis and discussion: how to settle and overcome the crisis?

The embeddedness in the shopkeepers’ community was the main factor triggering the crisis. Bankruptcy compromised both the shopkeeper’s fortune and his reputation, i.e. the

---


22. Article ‘Gain’ in the *Encyclopédie* (Grenier 1996: 103).

laboriously built image of his own value shown to the others. An individual was always imbedded in his social networks: he was always located, always locatable by his contact persons (Dupuy and Torre 2004: 75). Reputation was crucial since success depended on it: without reputation, no credit, nor respect. The bankruptcy put creditors and debtors face to face in a collective contentious procedure: the law was limited to giving binding effect to the collective decisions of the creditors, without detailing ‘the resolutions taken by the creditors assembly’ (‘résolutions prises dans l’assemblée des créanciers’).24 The bankruptcy opened then on discussion: dispute and arbitration were not antagonistic (Shaw 2006: 277–95). The confrontation between the bankrupt and his creditors generated texts of great interest for the historian since shopkeepers are seldom heard. The choice of convention usually required several assemblies and auditions: the bankrupt had to submit a precise statement of his situation. Judged by his peers with no compassion nor aggressiveness, he had to restore trust. He had to find the arguments to avoid the worse, the civil imprisonment and seizure of assets, or to be released if he was imprisoned. He suggested a solution, agreed or not by the creditors. These last were both judge and jury since they tried to get their money back whilst belonging to the same world as the bankrupt. Their strictness depended on the statement (document enabled to exclude suspicion or not). It depended also on the integration of the bankrupt shopkeeper in the community: the reputation weighed much. The conflict was part of the commercial and social hierarchy.

The aim is to understand how the convention was built between the parties, to grasp again the embeddedness of shopkeepers very attached to trust. It is to understand how operated the commercial law that the bankrupts and their creditors contrasted with the special procedure (‘procédure extraordinaire’), i.e. the royal justice, Châtelet and Parliament. Finally, the solution of the bankruptcy enables to understand how the shopkeepers managed (or not) to overcome the conflict and the failure.

The necessity to ‘get along’ (‘nécessité de s’entendre’), the creditors’ line of conduct

The suspension of payment troubled the economic relations and harmed creditors. Creditors hesitated between strictness against fraud, the cumbersome procedures on the one hand, and the protection of honesty, settlements on the other (Coquery and Praquin

24. Royal decree of 1673 (Antonetti 1988: 5). Current practice deeds (stemming from collective creditors resolution) were worked out empirically to be used as regulation for bankruptcies before becoming the common law.
Fairness was a balance hard to find since bankruptcy came as a result of a disaster: how to safeguard the different interests? Throughout the reading of document appears the great flexibility of the creditor, at least the peers, ready to any kind of trade-off to safeguard what could be. Deals were often settled below law through agreements enacted before the notary out of the legal forms. Bankruptcy law was empirical, stemmed from a common thought and a collective practice (Hilaire 1986: 324). However, the procedure came with strong guaranties and was held before the notary. The first step toward common solution to the crisis was forming the ‘creditors’ union’ (‘union des créanciers). To set up as a body, creditors had to choose among them the director or trustee in charge, with the notary, of operational procedures, of administrating and of allocating the bankrupt’s assets, of filing the claims, etc. The procedure was settled in assembly after thorough examination of the statement and often, after hearing the bankrupt. Assemblies were meetings of strong discussions where the solution to the crisis was agreed on. The recurrence of such words as ‘having commonly deliberated’ (‘ayant délibéré ensemble’), ‘after examining the aforesaid statement and thinking among them over the most suitable terms for their real interests’ (‘après avoir examiné ledit état et réfléchi entre eux sur le party le plus convenable à leurs vrais intérêts’), ‘after conferring among them’ (‘après avoir conféré entre eux’), ‘considering the necessity to agree among them’ (‘considérant la nécessité de s’entendre entre eux’), etc. bear witness of it. ‘Necessity to agree’ (‘nécessité de s’entendre’): the words expressed the foundation of the creditor’s union, i.e., to manage to settle accounts among peers despite tensions. The course of action was to avoid the inconveniences of the legal proceedings: ‘avoid expenses’ (‘éviter les frais’), shorten the ‘lengths of the legal discussion’ (‘longueurs dans la discussion en justice’). The creditors’ union contract for the goldsmith Paul de Seriny made it perfectly explicit:

[... ] these being informed of the bad state of affairs of master Seriny that none of his creditors seized and executed his furniture and have seized really his real property fearing that the various procedures and the setting up of several prosecutors generated significant expenses and lengths in the legal discussion of master Seriny’s assets, what would be to the detriment of the creditors and would much decrease the bills’ profit to be used for their payment, have gathered to prevent these inconveniences and decide on a common position favourable to their interests and after common deliberation they decided and agreed as follows [...]

If the collective procedure completed the bankrupt’s ruin, it was wrong. This is why the direct agreement with the debtor was looked for. Pragmatism dominated since the arrangement between parties was the surest means to get paid, at least in part. Conciliatory words were plenty: ‘arrangement’ (‘arrangement’), ‘assent’ (‘acquiescement’), ‘compromised’ (‘ont transigé’), ‘agreed to the proposal’ (‘ont accepté la proposition’), ‘subscribed’ (‘ont adhéré’), ‘extension’ (‘ont sursi’) etc. Arrangement often meant bargaining. No mercy with the wronged shopkeeper who wanted to be paid back. So postponement dominated in the world of goods. Postponement settled or tried to settle the conflict with deadlines and cancellations, avoiding dispossessing, stopping the activity or forced liquidation (Guyot 1784–5: I, 696–7). It is the ‘commercialist\(^{26}\) concept of bankruptcy (Antonetti 1988: 10). Creditors were sceptical about the efficiency of the rigorist attitude implying long, costly and uncertain procedures. They preferred to speculate on the return to prosperity and on the bankrupt’s wish for settlement. Deadlines were always granted when no cancellation was asked for\(^ {27}\). If they were convinced of his honesty, creditors trusted the bankrupt and accepted his proposal ‘on the strength of the execution of the contracted obligation’ (‘sur la foi de l’exécution des obligations contractées’) or ‘on the strength of security’ (‘sur la foi du cautionnement’):

\(^{26}\) Translator’s note: bankruptcy seen from the shopkeepers’ point of interest and not with a legal view.

\(^{27}\) ‘and the aforesaid creditors [...] agreed to grant the aforesaid Calame the aforesaid cancellation complete of the interests and expenses [...] and to grant him a ten years deadline, six of which with no payment at all to then pay the principal claims in the four other years by quarter, with a first settlement date at the end of the seventh year’ (A.N., et/LXV/476, 18 August 1785, Postponement, Christian Calame, watchmaker).

(‘Et lesdits sieurs créanciers [...] sont convenus de faire audit Calame ladite remise pure et simple des intérêts et frais [...] et de lui accorder le délai de dix années dont six sans rien payer pour ensuite faire le payement des créances principales dans le cours des quatre autres années par quart d’année en année dont la première échéance à la fin de la septième année’)
[...] the aforesaid masters and ladies creditors [...] convinced that, from the aforesaid master Bonein, there is no misconduct, nor dissipation, and full of confidence in his probity, his activity and intelligence, agreed on what follows. [...] They did him justice to recognize him as an exact and sincere shopkeeper.\textsuperscript{28}

([... lesdits sieurs et dames créanciers [...]) convaincus qu’il n’y a de la part dudit sieur Bonein ni inconduite, ni dissipation, et pleins de confiance dans sa probité, son activité et son intelligence, sont demeurés d’accord de ce qui suit. [...] ils lui rendirent la justice de le reconnaître pour un marchand exact et de bonne foy [...])

The second means of settling the bankruptcy, the creditors’ union contract was chosen only in desperation, when the bankrupt was dead, presumed guilty of fraud or with such a bad state in his business that going on would not fix anything. The deed signed an \textit{a priori} irredeemable forfeiture. But the creditors got around according to their interests, which explained the shifts in positions. The jeweller Langlois le Jeune was helped by his elder brother, to whom he owed almost 13,000 \textit{livres}. After deciding for a debt waiver at the end of October 1789, the creditors opted for cancellation two months later. Waiving all the goods and the account receivable had not being a sound economic calculation. It was as well to accept the elder bother’s offer: a 40 per cent payment of capital, 30,000 \textit{livres}, at the rate of 6,000 \textit{livres} every six months, against the cancelation of the infamous abandon deed, fair’s fair. The full weight of the family solidarity was brought into the deal, as the following clearly shows:

[Art. 6: Langlois l’Aîné’s aim is] to ensure the aforesaid Langlois Jeune of the keeping of his trade and to prevent his complete ruin [...]. [The commitment he takes] will be effective only if [his brother] recovers his business and if debt waiver and resolution are stopped. [...]. [Art. 8] and whereas the interest for all the creditors to accept the aforesaid Langlois l’Aîné’s resolutions since they grant them 40 per cent of their claims capital cash while a debt waiver [...] presents difficulties, lengths and losses in its enforcement that do not allow to keep the same hope [the creditors guarantee Langlois le Jeune to have the present act carried out].\textsuperscript{29}

([Art. 6: Le but de Langlois l’Aîné est] d’assurer audit sieur Langlois Jeune la conservation de son commerce et de prévenir sa ruine totale [...]. [L’engagement qu’il prend] n’aura d’effet qu’autant que [son frère] sera remis en possession de son commerce, qu’il ne sera donné aucune suite audit

\textsuperscript{28} A.N., et/XXIX/566, 27 January 1782, convention, Joseph Bonein, haberdasher.

\textsuperscript{29} A.N., et/XXVII/495, 23 December 1789, creditors union contract, Luc-Augustin Langlois, jeweller.
acte d’abandon ainsy qu’aux délibérations [...] [Art. 8] et attendu l’intérêt dont il est pour tous les créanciers d’accepter les obligations dudit sieur Langlois L’Aîné puisqu’elles leur assurent la rentrée de 40 pour cent des capitaux de leurs créances tandis que l’abandon [...] présente dans son exécution des embarras, des longueurs et des pertes qui ne permettent pas de conserver le même espoir [les créanciers assurent à Langlois le Jeune de faire exécuter le présent acte])

Even imprisonment or flight seldom signed the end of the relation and entailed greater severity: the height of the moment was due to some creditors intransigence before organising the union, or to fearing the bankrupt, fraud or suspicion of fraud. Negotiations started during the imprisonment or on return of the bankrupt. Conciliation proceedings did not distort the balance of power: the threat remained of going back to strict enforcement facilities and trust remained limited: ‘The aforesaid creditors shall retain their claims until they be completely paid’ (‘Lesdits sieurs créanciers garderont entre leurs mains les titres de leurs créances jusqu’à ce qu’ils en soient entièrement payé’.) Negotiations sometimes included pressures and several shopkeepers spent a few months in prison until their situation was clarified.

Settling the bankruptcy was a touchy process. The room for manoeuvre remained narrow because the bankrupt relied on the creditors’ will to be paid back while he risked forfeiture and business death. If the creditors pushed rigour too far, even though justified, they lost any chance to recover their capital. Assemblies and deliberations were a close game.

‘Credit’ and ‘good faith’, keywords in the explanations of the bankrupt

The words of the bankrupts appear though the ‘Observations’ sometimes commenting statements and mainly through the contract signed with the creditors before a notary. The contract started with all the parties involved: the bankrupt, then the creditors. The word was then given to the bankrupt: he produced his statement; he more or less tearfully commented on it and suggested a solution to repay his debts. The creditors deliberated then delivered their verdict. The act ended with the signature of all the people present. For the bankrupts, bankruptcy resulted first from non-commercial factors such as health expenditure for the wife or accidents. Credit and business losses came only second. The

31. P.-C. Reynard noticed four kinds of arguments in the bankrupts words in Languedoc (Reynard 2001: 364–
rigours of the market were often used as an excuse because they enabled the bankrupts to
dismiss any responsibility by blaming either the lack of cash, the unavoidable use of credit,
compulsory or hasty sales (‘ventes forcées’ or ‘précipitées’)… Yet, prevailed in arguments
domestic expenses and unforeseeable accidents: fires, thefts, seizure of goods, illnesses, etc.
Nothing was mentioned about competition or economic transformation. Failure was not
perceived as the consequence of an inadequate choice nor of a competitive climate
eliminating the weakest. It was an individual accident, out of context. Bankrupts seemed to
have no control over the world around them. An ideal of honesty and moderation haunted
the narratives seeming disconnected from economic realities. P.-C. Reynard or W. Reddy
showed the confusion created by shopkeepers between private and public spheres, which
demonstrated the lack of an autonomous commercial field (Reddy 1984: 20–1). Shopkeepers
wished to demonstrate to creditors the load of ordinary and modest family expenses
(housing, nurse, illnesses…). They thus tried to prove the lack of dissipation and fraud.
Most of the bankrupts posed as victims. They cited ‘evil times’ (‘le malheur des temps’),
‘trade difficulties’ (‘la difficulté du commerce’), ‘unfortunate circumstances’ (‘des
circonstances malheureuses’) and begged for the ‘indulgence’ (‘indulgence’), ‘leniency’
(‘clémence’), ‘condescension’ (‘condescendance’), ‘help’ (‘secours’). All insisted on the
advantage of an agreement. The matter of credit and time were nagging items of the
narrative. Bankrupts were aware of the harm but played helplessness: the overwhelming
credit was presented as mandatory and uncontrollable since they could not master
timeframes. Several shopkeepers pointed the key issue: duration and chronology of
business. The watchmaker Fagard clearly related credits, losses and time:

[…] the credits he was bound to give and the losses he suffered because of these credits over
several years having significantly reduced his business and his fortune, forced him to fail to his
commitments to them, all the more as the claims due to him for which he had some hope are of
hard and difficult recovery […]. And the above-named creditors, after acquainting themselves
with the situation of the aforesaid master Fagard, having perfect knowledge of the losses he
suffered because of the credit he had to give […] the decision was unanimously made and
deliberated to rescue the aforesaid master Fagard […].

([… les crédits qu’il a été obligé de faire et les pertes qu’il a essuyées par ses crédits depuis
plusieurs années ayant considérablement diminuer son commerce et sa fortune l’ont mis lui
même dans la nécessité de manquer aux engagemens qu’il avoir pris avec eux, qu’il s’y est cru

---

74).

d’autant plus forcé dans ce moment que les créances à luy dues et sur lesquelles il avoit quelques eperances sont d’un recouvrement difficile et douteux [...]. Et lesdits créanciers susnommés après avoir pris connoissance de la situation dudit sieur Fagard ayant parfaite connoissance des pertes qu’il a essuyé par les crédits qu’il a été obligé de faire, [...] il a été unanimement arrêté et délibéré de venir au secours dudit sieur Fagard [...])

It was apparently admitted that a capable shopkeeper did not get caught in a credit crunch but at the same time the omnipresence of credit explained the certain lenience of the creditors and the ease with which they granted cancellations or deadlines.

In the settlement process the reputation of the shopkeeper was vital. All the bankrupts asked their assembled creditors to choose terms ‘enabling them to continue their business’ (‘en état de continuer [leur] commerce’). The objective was to avoid the risk of legal and liquidation of assets proceedings, to obtain the end of the ‘rigorous pursuits’ (‘poursuites rigoureuses’) and of the civil imprisonment, to get deadline and, whenever possible, cancellations: ‘avoid his complete ruin’ (‘éviter sa ruine totale’) was a leitmotiv. To achieve this, the bankrupts had to convince of their ‘good faith’ (‘bonne foi’), their ‘honour’ (‘honneur’), their ‘integrity’ (‘probité’). They needed at all costs to stand out from fraudulent bankrupts. The ultimate goal was to recover the trust of their peers, to regain a position among them and to resort back to credit. The haberdasher Bonein insisted:

He dares pride himself that the ease that the cancellations just granted to him will give him enables him to extent his business by facilitating suppliers credits and turnover; he may then settle all his debts and hence fulfil his conscience and accurate integrity.33

(Il ose même se flatter que la facilité que lui procureront les remises qui viennent de lui être consenties lui permettent de donner plus d’étendue à son commerce lui facilitant les crédits des fournisseurs, et le débit, il pourra par la suite faire honneur à la totalité de ses créances, et par là satisfaire à sa conscience et son exacte probité.)

Credit relations held an ambiguous intensity: they raised questions of economy and society, of finance and law. The shop represented an essential part of the credit market on which a flourishing activity was based. It was in truth a market because credit had a cost, a perimeter of action and followed specific codes. It was informal but not without rules, hence the questions about contractual relations, disputes, negotiation. Disputes between shopkeepers did not necessarily imply economic crisis or social relation deterioration; they

33 Joseph Bonein, haberdasher, postponement, 14, 15, 16, 18 and 20 July 1783, et/XXIX/566.
rather expressed the cheapest way to get legal guarantees to continue credit relations when these last faced difficult times (Shaw 2006: 277–95). The common occurrence of postponement – a voluntary deed signed before a notary - meant that the bankruptcy settlement aimed in no way at breaking the links between the shopkeeper and his creditors but rather at strengthening them by law. The aim was to redefine the rules of the game between the actors who knew each other and were obliged to cooperate in the same field: the ‘postponement law’ (‘loi de l’atermoiement’) (Guyot) provided the framework for stabilized relations. For many creditors, the objective was not to end the relation by demanding the complete refund of debts but rather to be able to continue it.

Bibliography


