# RISK AND FAILURE IN ENGLISH BUSINESS 1700–1800

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# CONTENTS

# FIGURES



# TABLES

# 1

# BUSINESS ENTERPRISE IN EIGHTEENTH-CENTURY ENGLAND

The spectre of the Industrial Revolution haunts our understanding of the English economy in the eighteenth century. In the fashion of Whig history, there has been a tendency to concentrate on those parts of the economy which were developing most quickly and making the most significant contribution to industrialisation and economic growth. Remembering the old cliché that history is written by the victors not the vanquished, this is largely to be expected. Consequently, we have been told about the growth of foreign trade, the expansion of home demand, the wave of gadgets, the surge of capital formation, the rise of population and urbanisation, the revolution in agriculture and of the achievements of entrepreneurs. In short, the eighteenth-century economy has often been seen as a success story and as a place in which to uncover the origins of the Industrial Revolution. Nowhere has this been more true than in studies of business enterprise and the role of businessmen in economic growth. That role is often enough described in terms of success and achievement, usually with reference to the great and the famous. Yet if we try to rid ourselves of hindsight, then the likes of Wedgwood and Arkwright become just a part of the story. Alongside such heroes stood more mortal businessmen. This book adopts a less optimistic perspective, arguing that enterprise can be properly understood only when due regard is paid to bankruptcy and that the undoubted success of business expansion over the century has to be placed in the context of the possibility and reality of such bankruptcy. It is worth bearing in mind Richard Cobb's belief: 'Failure is much commoner than success, at any period, though it has seldom been accorded even a small corner in the work of historians; it is also more endearing, and much more human.'[1] We shall see. But looking at failure should make us think about more than just the financial mortality of business in a period of general economic growth. For by studying the patterns of bankruptcy evidence is produced that 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 a century ago.

[1] *Death in Paris* (Oxford, 1978), p. 102.

## BUSINESSES IN EIGHTEENTH-CENTURY ENGLAND

In the late nineteenth and early twentieth centuries historians commonly stressed the insignificance of economic change before 1760 and the cataclysmic importance of developments thereafter. In this view the Industrial Revolution happened suddenly and unexpectedly, striking a backward and almost medieval economy like a flash of lightning. By the 1940s, however, it was clear to historians that the English economy before 1760 had in many ways been well developed and relatively sophisticated by the standards of pre-industrial economies. The economic constraints of the guilds in industry and of feudal relations in agriculture had long since weakened. Moreover, slow growth and economic preparation before 1760 were seen as vital in providing a fertile seedbed for the substantive and dramatic changes ushered in by technical developments in cotton, iron and steam. Rostow's 'take-off stage', 'the great watershed in the life of modern societies', took place after the economy had served its agricultural, industrial, commercial, scientific and intellectual apprenticeships in the seventeenth and early eighteenth centuries.[2] In 1948 T. S. Ashton noted that 'capitalism had its origins long before 1760, and attained its full development long after 1830: there is a danger of overlooking the essential fact of continuity'.[3] Ashton and others did not deny the significance of change but merely stressed the perils of ignoring continuity. Unfortunately, many studies into the origins of the industrial transformation did. Images of the Industrial Revolution as the sum of spinning jennies, steam engines, factories, ironworks, of power and machines in short, have proved very resilient. So much so that the picture of continuity and slower growth has recently been rediscovered and reinterpreted by historians trying to pin down the eighteenth-century economy in quantitative terms.[4]

Although overall rates of growth may have been modest in the eighteenth century there were still significant changes in the structure of the economy. The early stirrings of the Industrial Revolution saw some regions and industries

[2] W. W. Rostow, *The stages of economic growth* (Cambridge, 1960), Chs. 1–4. C. H. Wilson, *England's apprenticeship, 1603–1760* (London, 1965).

[3] *The industrial revolution 1760–1830* (Oxford, 1977), p. 2. J. H. Clapham was the first major historian of the Industrial Revolution to stress the expansion of old forms of industry and the strength of continuity after 1760: *An economic history of modern Britain*, 3 vols. (Cambridge, 1926–38).

[4] N. F. R. Crafts, 'British economic growth 1700–1831: a review of the evidence', *Economic History Review*, XXXVI (1983), pp. 177–99 and his *British economic growth during the industrial revolution* (Oxford, 1985). C. K. Harley, 'British industrialization before 1841: evidence of slower growth during the industrial revolution', *Journal of Economic History*, XLII (1982), pp. 267–89. The historiography of the Industrial Revolution has been discussed recently by David Cannadine, 'The present and the past in the English industrial revolution 1880–1980', *Past and Present*, CIII (1984), pp. 131–72.

grow with unforeseen speed and vigour as others stagnated or decayed. In Lancashire and the West Riding the cotton and woollen industries expanded dramatically; overseas trade developed significantly; agriculture grew; and as the population increased so a higher proportion of people came to live in towns. But these areas of substantial change took place in the context of a national economy that was evolutionary rather than revolutionary, and where change was not always in the direction of 'progress'. Where there were no developments in techniques or organisations and where demand was inert then productivity advance was absent. Areas sometimes became less competitive and stagnated or decayed. If the textile industries of Lancashire and the West Riding were hugely successful, those in East Anglia, the West Country and the South West were not. England was still a green and pleasant land in 1800, but it was becoming distinctly mottled because some industrial areas were turning into Coketowns while others were reclaimed by the fields.

This book examines some of the ways businessmen contributed to points of continuity and change in the eighteenth-century economy and looks at those points from both a long- and short-term perspective. While concentrating on bankruptcy as broad a sweep as possible is taken so that enterprise is seen in its own terms rather than simply in relation to nineteenth-century industrial maturity. Bankruptcy helps to describe the restructuring of the economy in sectoral and geographical terms, the fluctuations and variability of economic activity and the contribution and place of businessmen in those moments of growth, stagnation and decay.

Businessmen have long been seen as focal points in any market economy. In an oft-quoted statement A. H. Cole argues that 'to study the entrepreneur is to study the central figure in modern economic development, and to my way of thinking, the central figure in economics'.[5] In Neil McKendrick's words, 'the entrepreneur is rightly seen as the most important human link between those non-economic variables and the production end of the economy'.[6] In a private enterprise economy the firm is the basic unit of production and distribution. And

> The patterns of economic life, including the patterns of consumption as well as of production, are largely shaped by the multitude of individual decisions made by the businessmen who guide the actions of the business units we call firms. The very nature of the economy is to some extent defined in terms of the kind of firms that compose it, their size, the way in which they are established and grow, their methods of doing business, and the relationships between them.[7]

[5] *Business enterprise in its social setting* (Cambridge, Mass., 1959), p. 28.

[6] 'General introduction' to R. J. Overy, *William Morris Viscount Nuffield* (London, 1976), p. x.

[7] E. T. Penrose, *The theory of the growth of the firm* (Oxford, 1959), p. 9.

Some of these issues can be considered with reference to eighteenth-century England by looking at bankruptcy.

Studies of eighteenth-century business enterprise not only tend to ignore failure but have also concentrated on the spectacularly rich and successful. Inevitably our picture of the impact of enterprise is partial and distorted so that the patterns Penrose mentioned have been imperfectly described. This introductory chapter identifies where the gaps in our knowledge are and in what ways a study of bankruptcy can help fill some of them. In part this involves an historiographical examination of eighteenth-century enterprise, but in part it also glances at some issues economists stress when they look at businessmen. To do this it is important to begin with a descriptive outline of the different types of enterprise in the eighteenth century.

Then as now businessmen could be either producers or traders, or both. In the eighteenth century the interaction between these two functions was considerable and while those overlaps and conjunctions cannot be ignored a preliminary description will be clearer if they are separated. Unsurprisingly, because of the lure of explaining the Industrial Revolution the manufacturers and industrialists rather than the marketers or distributors have been given most attention hitherto. Tradesmen and marketing have been woefully neglected in studies of eighteenth-century business enterprise and their importance seriously underestimated. In 1760 Joseph Massie calculated that whereas nearly 19 per cent of all families were engaged in trade and distribution only 5.4 per cent were master manufacturers.[8] Numerically there is good reason to concentrate first on distribution and only secondly on production. Getting the goods from the manufacturer to the consumer was fundamentally important; as Adam Smith wrote, 'Consumption is the sole end and purpose of all production.'[9]

Contemporary observers never tired in their descriptions of distinguishing internal from external traders. And their faith in the efficacy of overseas trade, inherited from an earlier time and an admiration of Dutch commercial strength, perhaps made them exaggerate the importance of merchants relative to shopkeepers and domestic middlemen. Richard Campbell offered a typical eulogy: 'Some Tradesmen we have treated of employ several different Branches, some particular Crafts dependent on them; but the Merchant employs them all, sets the whole of Society at work, supplies them with Materials to fabricate their Goods, and vends their Manufactures in the most distant Corners of the

[8] If the definition of 'manufacturer' is stretched to include artisans and craftsmen then the proportion rises to nearly 21 per cent. But such 'manufacturers' were hardly businessmen. P. Mathias, 'The social structure in the eighteenth century: A calculation by Joseph Massie', in his *The transformation of England* (London, 1979), p. 189.

[9] *An inquiry into the nature and causes of the wealth of nations*, ed. E. Cannan (Chicago, 1976), Vol. II, p. 179.

Globe.'[10] Moreover, Gregory King (1688), Massie and Patrick Colquhoun (1803) all believed that merchants were the most prosperous group in the business community, earning as much as many gentlemen and much more than most of those in the professions. But if their wealth was considerable their numbers were not. There may have been 10,000 at the end of the seventeenth century and only 15,000 in the early nineteenth, despite the fact that the volume of overseas trade increased fivefold over the same period.[11] The merchants' financial wealth but their numerical insignificance immediately suggests that it was difficult to become one but rewarding if achieved.

If merchants stood apart as a distinct group among traders, elevated above the crowd, then it is less easy to isolate similarly differentiated concentrations in the home trades. A simple but unreliable division can be drawn between retailers and wholesalers, between shopkeepers and middlemen. Taken together, Gregory King believed there were 50,000 in 1688 while Joseph Massie put the figure at 162,500 seventy years later.[12] Massie believed that the majority of these earned only £40 per year. Yet although shops were often small businesses, generating modest profits, when they are aggregated together it is clear that they handled a good deal of the economic activity of the period. Obviously they were found in greatest numbers and variety where population was most concentrated. In the rural economy shopkeepers were usually general grocers or such like, but in towns their functions were often more closely defined. As the economy, transport, population and urbanisation all advanced in the eighteenth century the pattern and importance of retailing changed, as it did for the wholesalers. And if, as has been recently suggested, there was a consumer revolution in the eighteenth century, then shopkeepers were central lynchpins in articulating the new patterns of demand this involved.[13] By the end of the century, shops had spread from the cities and towns to the villages and hamlets.[14]

If merchants were few in number but rich, and shopkeepers numerous but poor, then middlemen stood between the two on both counts. The functions of

[10] *The London tradesman* (London, 1747; reprinted Newton Abbot, 1969), p. 284.

[11] Mathias, *The transformation of England*, pp. 186–7. H. J. Perkin, *The origins of modern English society, 1780–1880* (London, 1969), pp. 20–1. These are King and Colquhoun's estimates as given in W. E. Minchinton, 'The merchants of England in the eighteenth century', *Explorations in Entrepreneurial History*, x (1957), p. 62. P. Deane and W. A. Cole, *British economic growth 1688–1959* (2nd edn, Cambridge, 1969), p. 48.

[12] Mathias, *The transformation of England*, pp. 186–7.

[13] N. McKendrick, 'The consumer revolution of eighteenth-century England', in N. McKendrick, J. Brewer and J. H. Plumb, *The birth of a consumer society* (London, 1982), pp. 9–33. E. W. Gilboy, 'Demand as a factor in the industrial revolution', in R. M. Hartwell, ed., *The causes of the industrial revolution* (London, 1967), pp. 121–38.

[14] [Turner,] *The diary of Thomas Turner 1754–1765*, ed. D. Vaisey (Oxford, 1985) provides a striking picture of a small shopkeeper in Sussex.

middlemen were various. Some waited in their warehouses, or at alehouses, markets and fairs for the producers to come to them, so that middlemen and producers were only casually related. But other middlemen actively sought out manufacturers, sometimes trying to establish a dependent relationship where the producer put the bulk of his output into the hands of a single middleman. This second pattern was less likely when agricultural goods were involved, more likely with industrial goods. It was in industry, more particularly the dominant domestic system, where goods were made in the homes of the workers, that the division between producer and middleman is most difficult to maintain.[15]

In the domestic system of manufacture, a system which dominated English industry through the eighteenth century, despite the advances in factory production, workers were supplied with materials by a coordinating middleman to whom they usually returned the worked-up products. A middleman might sell the goods as a wholesaler himself or he might sell them off to other wholesalers. With so much interaction between production and distribution, it is unsurprising that middlemen were often known as merchant manufacturers. Of course, at a more specialised level, in craft production, they could be missed out altogether. Goods would be manufactured in a workshop at the back of the shop where they were sold. All in all then, there was no clearly defined position that retailers or middlemen occupied in the chain linking producer and consumer. It was the form of production and the structure of the market that fundamentally determined the role of the shopkeeper and wholesaler.

What this brief survey of distribution has shown is that merchants, middlemen and shopkeepers were numerous and played an important coordinating role in economic life in the eighteenth century. To ignore them by concentrating on manufacturers has happened too frequently for comfort. Distributors were not passive but active agents of change, striding alongside and falling over with producers. While it may be true that eighteenth-century marketing was consistently non-technological and that, therefore, inventions were of no direct importance, it is vital to remember the ways in which the marketing system could improve its productivity. Distributors could open up wider and wider markets allowing extensions of Adam Smith's division of labour through greater specialisation, more efficient organisations and more sophisticated techniques, such as advertising. Just as important, because production and distribution could be closely linked, manufacturers often found that they could expand their markets and productivity by paying more attention to marketing. The growth of Birmingham and Sheffield in the eighteenth century, for example, was

[15] It is a vivid testament to the lack of historical inquiry into the fate of middlemen that the best general study of wholesalers remains R. B. Westerfield, *Middlemen in English business particularly between 1660 and 1760* (New Haven, Conn., 1915; reprinted Newton Abbot, 1968).

explained by some contemporaries in terms of the way manufacturers successfully sought out markets on their own account and established closer ties with inland and overseas merchants.[16]

Several types of business firm existed on the production side of the economy. Manufacture might be either centralised or decentralised, rural or urban, mechanised or unmechanised, capital or labour intensive. There was no 'typical' manufacturing firm, employing average numbers of men who had average skills and used average tools or machines. The size, organisation and importance of a manufacturing firm was determined by an only partly predictable relationship between the size and structure of markets, available technologies and finance, the evaluation of scale economies and diseconomies by businessmen and the nature of competition and opportunities.[17]

Most commonly manufacturing was arranged in the rural domestic system, a system that allowed, but did not demand, some interaction of industrial and agricultural labour.[18] The central feature was the production of goods at the home of the workers. For centuries the woollen industry, the mainstay of the manufacturing economy, had largely been organised in this way. And so it remained in the eighteenth century. The benefits of the domestic system were clear enough: for if necessary skills were slight, tools few, underemployed labour plentiful, close supervision unnecessary and demand for the final good relatively weak then it produced acceptable goods at acceptable prices. Its manifest advantages ensured its survival in many areas and industries into the second half of the nineteenth century. Indeed, the system expanded as growth elsewhere encouraged the multiplication of existing processes, most famously in the growth of the handloom weaving industry between 1750 and 1800. Industrialisation involved the duplication of tried and tested methods just as much as the creation of new ones. The very flexibility of the domestic system, however, makes it impossible for it to be identified in a single form or for its businessmen to be characterised in a single way. In the woollen industry 'all the major centres varied in the ways in which they organised production, so did they in the marketing of their output'.[19] Businessmen might be large or small,

[16] J. Aikin, *A description of the country from thirty to forty miles round Manchester* (London, 1795; reprinted Newton Abbot, 1968), pp. 547–8. W. Hutton, *An history of Birmingham* (Birmingham,1781; reprinted East Ardsley, 1976), p. 70. J. Britton, J. N. Brewer, J. Hodgson and F. C. Laird, eds., *The beauties of England*, vol. XV (London, 1814), p. 291. See also S. D. Chapman, 'British marketing enterprise: the changing roles of merchants, manufacturers and financiers, 1700–1860', *Business History Review*, LIII (1979), pp. 205–34.

[17] E. A. G. Robinson, *The structure of competitive industry* (Welwyn and Cambridge, 1958), p. 12.

[18] D. C. Coleman, *The domestic system in industry* (London, 1960).

[19] R. G. Wilson, 'The supremacy of the Yorkshire cloth industry in the eighteenth century', in N. B. Harte and K. G. Ponting, eds., *Textile history and economic history* (Manchester, 1973), p. 239.

ranging from substantial merchant middlemen to less grandiose independent artisans.

In places the domestic system did break down or mutate during the eighteenth century. One impetus was that heightened demand for the final products led to the ever-increasing concentration of the worker's time on industrial production. For example, the metalworker in the West Midlands who kept a smallholding came under some pressure to give up the soil.[20] If he concentrated on industry he might then have moved to town and either continued to work in his home or in some type of workshop.[21] As an enterprise, workshop production was fundamentally different from domestic production. Under the dispersed domestic system, where labourers worked from home, merchant manufacturers operated from a warehouse. But when the labour began to be brought under one roof then the domestic system was changing into workshop or factory production and the businessman had to consider issues such as labour management and fixed capital formation which previously had been insignificant.

Some industries that were characterised by the domestic system in the early eighteenth century came under a serious challenge, however, because of technical developments. The low productivity inherent in the system could easily be exposed by successful mechanisation. This happened most dramatically in cotton spinning which was transformed from a small, non-mechanised industry, in 1750, to a large, machine- and factory-based one in 1800. Clearly, a mechanised, factory industry posed problems and provided opportunities for businessmen different from those of the unmechanised domestic system. In the last twenty years of the eighteenth century factories were rightly seen as one of the wonders of the age. The well-to-do flocked to see Wedgwood's Etruria, Boulton and Watt's Soho and Arkwright's Cromford. When they got there they knew they were looking at something unusual and novel – it was not typicality they were after. This is worth stressing; in 1800 factories were still very uncommon. Naturally, the bulk of business enterprises at the time was rather uninspiring in comparison, but it was no less important. Most businessmen ran firms that did things in time-honoured ways. Production outside the factory accounted for the major part of total enterprise, though growth was disproportionately connected to factories.

[20] M. B. Rowlands, *Masters and men in the West Midlands metalware trades before the industrial revolution* (Manchester, 1975).

[21] In 1808, however, one observer noted that although some iron was produced in Wolverhampton itself most of it came from 'the farmers for several miles round; for in this country every farmer has at least one forge, so that when farmers are not employed in the fields they work as smiths at their forges, and they bring all their work to market, where the Great tradesmen buy it up and send it to London'. *Holden's triennial directory* (4th edn, London, 1808), Vol. II, p. 291.

HISTORIANS AND ENTERPRISE

Business enterprise in eighteenth-century England was enormously varied and subject to a variety of influences. Some businessmen were producers, some distributors, some both. And there were many ways of doing business. Yet by and large that complexity has been avoided in general statements about eighteenth-century enterprise, largely because of the preoccupation with delineating the contribution of businessmen to growth. We know about the factory owners successfully pushing at the frontiers of enterprise but little about those who failed in the attempt or who operated in more representative ways.[22] This bias is worth uncovering in more detail.

In the early nineteenth century a long-lasting tradition was established which asserted that the Industrial Revolution was in large part caused by a dramatic expansion in the quantity and quality of business enterprise. Businessmen were viewed as the prime movers in the growth process. Their commitment, determination, courage and ability freed England from the shackles that bound the traditional pre-industrial economy. Samuel Smiles epitomised this view when he wrote that 'National progress is the sum of individual industry, energy and uprightness, as national decay is of individual idleness, selfishness and vice.'[23] By implication, Smiles believed that the nation had progressed because enough people had made the requisite effort. He was aware of course that it takes both privates and generals to win wars and that England's progress had been produced both by the ordinary and the extraordinary. But given his primary task, 'to re-inculcate those old-fashioned but wholesome lessons...that youth must work in order to enjoy, – that nothing creditable can be accomplished without application and diligence', he can hardly be blamed for having illustrated his themes with descriptions of generals; their medals and heavy epaulettes made for more brilliant and impressive examples.[24] The privates were forgotten, not least because the chroniclers forgot their faces and personalities. 'Great whose names are recorded in biography', he wrote.[25] Despite Smiles's belief in the importance and availability of self-improvement through all levels of society, the images that emerge from his collection of examples are unrepresentative and unrealistic. His examination of self-help in industry and trade called upon examples which reads like the *Who's Who* of the eighteenth-century business world: Wedgwood, Foley, Strutt, Boulton, Watt, Arkwright and Peel were the main names in the canon.

It was not simply that Smiles and his cohorts were over-impressed with great

22 D. C. Coleman, 'Historians and businessmen', in D. C. Coleman and P. Mathias, eds., *Enterprise and history* (Cambridge, 1984), p. 41, pleads for a broader approach to business history.
23 *Self-help* (London, 1859; reprinted London, 1910), p. 3.
24 Ibid., p. vii. Perkin sees this as part of the early-nineteenth-century 'entrepreneurial ideal'. See his *Origins of modern English society*, p. 222.
25 *Self-help*, p. 6.

men, but that they further limited their attention to the factory-owning industrialists and the great inventors, leaving the trader, salesman and ordinary businessman out in the cold.[26] These traditions proved remarkably long lived. As Professor Wilson pointed out, 'from Toynbee [1884] down to Usher [1929] inventions took pride of place in the study of industrial history. Only with the comparatively recent impact (in England) of sociology and economic theory on historical method has the inventor's place in the process been re-assessed.'[27] Although the significance of inventions has been reassessed, studies about the role of enterprise still tend to concentrate on inventors and innovators, especially those operating in the rapidly developing parts of the economy. But business enterprise in the eighteenth century encompassed a much broader spectrum of activity. The importance of the inventor or the major industrialist cannot be denied, but few businessmen were either.[28] Numerically, inventors and innovators were swamped by derivative, modest imitators. Only part of the business world has really been described with any degree of thoroughness. If the brilliance of Wedgwood and the adventurousness of Boulton have been expertly detailed, the ranks of businessmen filling the trade directories have remained untouched and unsought by the historian. There are, however, two good reasons to justify this exclusiveness, one theoretical, the other practical.

It was Joseph Schumpeter who constructed the most forceful and persuasive arguments linking business enterprise with innovation. He believed that any economy has a natural tendency towards equilibrium and stagnation and that it grows because a few businessmen innovate – and innovation is closely related to invention. He called innovators 'entrepreneurs'.[29] To his way of thinking all entrepreneurs were businessmen but only some businessmen were entrepreneurs. And naturally enough, 'It is in most cases only one man or a few men who see the new possibility and are able to cope with the resistances and difficulties which action always meets with outside the ruts of established practice.'[30] Innovators were those most worth studying, because they determined the new courses which economies occasionally followed, though Schumpeter never denied the collective importance of the ordinary businessmen. But like sheep, ordinary imitative businessmen were led through the wilderness to pastures new by shepherding entrepreneurs. In his scheme innovators were

26 McKendrick, 'General introduction', pp. xx–xxi. R. H. Campbell and R. G. Wilson, 'Introduction' to Campbell and Wilson, eds., *Entrepreneurship in Britain 1750–1939* (London, 1975), p. 11.

27 C. H. Wilson, 'The entrepreneur in the industrial revolution in Britain', *Explorations in Entrepreneurial History*, VII (1955), pp. 129–45.

28 The most powerful restatement of the importance of the technologist is D. S. Landes, *The unbound Prometheus* (Cambridge, 1969), Ch. 2.

29 J. A. Schumpeter, *The theory of economic development* (Cambridge, Mass., 1934) and his 'The creative response in economic history', *Journal of Economic History*, VII (1947), pp. 149–59.

30 'The creative response', p. 152.

heroic, dynamic, thrusting and often ambitious. But they were not necessarily successful. He was well aware that innovation involved risk-taking and that by definition some risk-takers are successful while others are not. Moreover, he was just as sure that the successful could only be properly judged by comparing them with the failures.[31] Here is one very important reason to study failure though, in the context of the English Industrial Revolution, it has never been given the importance Schumpeter demanded.[32]

Reinforcing the theoretical reasons for concentrating on innovators and inventors has been the availability of evidence. The little surviving raw material about eighteenth-century business tends to concern those firms that were highly successful, highly inventive or highly innovative. Moreover, for obvious reasons our understanding of businessmen has relied on a collection of biographies of the successful and distinctive. We have plenty of biographies of inventors and innovators but very few of imitators. Undoubtedly, the evidence that has survived has limited historians' room for manoeuvre here. But the biographical approach is not the only route into business history and it is important to be careful in generalising out from such a sample. After all, ephemeral firms have left few records, the long-lived rather more. And the biographical approach to business history, admittedly one of the most interesting ways into the subject, only yields effective generalisations when we have enough studies of a reasonably representative range of firms. But as yet we have not.[33] If the lives and work of Wedgwood, Strutt, Arkwright, Oldknow, Boulton, Watt and more have all been well written, 'What of the regiments of the anonymous; of those who made their major contribution to improving some process of invention, or who participated in short-lived partnerships, leaving perhaps only an entry in the docket books in the High Court of Justice in Bankruptcy?'[34] Given the lack of evidence of imitators, the biographical approach to a study of eighteenth-century enterprise has limitations which must always be kept in view. This is not to decry the biographies which have been written, but rather to emphasise that basing a general understanding of enterprise on such a selection can be misleading. The pioneering spirit would be exaggerated, the likelihood of successful risk-taking misunderstood, the foresight of businessmen too readily assumed, the availability of opportunities

[31] Ibid., p. 156.

[32] One of the few examples of a study of entrepreneurial failure is S. R. Cope, *Walter Boyd. A merchant banker in the age of Napoleon* (London, 1983).

[33] For a discussion of these issues see McKendrick, 'General introduction', pp. vii–ix and his 'George Packwood and the commercialization of shaving' in McKendrick, Brewer and Plumb, *The birth of a consumer society*, pp. 192–3. In a recent study F. Crouzet found that historians had produced reasonably coherent biographical information on only 200 businessmen in the Industrial Revolution: *The first industrialists* (Cambridge, 1985).

[34] P. L. Payne, *British entrepreneurship in the nineteenth century* (London, 1974), p. 24.

misrepresented, profit levels magnified, competition belittled, the achievements eulogised and the mistakes ignored.

Schumpeter did not set out to propose a methodology for the study of enterprise as a whole, quite the opposite. But the limitations of his scope have sometimes been ignored and the terms 'businessman' and 'entrepreneur' used interchangeably when it was his more limited innovator that was being thought of.[35] Consequently, definitions of 'entrepreneur' have multiplied with ever-diminishing returns.[36] Confusion has arisen because the dividing lines between inventive, innovative and imitative businessmen are hazy and unclear and because of the difficulties of reconciling biographical with non-biographical business history. Just as Smiles's obsession with inventors produced a distorted picture of enterprise, so Schumpeter's concentration on innovation could not hope to reflect the full reality of business enterprise. Most businessmen, whether viewed through the imperfect lens of economic theory or the mists of historical reality, are imitators, only tinkering with techniques and organisations.[37] Few businessmen in the eighteenth century were like the well-known technologists and industrialists. Twenty years ago Michael Flinn noted that the Industrial Revolution fundamentally depended on the multiplication of productive units by imitating businessmen. As he put it, 'for every Arkwright in the Industrial Revolution there were a hundred such anonymous, busy, tireless, profit-seeking employers'.[38] Equally, for every Arkwright and his hundred followers there were a hundred and one merchants, middlemen and retailers.

Two issues can be used both to sort invention, innovation and imitation from one another and to understand the relevance of a study of failure to each: first by examining the nature of economic opportunities available to each group and, second, by seeing how such opportunities mesh with the structure of competition to determine the size and structure of success and failure. Inventors, innovators and imitators all confront market opportunities from different angles and at different times and are, therefore, confronted with different problems, openings and pressures. Crudely, inventors create new opportunities (though not *all* new opportunities), innovators pioneer the utilisation of opportunities (which may have existed for some time), while imitators adapt and replicate the

[35] See B. W. E. Alford, 'Entrepreneurship, business performance and industrial development', *Business History*, XIX (1977), p. 116.

[36] 'The joys of defining "entrepreneurial" could fill a whole volume.' D. C. Coleman, 'Gentlemen and players', *Economic History Review*, XXVI (1973), pp. 111–12.

[37] Coleman, 'Gentleman and players'. G. H. Evans, 'Business entrepreneurs, their major functions and related tenets', *Journal of Economic History*, XIX (1959), p. 253 and his 'A theory of entrepreneurship', *Journal of Economic History*, II Supplement 2 (1942), p. 144. F. H. Knight, 'Profit and entrepreneurial functions', *Journal of Economic History*, II Supplement 2 (1942), pp. 129–30. J. H. Dales, 'Approaches to entrepreneurial history', *Explorations in Entrepreneurial History*, I (1949), p. 11.

[38] M. W. Flinn, *Origins of the industrial revolution* (London, 1966), p. 80.

actions of the innovators. If a businessman seizes an opportunity earlier than other businessmen might have then he is more likely to be an inventor and/or an innovator; but if he seizes it later then he will more probably be an innovator and/or an imitator. Linked to this, a fundamental difference between inventors and innovators on the one hand and imitators on the other is in the realm of competitive market forces. A successfully developed invention or successfully introduced innovation, allied with ready markets, allows businessmen the potential to enjoy considerable profits until imitators rush in, following their example, intensifying competition and putting profit margins under pressure. Over the short term, inventors and innovators can reap the benefits of a quasi-oligopolistic position because of the temporary weakness of competition. Imitators enjoy no such protection from the chill winds of competition. Of course, it was no easy thing to be a profitable inventor or innovator, as Henry Cort, Lewis Paul and others found out to their cost. Because of novelty, ignorance and development charges, peculiar costs and risks are borne by inventors and innovators. Nevertheless, in the real world, therefore, supply and demand evolve out of step with one another because of the imperfections of the markets. Successful innovators can reap extraordinary gains because of the difficulties potential imitators face in entering the area. Those difficulties relate primarily to the threshold of entry into business and the diffusion of knowledge about opportunities. In eighteenth-century England although the threshold of entry is usually assumed to have been fairly low, at least in terms of the capital required, knowledge of opportunities was restricted by poor communications, ignorance of market size and structure, the secrecy of innovators – some early cotton mills, for example, were built without windows on the ground floor – and, finally, the patent system.[39] In short, the market had manifest imperfections. It was because Richard Arkwright, to take a famous example, had a new and a reasonably perfected technique with his water frame, protected by patents from 1769 to 1785, because he was fairly assiduous in the protection of those patents, and had a ready market, and hence because he side-stepped competition for so long that he amassed a vast fortune in so little time. As his opponents remarked in 1782, his patent gave 'Stability to a dangerous Monopoly'.[40] Equally, in building that fortune he did not have to obey all the rules of economic rationality. He ignored the principle of minimising costs when, for social and personal reasons, he sited his mills in Derbyshire, over seventy uneconomic miles away from Liverpool, the port of entry for his raw cotton. The hundreds of imitators who followed in his wake could not afford to act so

[39] In 1770 Arthur Young complained that in Birmingham 'I could not gain any intelligence even of the most common nature, through the excessive jealousy of the manufacturers.' *A six months tour through the north of England* (London, 1770), Vol. III, p. 342.

[40] *Journal of the House of Commons*, XXXVIII, p. 882.