

The History of Antony and Dorothea Gibbs & of the early years of Antony Gibbs and Sons

By John Arthur Gibbs - 1922

CHAPTER XVIII A. GIBBS & SONS' BUSINESS: CONCLUSION TO 1820, AND EPILOGUE

I HAVE shown how the firm's heavy speculative shipments to Spain actually endangered their own existence in 1815 and 1816, not only because of the loss which they made on those shipments, but still more because unsold stocks accumulated to an extent entirely disproportionate to their capital. The lesson was taken to heart. By the end of 1816 their stocks of goods in Spain were reduced to £7,000 worth from £55,000 which they were at the end of 1815. Moreover the imposition of heavier import duties in Spain had made it impossible for the firm, without evading the duties, to make money by sending out goods in any quantity on their own account. The result was that in 1815 their shipments on speculation were only £4,000 worth, and in the next two years together only £4,500. In the three years 1818-20, in spite of the fact that their shipments of the kind in question included some to the House which they opened at Gibraltar in 1818, where customs duties were not an obstacle, they still averaged only £6,000 a year. But the firm had compensation for this enforced reduction, since it was found that their previous heavy speculative shipments had so effectually advertised their goods that when a revival of trade in Andalusia took place towards the end of 1816 and in 1817) it was unnecessary to have stocks of their own from which to sell, for buyers were ready to order these goods on commission.

Accordingly we find that the value of the goods which the firm shipped on order rose from about £60,000 in each of the years 1815 and 1816 to about £130,000 in each of 1817 and 1818. In 1819 it was £110,000 and in 1820 £90,000. It is true that these figures include orders for goods for other countries besides Spain, but we have the following figures of the actual distribution for 1818-20, and it will be seen that Spanish orders account for the bulk of the totals.

| <i>Orders from</i> | <i>1818</i> | <i>1819</i> | <i>1820</i> |
|-------------------------------------|-------------|-------------|-------------|
| Cadiz clients | £24,000 | £18,000 | £10,500 |
| Seville " | 76,000 | 76,000 | 55,000 |
| Clients in other Spanish towns | 10,600 | 15,200 | 13,800 |
| Lima clients .. | 20,000 | 1,000 | 6,500 |
| Other foreign clients outside Spain | 400 | 800 | 2,700 |
| | <hr/> | <hr/> | <hr/> |
| | £131,000 | £111,000 | £88,500 |

The Seville business faded away in the next two years, because the firm's clients there as "men of respectability and capital could no longer smuggle with safety, as Baños Gonzalez used to do, and as is done with perfect safety and on an enormous scale in Gibraltar." "We may consider ourselves fortunate in having been almost the exclusive possessors of this branch of Spanish business while it was worth having."

In commission business other than orders there was also a large increase. Thus produce and bullion sent to the London House for sale only came to £14,000 in value in 1815, but in each of 1816 and 1817 to about £28,000, in 1818 to nearly £50,000, and to £35,000 in each of 1819 and 1820. Including commission business of all kinds, the totals on which commissions were earned in 1818, 1819, and 1820 were respectively £450,000, £390,000, and £400,000.

The average numbers of foreign clients in the ledgers of the London firm in the three years 1818–20 were as follows: 44 in Cadiz; 1 in Port St. Mary; 23 Seville; 11 between Malaga, Cordova, Baeza, and Granada; 3 between Orihuela, Murcia, and Cartagena; 7 between Madrid, Barcelona, and Bilbao; 11 Lima; 3 between Piura, Rio de Janeiro, Panama or Teneriffe; 7 between Genoa, Ghent, Nice, Rouen, Amsterdam, Bremen, or St. Petersburg. Altogether 89 in Spain and 21 elsewhere.

The total commissions (without delcredere) of the London House, which in 1814 were £5,700, or double their previous record for any year, were only £1,550 in 1815, but they were £2,400 in 1816, £4,000 in 1817, £6,000 in 1818, £5,000 in 1819, and £4,200 in 1820.

The net profits made by the London House alone for 1817, 1818, 1819, and 1820 respectively were £6,200, £7,030, £3,200, £3,600, but adding their share of the profits of the Spanish Houses they were £6,200, £8,100, £4,500, £4,700.

In no year again till 1835 did the commissions or the net profits made in London reach the 1818 figures, and it was not till 1832 that the London partners again divided a profit from their London and foreign Houses together as great as the £8,100 of 1818.

The Cadiz House in the four years 1817-20 made altogether £4,000 and the Gibraltar House, from its opening in 1818 to the end of 1820, £3,700. For the next three years Cadiz made an average of £2,000 a year, but the profits then fell off rapidly, only averaging £760 a year in the four years ending 1827, when the House was closed. The Gibraltar House in the seven years 1821-7 made £5,000 a year altogether on the average, but only an average of £520 a year in the next six years to 1833, when it also was closed. In the nineteen years of its existence the Cadiz House gained £27,000, Gibraltar in its sixteen years £42,000, of which respectively the shares of A. Gibbs & Sons were £15,000 and £21,000.

Some further insight into the Spanish business for the years 1819-25 may be obtained from the Annex at the end of this chapter, and it will be seen that both Houses were able to transact a fair amount of both import and export business with Peru for Spaniards during the war for the liberation of Peru. This accounts for the spurt in the gains of the Cadiz House in 1820-3. Peru (last of all the Spanish Colonies) definitely established its freedom to trade with all the world in 1824 when the war ended. The artificial trade connection between Cadiz and Peru then ceased and A. Gibbs Sons & Co.'s business in Cadiz was reduced to such small dimensions that it was not worthwhile to keep the House open. The same cause affected the Gibraltar House, but Gibraltar being a free port was in those days an entrepôt for the whole of the Mediterranean and had besides a great contraband trade with Spain, but in both respects its trade fell off rapidly

after 1824 and Gibbs Casson & Co.'s business dwindled till it was given up in 1833, upon Casson expressing his wish to retire from business. By that time A. Gibbs & Sons' South American firm had become very important and all their capital and energies were required to maintain and develop it. During its last years the Gibraltar House had the sale of the cargoes of salt fish from Poole which the Cadiz House used to receive. It also had a good deal of lead to sell, derived from some smelters near Almora which it worked on joint account with one William Barron.

The closing of the two Houses did not terminate A. Gibbs & Sons' business with Spain. They continued to deal direct with certain clients there, and to this day have never ceased to have business connections in that country.

I have now to make a few concluding remarks by way of epilogue concerning A. Gibbs & Sons' other business after 1820.

Invited by their Spanish friends of Lima to send out a representative, they despatched Moens in June 1820. The war waged for the liberation of Peru from Spain was in progress, but as soon as Lima and Callao had fallen and the Patriots gave foreigners leave to establish houses of business - a concession never conceded by the Spaniards - Moens founded A. Gibbs & Sons' South American firm, which began its existence in Lima as on 1 January 1822. The Annex to this chapter gives a rather full account of the opening of its earliest branches - Lima (1822), Guayaquil and Arequipa (1823), Valparaiso (1826) - and of the history of its first years, together with a résumé of such particulars of the war as are necessary to elucidate it. It is a story of great and enterprising effort on the part of A. Gibbs & Sons, but balked of financial success in the early years, partly by the conditions in Peru, mainly by the deficiencies of Moens, who, though zealous and well principled, proved to be a "wrong headed mischievous man" in business. But when John Hayne joined the Lima House in 1826 the management at once improved, and when Moens left the firm in 1829 all went well.

The amount of capital employed in the South American business assumed proportions which A. Gibbs & Sons had never contemplated. Speculations on their own account in goods sent to South America formed but a small part of it, but the very first cargo of goods which they sent out direct to Peru (by the ship Bristol in 1821), which they bought to the order of certain Spaniards, unexpectedly involved them in the outlay of a large sum. Then came many ill-judged adventures, engagements, and advances undertaken by Moens for the South American firm in the years 1822 and 1823 (the period when all the worst affairs of the early years of that firm were entered upon) which locked up still more capital. By 1826 the capital employed in the cargo referred to and in the South American firm came to about £45,000. Nor was this all, for though theoretically the principal business which A. Gibbs & Sons took up for the South American firm - namely, the procuring of consignments of goods to be sent out to the West Coast for sale on manufacturers' account - did not require the use of any capital of the firm except for certain charges, it was found impossible to resist the demands of manufacturers, such as their valuable friend Edwards, for advances, particularly when remittances were long delayed, as they often were from different causes, but especially from a bad system which had grown up in Peru of giving long credit to purchasers.

The situation was especially dangerous at the end of 1825 and during most of 1826, when trade in England was in a very low state and many failures were taking place, particularly

among manufacturers. The crisis for the firm came in the middle of 1826. After that year the debit balance of the advance account, which was as high as £97,000 at the end of 1825, went down to £46,000 at the end of 1828.

Besides finding such a great amount of capital the firm had to face serious losses in their London business during the six years 1821-6. The partners were able to divide a total of £17,000 as profit in that period, but without their share in the Spanish Houses the London business would have left them with a loss of £2,000 for the six years. In the next five years (1827-31) the London House made £14,000, but their share from the Spanish Houses was under £3,000, while the last two years (1830-1) of that period brought in losses from the South American firm of £24,000 and £10,000 respectively, so that in the five years they actually lost £17,000 net.

The South American figures just mentioned were the very first entries in the London books of results from the South American firm. In the expectation of profits from a business which was intended to be mainly a commission one the policy was for that firm not to divide any profits among its partners till the end of its first partnership concern in order that it should accumulate capital for itself. That partnership came to an end with its fifth year on 31 December 1826 and was called the "1st Concern of Gibbs Crawley & Co.," though its style was at the beginning, and till 30 June 1824, Gibbs Crawley Moens & Co.

If the London firm had realised before 1830 that not a profit but a loss was being made in South America they would have provided reserves in their own books to meet it, but the first accounts from the Lima House, viz. to 30 June 1824 and to 31 December 1825, displayed an apparent profit of \$100,000, and, though for the year 1826 the Lima accounts showed a loss which just about wiped out this profit, and subsequent liquidation of the Lima business of the 1st concern showed more losses which (with \$20,000 lost by the 1st concern in the other Branches) would cut deep into the profits (which at that time appeared to be large) of the end concern (1827-9), it was not till 1830 that they knew that there would be an excess of losses to be met out of profits to be made after 1829. A statement drawn up in 1837 discloses that the 1st concern made in commissions and profits £50,000 but losses of £109,000, leaving a net loss to A. Gibbs & Sons of £59,000, that the final liquidation of the 2nd concern only gave them a profit of £7,000, but that from the 3rd concern (1830-2) they derived a profit of £36,000 up to that date.

G. Henry Gibbs wrote as follows in 1830 to George Thomas Davy (the head of the Valparaiso House) on the loss made by the South American firm:

had in this city ... a disgraceful and abominable waste of property. ... But we feel comfort and satisfaction in the thought of having completely shaken off a connection [Moens] which was threatening to bring ruin on us all.... We are not disposed to waste time in vain regrets as to the past, still less to despond with regard to the future. On the contrary we see in the present state of our affairs the best grounds for hope and the greatest stimulus to exertion, for there never was a period when we could recommend the House with the confidence which we now feel in its efficiency, or when the whole machinery of the business was on a better footing. Our connections too and consequent means of forwarding the objects of the business were never better than at this moment, and as for ourselves though rather the worse for wear we are still disposed to work on with vigour.

His disappointment is expressed in a letter to his London partner, Charles Crawley, who was then in Lima:

If we were all of us 20 years younger we should not care so much about it but at our time of life it is a grievous and most disheartening blow for I had ventured to dream occasionally of days of quiet retirement in the country whilst I had strength to enjoy it and of other pleasures and schemes which have been now dashed to the ground.

But his and his partners' reward for their great exertions was close at hand, for the dark time of 1830-1 proved to be a turning point in A. Gibbs & Sons' history and the beginning of their real prosperity. In the ten years 1832-41 the London partners divided among themselves an average of £20,000 a year as profits. The capital of the three London partners G. Henry Gibbs, William Gibbs, and Charles Crawley at the end of 1822 was only £14,000, but, though Crawley retired from the partnership in 1838, Henry and William's capital in the firm was together over £80,000 at the end of 1841, which was the year before Henry's death.

It was in 1840 that the two brothers had the happiness at last to complete their self-imposed task of paying off the remainder of their father's debts, as has been told in Chapter XIV.

In the 33 years from Henry's death in 1842 to William's in 1875 the profits of the London firm, with their share of those of the South American firm, averaged between four and five times as much as those of the previous ten years. In those years William was sole partner in the London firm from 1843 to 1847; from 1848 to 1864 his share in it was 50% to 69 $\frac{3}{4}$ %, except for two years when it was 40%; from 1865 to 1875 it was 30 $\frac{1}{4}$ %. William's capital grew enormously and throughout the 'sixties he had over a million and a half of his own in the firm.

Few, I think, will disagree with the opinion of those who regard the prosperity of those years as in great measure the ultimate consequence and recompense of Antony's honourable and unswerving purpose to labour in his business for the payment of his obligations, and of Henry's and William's assumption of the burden as a trust which they were determined never to betray by any want of exertion on their part,

Henry Hucks Gibbs wrote the following words: "No more active and upright merchant ever was than my uncle William and my Father were all their lives." And of William: "His life was one of affection for his friends and good works."

Witness of the latter are the chapel of Keble College, Oxford (begun 1873), St. Michael's Church in Market and Star Streets, Paddington (consecrated 1861), the church at Flaxley (consecrated 1856), and his gifts to the Church in Devonshire (Exwick, Cowley, Exeter) already mentioned. A well-known writer described him as "The kind friend of the poor, the munificent patron of all good works and a loyal son of the Church of England."

The 33 years 1843-75 embraced the period of the firm's great guano export trade from the deposits of that fertiliser found on the rainless islands and shores of the Pacific coast, which began in 1842, of which an account is to be found on pp. xxvi and XXVII of the Introduction to H. H. Gibbs' Pedigree of Gibbs. The rise of the firm's nitrate of soda business is referred to on pp. XXVII and xxviii of the same. The South American firm entered on the manufacture of this other main product of the desert regions in 1865, and ever since, either as holders of virgin grounds, as manufacturers on their own account, as agents for manufacturing concerns, as export

merchants, or in other capacities, they have given the nitrate business a prominent place in their activities.

The prosperity of the South American firm from the 'forties onward was fostered by the years of real peace which Peru enjoyed from 1845 to 1854 and from 1858 to 1879, in contrast to the period of the Spanish war of 1820-4 and to the constant revolutions and wars which succeeded it down to 1845.

The firm's connection with the origin of the war between Peru and Chili of 1879-82, the war which resulted in the transfer of the nitrate districts of Peru and Bolivia to the dominion of Chili and in the closing of the firm's remaining Houses in Peru, is told in H. H. Gibbs book; so also is A. Gibbs & Sons' entry in 1881 into Australian, New Zealand, and Barbados business by their taking over the firm of Gibbs Bright & Co. of Liverpool and Bristol with their Australasian Branch firm Bright Brothers & Co.

Appendix No. VI gives a list of all the firms and Houses derived from Antony Gibbs' business, with dates. No. VIIA gives a list of all the partners that there have been in the London firm, with dates. No. VIIB shows the descendants of the founder and of his sister Mary Crawley who have been employed in the London firm or its Branches other than as partners, with dates ; No. VIIC the partners and most important of the managers of the Branch firms, with dates.

The South American firm now has Branches at Valparaiso and Santiago, in Central Chili; at Iquique, Antofagasta, and Mejillones, in the nitrate district; at Concepcion and several other places in the south of Chili, this extension to the south having taken place in 1912 for the purpose of engaging in the export of grain and in the flour-milling business of that region. In 1913 they resumed the business of the importation of goods on a large scale which they practically dropped when the Lima and Arequipa Houses closed, but it is needless to say that manufacturers no longer "consign" their productions but only sell them outright. Agencies of steamship and insurance companies are also a comparatively new feature of their business.

The present Australasian Houses are at Melbourne, Sydney, Newcastle, Brisbane, Adelaide, and Perth. They import merchandise, and export the products of their country, and are concerned in the great mining and pastoral industries of Australia, notably as managing agents for English companies. As consignees and loading agents of shipping lines they have always had an important interest in the Australian shipping business, and they have held agencies of insurance companies from the first.

There is a House at New York which trades with the London, South American and the Australian Houses.

The number of employees (men, women and youths) of the firm in London and abroad is at the present moment (1922) over 650.

To A. Gibbs & Sons fell the honour of keeping our Government supplied with nitrate of soda for munition purposes through out the war of 1914-18, a work gratuitously carried out, which involved buying the nitrate, shipping it in steamers sent by the Government, finding storage for it in Great Britain (in some cases arranging for the construction of special stores and financing the building of them), and delivering it to the various munition works as required from day to day. They also made large purchases for our Allies. Up to December 1917 they dealt direct with the Governments concerned, but after that date also with a committee called the Nitrate of Soda Executive, consisting of representatives of Great Britain, France, Italy, the United States, and

Japan, formed for the purpose of co-ordinating the purchasing of nitrate among them all. This committee appointed A. Gibbs & Sons' partner Herbert Cokayne Gibbs its "Director of Purchases" and the firm kept its complicated accounts free of charge. The total amount of nitrate bought by A. Gibbs & Sons was over 3,800,000 tons, made up of 1,630,000 for Great Britain, 1,660,000 for the United States and Canada, 460,000 for France, 50,000 between Russia, Rumania, and Japan, and the total cost in Chili was over £46,000,000. All the purchases were financed by the firm, except the bulk of those for the United States. This was by far the greatest business ever undertaken by the firm. Our Government tendered them their thanks in several letters and were willing to recommend Herbert C. Gibbs for high honour, and the French Government conferred on him the Legion of Honour. The head of the firm's nitrate department, George Korn, was made an Officer of the Order of the British Empire. The firm was also honoured by their partner, Brien I. Cokayne, being chosen in the war for the highest positions in the Bank of England, for he was Deputy Governor March 1915-18 and Governor March 1918-20. For his services to the country in these capacities he was created a Knight of the Order of the British Empire in 1917, and in 1920 received a peerage under the title of Lord Cullen of Ashbourne.

I began this book with the history of George Abraham Gibbs of Exeter and Pytte, surgeon, who was born in 1708. I end it by recording that of his descendants 75 men served in the Forces of the Crown in the war of 1914-18, that of the employees of the firm founded in London by his son Antony and its derivatives abroad 155 men served, and that in the course of the war 15 men of the family and 25 of the firm laid down their lives for the country.