

Leendert Pieter de Neufville

Leendert Pieter de Neufville (Amsterdam, March 8, 1729 – Rotterdam, July 28, 1811) was a Dutch merchant and banker trading in silk, linen, grain and an art collector. His business grew very fast during the Seven Years' War. Since 1757 he provided the Prussian army with gunpowder; it is likely that the army's outsourcing of handling bills of exchange in commercial payment boosted the rise of acceptance loans. Since 1757 he traded in paintings. His business had similarities with shadow banking system. Since 1762 De Neufville became also involved in melting down worthless debased Plöner and Zerbster coins, no longer allowed in Prussia. In Spring 1763 De Neufville was party to a major speculative grain deal with the Berlin merchant banker Johann Ernst Gotzkowsky.^[1] When the house of De Neufville failed on 3 August 1763, its list of creditors included over 100 bill counter parties, the great majority of those residing in cities outside of the Dutch Republic.^[2]



Herengracht 70-72 which De Neufville rented from Pieter Steyn and where he lived during his bankruptcy.

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How it all began

Leendert Pieter de Neufville was the son of Pieter Leendert de Neufville (1707-1759) and lady Catharina de Wolff (1708-1760), both Mennonites. His father started out as a merchant in textiles and rye, with extensive trade on the east of Germany and the Mediterranean. On 1 February 1735 Pieter de Neufville went bankrupt. He sold his share in a dozen ships. His wife was his biggest creditor.^[3]

On 18 July 1750, according to an advertisement, Leendert Pieter and his brothers David and Balthasar took over the trading and banking house from their father. The Neufville Bros. traded in almost everything: silver (formally for 82.429 guilders), almonds, sugar, porcelain, and gum were the most important products. "During the war, they were catapulted into being one of the richest and most prestigious banking houses of Amsterdam by taking full advantage of the opportunities that the buoyant war economy provided."^[4]

Seven Years' War

De Neufville was the first to carry out the foraging (and clothes) of the army of the King's youngest brother, Prince August Ferdinand of Prussia, who took part in the campaign in Bohemia in 1757, but was fired by his brother after the retreat. According to Skalweit also a Duke of Brunswick-Wölffenbüttel placed orders. Having a Hamburg merchant's house for handling the bills made De Neufville

Bros. a trusted party in commercial payments between Amsterdam and Hamburg and its Hinterland. De Neufville also engaged in shipping, and insurance.^[5] In 1758, De Neufville turned out to have become a monthly buyer of gunpowder.

The Seven Years' War brought an economic boom not only to the neutral states, such as Holland and Hamburg, but also to antagonist states such as Prussia. This boom was accompanied by a strong expansion of credit through bills of exchange. At the same time inflation became a widespread phenomenon in northern Europe, as many German states and other countries like Sweden financed the war by debasing their currencies.^[6]

From 1759 things seemed to be going very well for De Neufville. His turnover at the exchange bank went up ten times between 1759 and 1762.^[7] De Neufville assisted Gotzkowsky (Schimmelmann, Von Stenglin, etc.) helping Saxony to pay the war contribution to Frederick II. In January 1762 the English Parliament threatened to stop the subsidy to Prussia; Frederick had to adjust his plans in May.^[8] At the same time De Neufville started to import and melt debased coins from Mecklenburg and Zerbst, expecting to sell the refined silver at a high price to Prussian merchants. De Neufville had, as it seems, ordered 300 wagons of coins.^{[9][10]} On 6 February 1762, De Neufville wrote a note to Frederick, stationed in Breslau, stating that the French had approached him to make peace proposals to Frederick. De Neufville hoped for an appointment as a negotiator.^[11] At some time Neufville supplied Leveaux with 149,300 guilders in silver.^[12]

After the peace of Hubertusburg

In April 1763 De Neufville went to Berlin. There he met with his business partner Gotzkowsky. Gotzkowsky and De Neufville paid a visit to Frederick the Great. De Neufville offered his help in reviving the Prussian Asiatic Company. According to Gotzkowsky, it was Frederick the Great who asked De Neufville to develop plans for a recovery of the Asiatic company.^[13] De Neufville offered to invest a million guilders. According to Jan Jacob Mauricius, the Dutch resident in Hamburg, Von Schimmelmann and Von Stenglin were interested in restarting the company with help from De Neufville.^[14]

On 19/20 April they bought a huge amount of grains (oats) by intermediation of the Russian envoy Vladimir Sergeevich Dolgorukov (1717 - 1803).^[15] It was stored in Kolberg and along Pommerian coast and unusable after the Russian army had left the Poland. Both Russia and Prussia would welcome a swift sale, discharging the troops who had to guard these supplies. Because of a shortage and famine in Prussia, the transaction could have been profitable for Gotzkowsky and De Neufville, the latter one collaborating with two partners (Stein and Leveaux, all collectors of paintings).^[16] Neufville paid the 100,000 guilders down payment for the buying syndicate. The remaining one million guilders had to be paid in four terms, within a year. (Two Russian traders, Svešnikov and Rogovikov, would take over a 1/5 of the total grain sold.^[17] 4/5 were parted by Gotzkowsky, De Neufville, Leveaux und Stein.^[18]) The contract was signed by just two men, Gotzkowsky and Svešnikov.^[19] On 12 April 1763, Frederick decided to dump his unused wartime grain supplies in Lower Silesia, leading in the next months to a 75% drop in the local price of wheat, with other commodities prices soon following.^{[20][21][22]} On June 27, 1763, the Gotzkowsky transaction became a state affair.^[23] Legal problems caused the grain could not be exported.^[24] When it became clear that half of the grain turned out to be of bad quality, Gotzkowsky craved to change the contract and offered to pay 2/3 of 1.170.448



De Neufville "business card", dealer in satin fabrics, with allegorical representation by Nicolaas Verkolje and Jacob Houbraken



guilders. He would be satisfied if he did not suffer any loss. The Russian senate refused and insisted to be paid promptly in Dutch guilders, and not in debased Saxonian coins.^[25] When Leveaux and Von Stein dropped out of grain deal it must have been a shock to Neufville and Gotzkowsky. The restructuring of the Gotzkowsky deal put tremendous pressure on De Neufville, then responsible for 3/5 of the deal. Gotzkowsky had lent several million to Saxony to pay its war contribution to Frederick. Gotzkowsky had not yet sold all those bonds. He had also an impressive amount of paintings in stock which he probably did not sell during the war. By the end of July 1763, Gotzkowsky and De Neufville had difficulty paying the lacking 700.000 guilders and feared to go bankrupt.^{[26][27]} Earlier the sub-value Saxonian, Mecklenburger, Bernburger and Zerbster coins were removed from circulation resulting in a severe shortage of cash money in Prussia. Prussian merchants that were holding these debased monetary units saw the value of their collateral cut in half; consequently, they responded by funding short-term debts with new bills drawn on markets such as Amsterdam.^[28]



Frederick II in 1763, portrait by Johann Georg Ziesenis

At the end of June 1763 De Neufville's holding of bank money at the Bank of Amsterdam had dwindled to about the same amount as it had in 1751. The snapshot of De Neufville's balance sheet at the end of June betrays all the symptoms of a leveraged trader in distress.^[29] De Neufville booked 240,000 guilders every week (i.e. 40,000 daily) at the "Wisselbank",^[30] so that the outstanding exchange portfolio would be 1.2 million; half for clients of bills that drew De Neufville and half for the settlement of bills drawn on De Neufville. The Amsterdam Exchange Bank shut twice a year (January and July) for two weeks to balance the books (In 1763 from Friday 15 July - till Friday 29 July). It is possible nobody was willing to lend De Neufville a large amount of money. De Neufville was forced to wait till 2 August. (In the recent past, he lent credits with a term of only eight days - an unprecedented short period for that time.)



The rear of the Amsterdam townhall, where the Wisselbank was located. Print by Jan de Beijer (1758)

Gotzkowsky was clearly relying on De Neufville to pay his share of the purchase of the Russian magazine. De Neufville was, in turn, relying on people like Aron Joseph. When Joseph went bankrupt, the chain unraveled. This caused a general loss of confidence in bills from Hamburg, Berlin, etc. by Amsterdam merchants. Loss of funding from Amsterdam then forced many merchants in Germany into bankruptcy.

The strain on liquidity was most keenly felt by speculators like De Neufville and Arend Joseph & Co; the latter failed on 28 July 1763, after three respite days, and fled to Culemborg, a hiding place for bankrupts.^[31] It was the combination of multiple shocks that sunk Neufville: 1) sudden demand for more liquidity from the Gotzkowsky deal, and 2) loss of access to liquidity after the failure of A. Joseph. De Neufville closed his business on Friday 29 July

The perfect storm

On 2 August the banks in Amsterdam refused to lend him the money (700,000 guilders) to pay Gotzkowsky. (Hope & Co, Clifford, Warin and Muilman tried to form a syndicate, but Pels refused to participate.) The next day De Neufville's postponement of payment became de facto a bankruptcy. The news that De Neufville stopped payments reached Hamburg already in the morning of the 4th. (It is a mystery how fast the news had spread.) In a panic a group of prominent Hamburg merchants sent a petition to Amsterdam, demanding a bankruptcy preference, and threatening a shutdown of their market for Amsterdam bills if this was not granted. A

proposal for a bailout was rejected after some debate.^[33] The Hamburg merchants' threat only served to initiate a three-month-long shutdown of the Amsterdam market for Hamburg bills. (It seems like a boycott?) Their reaction brought other banks into trouble, caused by financial contagion, a "run behaviour, whereby fears of widespread financial collapse lead to the withdrawal of funding from banks and other financial institutions."^{[34][35]} The deferrals resulted to an international banking crisis in Amsterdam (38), Hamburg (90-97), Frankfurt (30), Berlin (33, one of them was Moses Mendelsohn^[36]), Danzig, Leipzig, Breslau, Stockholm, and London.^{[37][38]} The banks were unwilling to give each other credit.^[39] The failure of Neufville led to a loss of market funding.^[40]

"From June 1763, new coins were minted in line with the pre-war monetary standard, but in shortage. The "war coins" were only exchanged at their metal value. Their loss in value had to be borne by the owners."^[41] "Prussian merchants holding debased wartime coinage saw the nominal value of their collateral cut in half, and they responded by funding immediate debts with new bills drawn on markets such as Hamburg and Amsterdam. They also sent the denonnetized coins to the same cities in the hopes of finding higher value as bullion."^[42] De Neufville's failure caused a sudden, extraordinary demand for coins.^[43]

The crude bars of silver that are being smelted here from the money arriving in great quantities from the north of Germany, cannot be sold and are everywhere being borrowed against; these are also being discounted by 7 percent. ... Everything is bad for business.

On 5 August, the banks were closed and all bills drawn on Amsterdam with protest of non-acceptance returned. A run on the cashiers followed on Saturday, 6 August.^[44] The Amsterdam banks were open until two o'clock that night to accept gold and silver, which had never happened before. On Monday 8 August, De Neufville announced that he wanted to sell six horses and at least seven coaches on 24 August. On Monday, August 15, one of De Neufville's ships was auctioned. On Sunday, August 21, Frederick the Great wrote to both the Amsterdam city council and the States General with the request to hold up the De Neufville Bros.^[45] On 23 August De Neufville authorized Jean Conrad Sollicoffre, a Swiss banker in The Hague, to "organize" his bookkeeping before 25 October 1763. He said he would have a trade capital of 1.3 million guilders in cash if everyone would meet his obligations.^[46]

On 25 August De Neufville protested against a recovery plan, in which he was excluded.^[47] On August 29, De Neufville's request for suspension of payment was rejected.^[48] Early September his creditors forced him to sell 500 bars of silver for which he had borrowed the money.^[49] (Joseph and De Neufville have both borrowed privately from other people, using the bars as collateral.) On 11 September Neufville returned two barrels with debased coins worth 50,000 guilders to Carl Leveaux.^[50] On 23 September, the States General decided not to set up a separate committee on De Neufville.^[51]

On 7 October 1763 De Neufville registered himself as being bankrupt was placed under guardianship. The Amsterdam Chamber of Insolvent Estates (Desolate Boedelkamer) became responsible for his property. On 10 October, the treasurer



The entrance of the "Desolate Boedelkamer" in the Amsterdam town hall, with the fall of Icarus in the supraporte



Turbulent sea by Ludolf Bakhuizen, owned by De Neufville sr for sale on 19 June 1765



The Milkmaid by Johannes Vermeer was until the auction in June 1765 in the possession of De Neufville.^[32]

started with an inventory of his possessions. On 24 October and not on 24 August as Van Nierop and De Jong-Keesing stated, the estate of De Neufville has been valued for 6,390 or with an increase of 10% for 7,022 guilders. The next day his case was dealt with. In November 1763 the crisis was over^[52]

De Neufville promised to pay back his debtors 70, 60 and then 50%. As he did not succeed to pay his debtors more than 10% his debtors went to court in 1770.

Other activities

In 1756 the 26-year-old De Neufville married the 18-year-old Margaretha Smid (1737-1774), a Lutheran. Leendert was Reformed, and living on the Keizersgracht. In August 1757 he bought his first paintings. Between 1759 and 1763 he attended seventeen auctions. On 18 May 1763, he bought a number of works from the collection of Cardinal Silvio Valenti Gonzaga. Landgravine Caroline Louise of Hesse-Darmstadt and her husband Margrave Charles Frederick, Grand Duke of Baden visited De Neufville on July 1st. On 4 July 1763 he bought 15 paintings in The Hague, including a Gerard Dou, Frans Hals, Paulus Potter, Philips Wouwerman and Jan van Huysum, from the collection of Willem Lornier, for the price of 9,115 guilders. The purchase has never been paid.^[53] On 29 October, the directors of the bankrupt chamber announced that they wanted to auction the painting collection of De Neufville on 14 December 1763. This auction never took place because De Neufville again obtained permission to put his affairs in order. On 19 June 1765 his collection of paintings, partly set up by his father was auctioned.^[54]

Until 1777 De Neufville lived in Amsterdam or on his estate near Heemstede. The next year De Neufville moved to Rotterdam, where he remarried in 1805. Another auction of paintings was held in 1804; De Neufville had a special interest for the German painter Christian Wilhelm Ernst Dietrich.^[55] In the year of his death the debtors received another 1%.

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Ships on the roadstead (Willem van de Velde the Younger)



Picture cabinet by Christian Wilhelm Ernst Dietrich

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