

Mercury's agent: Lionel Davidson and the Rothschilds in Mexico

Alma Parra describes the role played by Lionel Davidson, the agent of N M Rothschild & Sons, in the development of the mercury trade in Mexico

Among those who benefited most from the development of mining in Mexico were those who specialised in the supply of essentials: salt, gunpowder and, above all, mercury (or quicksilver). Mercury had been used intensively in the refining of ore since the mid sixteenth century. During the colonial period the Spanish crown had controlled distribution through established monopolies and the government had imported and distributed quicksilver to Mexican mines as the major source of income.

Independence from Spain in 1821 brought changes in economic structures. In the absence of a strong centralised power, the liberal principles espoused by the new Mexican governments opened up opportunities for private entrepreneurs, both Mexican and foreign – who ironically displayed a remarkable ability to recreate monopolies in the interests of private investors and businessmen.

The management of the quicksilver monopoly by the Spanish government has been documented by a number of authors, using both Mexican and Spanish sources. The post-independence mercury trade remains to be fully explored, particularly (since the business was in the hands of foreign merchants) through non-Mexican sources.¹ Research at The Rothschild Archive in London has helped to fill this gap, providing the basis for a first brief exploration of the theme. The correspondence of Rothschild agents in Mexico gives a better understanding of the activities of the firm of N M Rothschild & Son of London, which played a major part in the development of mining activities in the first half of the nineteenth century, and also of the business networks operating in Mexico at the time.

Quicksilver was distributed for the refining of ore in regions of Mexico like Pachuca and Real del Monte, Bolaños, and, Guanajuato² and, at a slower pace, in the central mining areas like Zacatecas and San Luis Potosí, where the use of foundries for refining had persisted longer alongside quicksilver amalgamation methods. The amalgamation system was carried out in workshops called *haciendas de beneficio* to which all ore extracted from the mines was sent. The ore was ground and milled, before quicksilver, salt and magistral (a chemical used in the process of amalgamation) were added to produce a mixture from which silver was recovered and, later, converted into bars or sent to the Mint to be coined.

The quantities of quicksilver required depended largely on the expertise of the *amalgamador* in a particular workshop and the quality of the minerals being processed. An ample, stable and cheap supply was needed to maintain continuous silver production. Under the colonial monopoly, the Spanish government obtained supplies from the mines of Almadén in Spain, from Idria (then part of the Austro-Hungarian Empire) and from Huancavelica and other minor centres in Peru.³ When transatlantic trade networks were disrupted by European wars, the effects of a mercury shortage on productivity proved catastrophic.

The War of Independence from Spain led to a general contraction of the mining industry and the emergent Mexican government was forced to restructure the industry, with new channels of quicksilver distribution as a top priority. In both Spain and Mexico there was a sudden admission of private – often foreign – participation in the economy. In Spain, the loss of its colonies as major markets for quicksilver, combined with internal problems, forced the

government to give concessions to private companies to work the Almadén mines.⁴ Mexico, meanwhile, facing shortages of capital and the urgent need to regenerate its mines, opened its doors to foreign, mainly British, capitalists. London-based joint-stock mining companies emerged, providing administrative and technical staff to operate in Mexico. The latest advances in mining, developed in Cornwall and Devon, were exported to Mexico and the companies took full advantage of the developments that had put Britain at the forefront of the financial world. Direct British investment in the mines was short lived⁵ but British merchants entered the quicksilver trade and expanded the supply of the machinery, tools and other source materials which had become indispensable after the introduction of new technologies during two decades of British-led mining in Mexico. Spotting enormous opportunities, they moved to occupy spaces left by the waning Spanish presence.

Mexico, famed for its natural resources and financially challenged, offered countless opportunities for investment to the merchant houses which had emerged strongly during and after the Napoleonic Wars.⁶ London houses such as Goldsmidt and Barclays offered loans to the Mexican government through agents based there from the early 1820s. The House of Rothschild's response was specifically in the area of the silver trade, where they sought to secure the flow of quicksilver to the industry, thereby ensuring the stability of silver production for export to international markets – also a key part of their activities. The mines of Almadén in Spain, the main source of Spanish shipments in previous centuries, were productive well into the nineteenth century. A French commercial house secured a brief concession but in 1830 the Rothschilds obtained a first contract to exploit Almadén quicksilver.⁷ This proved to be the beginning of a great expansion of Rothschild business interests in Spain: in the financial markets, Spanish debt, copper mining and railways. Meanwhile, total control of the world quicksilver market was achieved through contracts secured by the Austrian branch of the family in Idria. By 1835 their distribution of mercury was booming and a second Almadén contract in 1838⁸ secured their control of distribution until the middle of the century, when the monopoly was effectively broken by competition from new areas of production in California and other smaller local producers.

Like many other banking and commercial houses at the time, the Rothschilds initially worked through commercial agents in Mexico who developed personal networks to secure business growth. Their first arrangement was with Drusina and Co., a commercial house founded by Wilhelm Drusina, who had arrived in Mexico in the early 1820s⁹ as an employee of one of the first German commercial houses in the country and gained experience in distributing mercury to the mines of central Mexico. Progressively the Rothschilds ventured into other businesses under the management of Drusina: Mexican bond issues, the export of cochineal and silver, quicksilver distribution and real estate.

Agents were notorious for taking the opportunity to do business on their own account and, after a couple of decades, Drusina's involvement in a larger number of businesses involving many foreign and Mexican businessmen, outstripped his abilities to keep control. In 1843, the Rothschilds determined to minimise his role in the management of their Mexican business, deciding instead to send a cousin, Lionel Davidson, to establish their own more direct representation in Mexico City. Lionel started reporting to the firm in London from the summer of 1843 and assumed immediate responsibility for the distribution of mercury.¹⁰

A second Davidson, Nathaniel, was also involved with various Rothschild businesses in South America, mainly in Chile. He travelled along the Pacific coast and from there sent information, often relating to mining, and, in due course, towards the end of the decade, to the emergence of the mine of New Almadén mine in California and the forthcoming gold rush. After the death of his brother Lionel in 1853 he would take over his role in the Mexican agency.

Lionel's principal commitment was to the development of an extensive distribution network for quicksilver in the most important mining areas. In creating this he helped consolidate the



City of Mexico from the tower of the church of San Agustin, c.1843.

monopoly, despite a number of emerging threats to it. Since the mid thirties, many of the major consumers, like the Real del Monte Company, considering Rothschild's prices too high, sought either to produce mercury locally or to obtain other sources of supply direct from London.¹¹ The recent war with Texas and the so called Pastry War with France were precursors of the later War with the USA. All of these kept the country in constant turmoil. These difficulties were, however, offset by the increasing demand for mercury which followed after one of the most important discoveries of silver, in La Luz in Guanajuato, which opened up a spectacular period of mining growth. In the late 1840s and early 1850s, there was further development in the mines of Fresnillo and Veta Grande in Zacatecas, ensuring a high demand for quicksilver, which Davidson met effectively through his network.

One of the few studies of the mercury supply confirms that during the period when the Rothschilds dominated this market, prices were markedly high.¹² Lionel Davidson was well aware of this, insisting in his letters that prices should be kept low in order to retain the markets and fend off competition. Although most of the major mining concerns had contracts for the sale of quicksilver through Davidson's office, there were still other consumers or agents, it seems, who bought direct from London.

... unless some measures are taken to diminish the present prices of quicksilver in the interior, the past consumption of this country can no longer be taken as a safe basis for future consumption [and] any material falling off of the consumption [will be inevitable]¹³

Another factor working in Davidson's favour and even helping to keep prices high was the constant threat of robbery and assault on the roads, particularly during wars. Contracts for supply specified whether the clients should collect their purchases from Tampico or receive them at the mine at extra cost. A simple journey from Tampico to Zacatecas¹⁴ might take four weeks, increasing the risk of loss. Because of the danger of theft and the frequent delays occasioned by the interventions of US and Mexican troops, most consumers preferred to contract for direct delivery. Davidson made sure that the firm would be:

S.P. - private

I am sorry to say that my letters, which you have not yet received. - I have taken temporarily 2 small rooms in a kind of lodging house, for which I have to pay \$50. a month! - and engaged a man for \$10. a month. -

I was the other day at a large family dinner party at Madame O'Gorman's, who is a sister to Mr. Drusina. The eldest sister is Marguessa de Vivanco, alias Madame Moran. The family is constantly referred to in Madame Calderon's book in Mexico. In the evening we had dancing, & among the dancers was an old Lady of 70, whom in her youthful days Prince Humboldt described as the most beautiful woman he had ever seen. - Her

husband, is still as straight as an arrow, has a very good figure, which she wears very short petticoats to show off, and as a fact has still all the air & grace of a young girl. - It was a very pleasant little party: every thing in very good style, the rooms beautifully furnished, silver plates at dinner, &c. - After dinner during the dessert the company all amused themselves with peltting one another with little bread-balls, which I am told is a very favorite amusement of the Mexican Ladies, and is a good illustration of the absence of all formality which exists amongst them. -

I have not yet found anything to write to you about Mexican Stock, but hope to be able to do so by next post, for Mayor's peculiar edification. - I remain D. Sir.

Your obt. Servant
Lionel Davidson

... responsible for the safety of quicksilver from the time it is handed us in the wharf until we deliver it from our store ... holding ourselves answerable from infidelity or carelessness of our clerks, porters or others in our employment.¹⁵

If insecurity on the roads was his constant complaint, he was nevertheless able across this period to expand the business and increase imports of mercury. On his arrival in 1843 he received on average 400 bottles a month for distribution. Just two years later in February 1845 he was able to report well over 600, 'the largest month's sale I have yet been able to advise'.¹⁶

Davidson's primary achievement, between 1843 and 1850, of consolidating a network of distribution of mercury, was supported by links he maintained with Drusina, who handled all bills of exchange to ensure a constant cash-flow. Equally important was his careful nurturing of business associations with Mexican politicians to secure favourable treatment in the application of regulations and the protection of property.¹⁷

His favoured port for the receipt of quicksilver shipments from Spain was Tampico, which was better equipped for this purpose than Veracruz, the biggest port in Mexico, and was closer to the mining centres to which the mercury was sent. Here he established an agency and designated warehouses for the storage of the quicksilver bottles. At first this was managed by William Lameyer and subsequently by William Glass who went on to become a member of the British diplomatic service.¹⁸

Other important agencies were those of Fernando Pohls in Guanajuato,¹⁹ and Fitch and Roxburgh in Zacatecas. In addition independent agents would negotiate prices and deliveries to individual mining companies; the Veta Grande mine in Zacatecas, for example, received its supplies through Edward Penny.²⁰ The Western mining region, centred on Bolaños, received supplies from the Guadalajara agency of Mr Blume, and in the centre of the country, there were two agencies, one in San Luis Potosi in the hands of Davis Carter and another in Durango by Mr Stackhurst.

Perhaps the most interesting case is that of independent mine owners, who preferred to deal directly with Davidson, ignoring agents. This was only possible where the mine was important or booming. One such was Juan de Dios Pérez Gálvez, the most important mine owner in Guanajuato and the biggest financier of the mina La Luz²¹ which, together with San José de los Muchachos and other adjacent mines, generated the greatest Mexican mining boom of the nineteenth century, together producing, between 1846 to 1850, 39 per cent of the country's output.²² In November 1843, when the mines of La Luz began to show the first signs of increasing productivity, 88 bottles of mercury were shipped to San Luis Potosi, 100 to Zacatecas, 60 to Pohls, the Rothschilds' agent in Guanajuato, and a total of 124 to Pérez Gálvez. In 1847 and 1848 his remittances topped 600 bottles per month.²³

Davidson himself had shares in these mines,²⁴ along with other foreign investors like Ewen Clark Mackintosh.²⁵ Pérez Gálvez and his family controlled the mining industry in the Guanajuato region, but his area of business influence went far beyond, with mining, agricultural, salt and, cattle-raising businesses in Zacatecas, San Luis Potosi and even in Nuevo León. He was a tough businessman, difficult to deal with. His increasing demands and the threat to turn to alternative, if smaller, suppliers were always present and his relationship with Davidson was often strained.²⁶ He had turned his back on the Rothschilds' agent in Guanajuato, Ferdinand Pohls, who according to Lionel Davidson '... has probably sold for you [the Rothschilds] more quicksilver than any other man in this country'²⁷ and put pressure directly on Davidson by threatening to turn instead to the houses of Agüero or Lizardi. As a result Davidson agreed to offer Pérez Gálvez much better mercury prices.²⁸

In the late 1840s the destruction of the Rothschilds' quicksilver monopoly was imminent. For some time local miners had been determined to discover and exploit mercury deposits in Mexico. The results, though limited, had created great expectations. Some British mining

Life in Mexico presented pleasant enough diversions for Lionel Davidson. In this letter to the bank dated 5 August 1843 he reported, in a postscript, details of the cost of living and the informality of Mexican dinner parties.



Tacubaya, Mexico, in a watercolour by George White, agent of Baring Brothers, who visited Mexico in the 1860s. Reproduced with the kind permission of The Baring Archive.

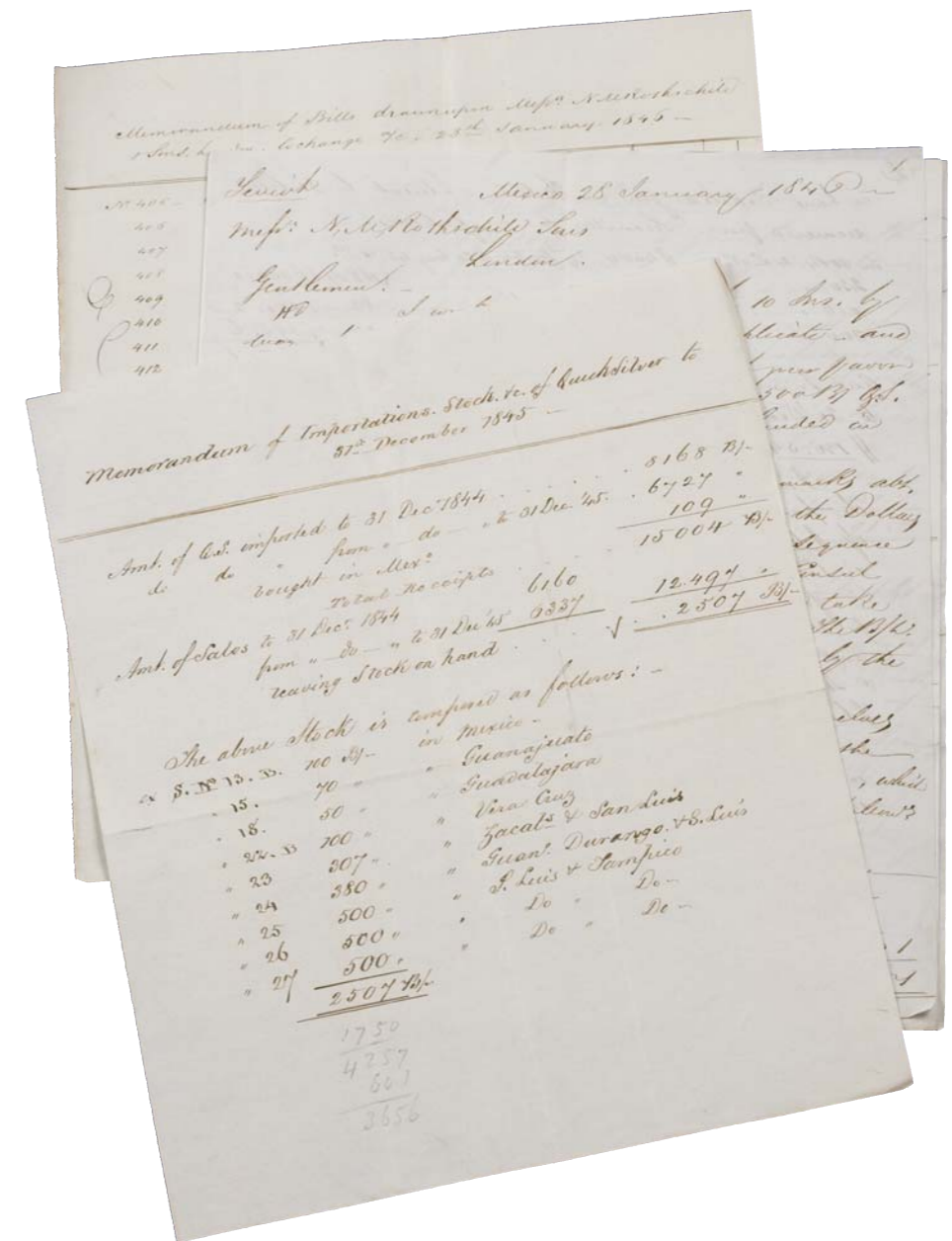
(opposite page)
Samples of Lionel Davidson's accounts and correspondence.
RAL XI/38/76-77.

experts had participated in the opening of the Gigante mine in Guadalupe, which had met a small part of the Mexican demand for mercury²⁹ but the real threat came from the mines of New Almadén in California, formerly Santa Clara, exploited by a company formed by two entrepreneurs, Barron and Forbes, Irish and British respectively. They established their main offices in the Port of San Blas in Western Mexico and steadily increased their supply of quicksilver. (Years later, Davidson himself would try to acquire shares in this venture but was rebuffed by Barron).³⁰

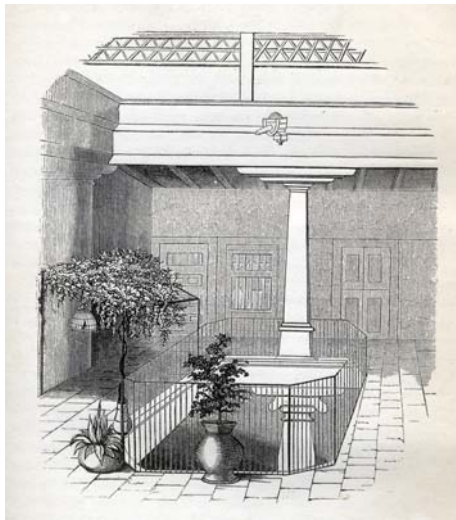
With the emergence of New Almadén, the primary force behind the Rothschild presence in Mexico – the quicksilver monopoly – was weakened and their role in the international quicksilver business diminished. When Lionel Davidson died in the early 1850s,³¹ his brother Nathaniel took his place but the record of his activities suggest that he diversified his personal businesses far wider than had his brother, focusing on silver exports and, along with other foreign businessmen in Mexico, participating actively in the trade in Mexican government bonds. He had an important role in the British Convention Fund that embraced most British bondholder-creditors of the Mexican government.

Although Lionel Davidson had himself engaged in business of his own, he had always remained primarily focused on mining. His correspondence reveals a clear understanding of the requirements of the production cycle and he had the means to become involved, both through the supply of mercury and by injecting capital into the development of individual mines. From 1844, only a year after his arrival, he had actively invested, as a shareholder of the mines of Veta Grande mines in Zacatecas, the San Vicente de Paul mine in Guanajuato in 1851, the Pedregal in Taxco and, in Temascaltepec.³² His persistent interest in mining and processing of industrial metals might be considered precocious at this period of Mexican history. His interest in the ironworks of San Rafael nearby Jalostoc in Chalco and his frequent comments on the experiments of the firm Manning and Mackintosh in exporting copper were but two examples.³³

With Lionel's death and Nathaniel's development of other interests, the initial phase of Rothschild involvement in Mexican mining drew to a close. But the detour was short-lived. The Rothschilds soon returned to Mexican mining investment, in the mines of El Oro, and, through their French branch, in El Boleo, in Baja California. Davidson's legacy lived on.



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Interior of a Mexican house, c.1843.

NOTES

- 1 M.F. Lang, *El monopolio estatal del mercurio en el México colonial, 1550–1710* (Mexico: Fondo de Cultura Económica, 1977). Inés Herrera, 'Mercurio para refinar la plata mexicana en el siglo XIX', in *Historia Mexicana*, XL, 1, 1990, pp.27–51.
- 2 Alma Parra 'Experiencia, destreza e innovaciones en la minería de Guanajuato en el siglo XIX', in *Historias*, no.58, May/Aug, 2004, pp.69–83.
- 3 Lang, *ibid.*
- 4 Miguel Angel López Morell, *La Casa Rothschild en España* (Madrid: Marcial Pons, 2005), pp.39–59; Inés Herrera, *op. cit.*, 'Mercurio para refinar la plata mexicana en el siglo XIX', in *Historia Mexicana*, XL, 1990, pp.27–51.
- 5 Most British mining companies closed operations in the late 1820s, see Newton Gilmore, 'British Mining Ventures in early National México', PhD Thesis University of California, 1956, Chapter IV; Cuauhtémoc Velasco, et.al., *Estado y Minería en México 1767–1910* (México: Fondo de Cultura Económica, 1988), pp.98–112; Alma Parra, 'Perfiles empresariales extranjeros en la minería mexicana', in *Véetas*, México, 2001, pp.75–92.
- 6 Niall Ferguson, *The House of Rothschild, Money's Prophets, 1748–1848* (Penguin Books, pp.84–110. Alma Parra and Paolo Riguzzi, 'Capitales, compañías y manías británicas en las minas mexicanas, 1824–1914' in *Historias* (forthcoming).
- 7 Becker, quoted in Herrera., *op. cit.*, Lopez Morell, *op. cit.*, pp.63–65.
- 8 López Morell, *op. cit.*, p.96.
- 9 Brígida Von Mentz, et.al., *Los pioneros del imperialismo alemán en México* (México: Ediciones).
- 10 Although Lionel Davidson took control of the Rothschilds' business in México in the 1840s his representation was only formalised in November 1851. Notary Archives, Mexico City, Notary 169, 8 November 1851.
- 11 R.W. Randall, *Real del Monte. Una empresa británica en México* (México: Fondo de Cultura Económica, 1977), p.188.
- 12 Herrera, *op. cit.*, pp.112–8.
- 13 RAL, XI/38/76–77, Lionel Davidson Correspondence, 28 August 1843.
- 14 *Ibid.*, 28 October 1843.
- 15 *Ibid.*, 26 September 1843.
- 16 *Ibid.*, 27 February 1845.
- 17 *Ibid.*, 26 September, 5 August 1843.
- 18 *Ibid.*, 28 June 1845; The National Archives, Foreign Office Correspondence, FO 207/49 Glass is appointed Consul at Guanajuato in November 1854.
- 19 Pohls, with an agency for the distribution of quicksilver in Guanajuato, started dealing with Drusina, dissolved his partnership with him and started another one directly with Davidson, RAL XI/38/76–77, 28 January 1845.
- 20 Veta Grande was one of the mines controlled by British companies from the early 1820s by the United Mexican Mining Co., and later by the Bolaños parent company of the Real del Monte. It was the only company obtaining returns at that stage. Gilmore, *op. cit.*, Chapter IV.
- 21 Alma Parra, 'La familia Rul y Pérez Gálvez y el despegue de la minería postindependiente en Guanajuato', PhD thesis, UNAM, forthcoming.
- 22 Production of La Luz was about 8.5 million pesos in the early 1850s.
- 23 RAL XI/38/76–77, 13 January 1848.
- 24 Notary Archives, México City, Notary no.169, 21 May, 1851.
- 25 Mackintosh involvement in La Luz is well documented in Rosa María Meyer, 'Los ingleses en México, la Casa Manning y Mackintosh (1824–1852)', in *Historias*, no.16, 1987, pp.57–71.
- 26 Davidson reported that Pérez Gálvez '... is a hard man to do business with ... an immensely rich man who does business upon the old fashioned Spanish principles', RAL XI/38/76–77, 29 October 1843.
- 27 RAL XI/38/76–77, 9 February 1850.
- 28 *Ibid.*, November 1843.
- 29 *Ibid.*, 8 April 1846.
- 30 *Ibid.*, Lionel 3 April 1851.
- 31 Notary Archives, México City Notary no.169, Petition to open Lionel Davidson's Will by Nathaniel Davidson.
- 32 Notary Archives, México City, Notary 426, 17 October 1844 and 16 January 1850, Notary 169, 18 July 1853 and 15 December 1851.
- 33 Notary Archives, México City, Notary 169, 4 December 1851; RAL XI/38/76–77.