

(Duplicate)
(Original of Melbourne) Melbourne 18th Decr 1851
Mess^{rs} N M Rothschild & Sons
London
Dear Sirs
As you were kind enough
to express a desire to hear from me, I feel much plea-
sure in informing you of my safe arrival on the 2nd
Inst, after a pleasant & speedy passage of 92 days -
I was astonished to find I had arrived at a second
California producing Gold in greater abundance
& purity than ever that prolific Gold Region, I found
realised here all the incredible tales we have heard
respecting that place nearly every labouring man
gone to the Diggings returning from time to time
sometimes after only an interval of a few days to
sell in the Town the Gold they had amassed, the
whole nature of things in this Colony is completely
altered, male labour it is impossible to obtain at
any price all the lower classes becoming suddenly
wealthy, the females sharing in this renders it
almost impossible to obtain servants, the difficulties
that one is exposed to from such a state of things
can better be imagined than described where upon
mines held now open for the labouring class of
our Mother Country and even to urge you to
employ your powerful influence in word of
Emigration -

Letter from Joseph
Barrow Montefiore to
N M Rothschild & Sons,
18 December 1851.
RAL XI/38/7

The Rothschilds, the Montefiores, and the Victorian Gold Rush

Angus Trumble explores the early history of Rothschild in Australia.

In January 1851, gold was discovered near Bathurst in New South Wales. Further discoveries were made six months later in the neighbouring colony of Victoria, at Mount Alexander (near modern Castlemaine), at Ballarat, and at Sandhurst (Bendigo). It was immediately obvious that huge concentrations of quartz, surface and deep alluvial gold were embedded across the south-east corner of Australia, and both British colonies immediately braced themselves for a rush at least equal to the one that had been in full swing since 1849 in California. Rothschilds were, of course, intimately involved in both from the very beginning.

In Victoria a licensing system for individual prospectors came into effect on 1 September,¹ a little less than two months after the first discoveries at Mount Alexander. Among the tens of thousands of passengers converging on Melbourne at the beginning of the ensuing rush through the last quarter of 1851 was the seasoned colonist and businessman Joseph Barrow Montefiore (1803–1893), lately returned from London, who lost no time in sending a detailed report to his kinsmen in New Court, St. Swithin's Lane. 'As you were kind enough to express a desire to hear from me,' he wrote on 18 December,

I feel much pleasure in informing you of my safe arrival on the 2nd inst[ant], after a pleasant and speedy passage of 92 days. I was astonished to find I had arrived at a second California producing Gold in greater abundance and purity than ever that prolific Gold Region. I found realised here all the incredible tales we have heard respecting that place, nearly every labouring man gone to the Diggings and returning from time to time sometimes after only an interval of a few days to sell in the Town the Gold they have amassed. The whole nature of things in this Colony is completely altered, male labour it is impossible to obtain at any price, all the lower classes becoming suddenly wealthy, the females sharing in this renders it almost impossible to obtain servants, the difficulties that one is exposed to from such a state of things can better be imagined than described...

It is now about 3 months since the first discovery of Gold took place and the yield of Gold is now upwards of £100,000 per week...On my first arrival the price was about £3/1/6 per oz but since the large arrivals from the Diggings the price has receded to £2/1/6. The Bank make advances on Gold at the rate of £2/15/0 per oz taking it as a collateral security against drafts on London at 7 per cent discount. It is impossible they can go on advancing and I expect to see the discount on Bills down to 12 or 15 per cent discount. I could with facility purchase 50 to £60,000 per week. I should be glad to act for you here on your own account by your furnishing us with a letter of credit also one through one of the Banks...to any extent you may think proper...

Please inform me if it would be agreeable to you to lay out the surplus of the Gold I may consign [sic] to you in Goods to my order, such Goods being limited to articles of easy Purchase such as Spirits and Brandy. Martells Brandy in H[ogs]h[eads] being now at 7/6 per Gallon and Rum in H[ogs]h[eads] Leeward Island (Demarara preferred) 10 over proof being now at 3/6 per Gallon and both with a rising Market and I doubt that these articles will obtain good prices for a long time to come. Many other articles would just now obtain

high prices. Tin Plates for making the dishes etc for miners, Gunpowder, Pistols, Pickles and watches, for every Gentleman who has got Gold must have a watch, and Satins, for every become lady will have her Silk and Satin Dresses with a smart Parasol. I am daily expecting some large Cargos which will arrive to a famous Market.

This and the ensuing, at times frenzied, correspondence between the bank in London and Montefiore in Melbourne forms a remarkable capsule of letters housed in The Rothschild Archive that relates to every aspect of the earliest stages of the Victorian gold rush from 1851 to 1855, and shines new beams of penetrating light upon Rothschilds' close involvement – far closer than has hitherto been understood.²

This first and most important letter in the long series is especially notable for the accuracy of its contents, its comprehensiveness, and its firm grasp upon the realities and shortcomings of the local banking infrastructure, which Montefiore knew well. His report was prescient, because the Goldsmiths' Company assay office had yet to pronounce upon the quality of the gold flowing out of the Victorian diggings, yet they soon did so: Victorian gold was found to be astonishingly fine and pure. In the second half of 1851, diggers mostly earned £3 per ounce, which was the official insurance valuation applied to gold escorts, and very close to the Royal Mint price for gold, £3 17s. 10½d. However, following the arrival of the good news from the Bank of England the price rose sharply, and £4 is said to have become standard by the end of 1852 – and only in this respect was Montefiore's initial assessment of £2/16 at all misleading. By 1854, scarcely two years later, 8,425,700 ounces of gold (more than 235 tons) were exported from Melbourne.

The close association between the Rothschild and Montefiore families was founded on the marriage on 22 October 1806 of Nathan Mayer Rothschild to Hannah (1783–1850), the daughter of Levi Barent-Cohen, and her sister Judith (1784–1862) to the future Sir Moses Montefiore. In subsequent generations there were a number of other Rothschild–Montefiore marriages that further strengthened these ties of kinship. Rothschilds had had a longstanding business relationship with the colonist brothers Joseph, Jack and Levi Montefiore since at least 1838 – in Adelaide, South Australia, Hobart Town, Sydney, and Brisbane, so the association was as strong as could be expected of any relatively informal agency arrangement in the radical new circumstances of a gold rush. Yet there were problems, which in the long run proved insurmountable.

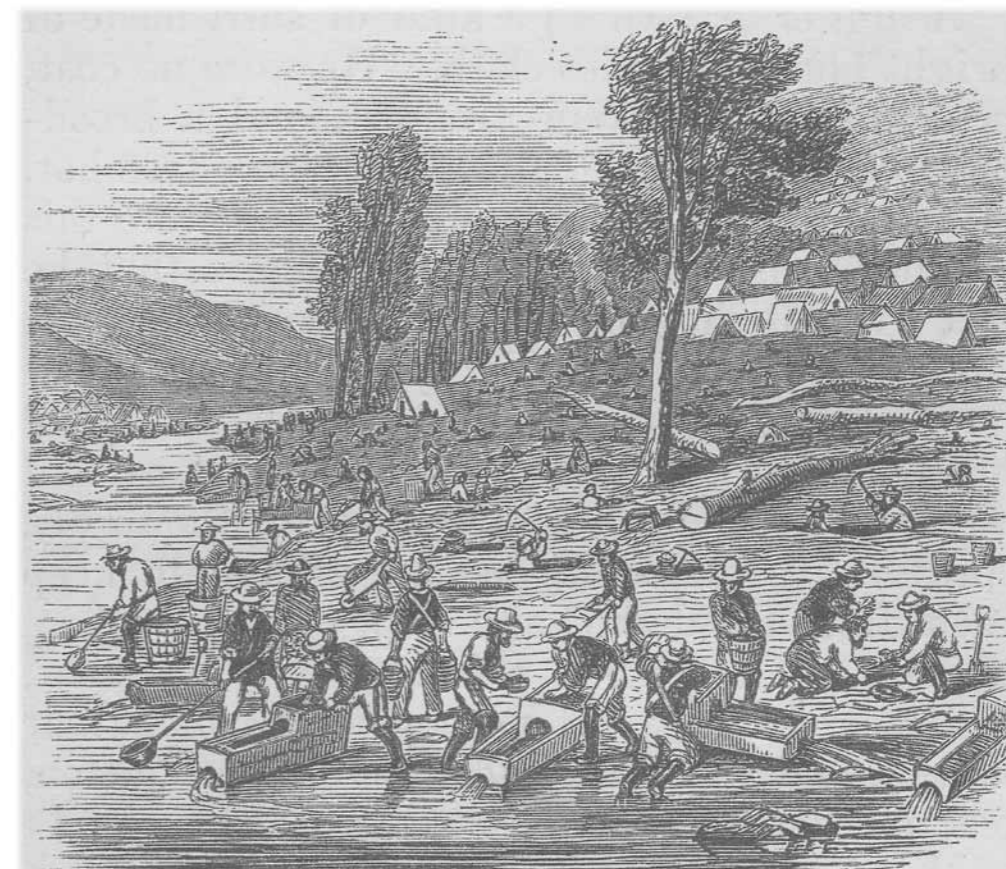
Many migrants were shocked in 1851–1852 to find that upon disembarkation at Port Melbourne sterling notes issued by the Bank of England were not only not legal tender in Victoria, but that they could only be exchanged for local pounds, shillings and pence at a discount of one fifth. In other words at first £1 sterling bought only 16s. in the four Melbourne banks. This automatically increased local prices by 20%, which were already soaring as a result of the discovery of gold. In 1852 bank deposits alone (in the form of 'gold dust') increased from £820,000 to £4,330,000 and in 1852–1853 the price of a four-pound loaf of bread more than quadrupled, rising from 6d. to more than 2s. Developments as rapid and chaotic as these made any business communications flowing back and forth between London and Melbourne almost instantly obsolete.

In the early 1850s ships carrying the mail from Britain to Australia via the Cape of Good Hope took between 87 and 119 days to reach their destination. The average duration of the voyage was therefore a fraction more than 98 days, a little more than three months – slightly longer on the return voyage via Cape Horn. Before the opening of the Suez Canal (1869) and the advent of the overland telegraph which finally reached Adelaide in 1872, an exchange of correspondence could therefore take as long as six or seven months, during which time events leaped beyond the capacity of anyone to keep track of them. Letters crossed, and their contents were often based on imperfect presumptions about new developments. Montefiore was usually



Joseph Barrow Montefiore (1803–1893) from L.M. Goldman, *The History of the Jews in New Zealand* (Wellington, 1958).

Opposite
The first diggings in Ballarat.



pressed to write quickly in order to catch a departing vessel, the better to acquire commercial advantage from its eventual arrival at New Court ahead of any rivals. In the circumstances he did remarkably well.

In January 1852, Montefiore was able to report the accelerating production of gold, new discoveries on the Ovens River near modern Beechworth and Yackandandah; the astounding growth of the population of diggers, and a continuing shortage of gold sovereigns in the banks. In June he sent a receipt for a ton and a half of flour, and a document undertaking to deliver this to a Mr. T. O. Foote at Forest Creek, Mount Alexander, to insure against damage on the road (a distinct possibility – the roads were terrible), and even a signed undertaking from the carter in this instance, Thomas Cunningham, not to carry spirits in his dray. There followed receipts from T. V. Foote & Co., Melbourne, for various goods: 'sundries,' boots, drapery, butter, raisins, candles, an iron hoop, 3 coils of rope, a cask of bacon, and a cross-cut saw. There are many such receipts in the Archive, which correspond almost uncannily with almost every detail in this and many other views of the by then blighted Forest Creek, Mount Alexander Diggings, 1852, by the itinerant lithographer S. T. Gill (illus. pp. 28–29).³ Rothschilds were not just buying up the gold, but effectively supplying and provisioning the diggings.

At the end of July Montefiore reported the receipt of £10,000 by one ship, quoted the local gold price, and the latest yield figures – hurriedly, and in a wobbling hand, in order to catch the mail that was due to sail in a matter of hours. In December 1852, he passed on news from John Allan, his agent at Forest Creek, namely that it was impossible to hold cash on account for 'strangers,' and of purchasing anything of value without more funds and more credit. The mantra from Melbourne was increasingly desperate: More, more, more – more necessities to sell, more money with which to buy up the gold, and all of it as soon as possible.



The following month Montefiore reported the unwelcome introduction of tariffs and duties on ‘tea, spirits and liquors, cordials and perfumes, tobacco snuff cigars &c., wine and coffee.’ In the meantime all such commodities and many others had been despatched, many from Rothschild’s own warehouse, against the Montefiores’ London account. On 3 January 1853, Montefiore duly received at Geelong a huge and costly shipment including 20 hogsheads of Martells dark Brandy, 15 of Demarara Rum (100 proof), 10 of Sandemans pale Sherry (fair to middling quality), 30 bags of Barcelona nuts, hundreds of boxes of raisins and currants, several tons of sugar, a small mountain of tobacco, and various supplies of bottled fruit, pickles, jams and jellies.⁴ Upon most if not all of these supplies the diggers depended, and there were many such shipments. While Rothschild’s could supply these goods at favourable London prices,

S. T. Gill (1818–1880),
Forest Creek, Mount
Alexander Diggings, 1852
(Macarthey & Galbraith,
Melbourne, 1852),
lithograph with tint stone
and hand-colouring,
45.8 x 69 cm; National
Gallery of Victoria,
Melbourne, Purchased
1960 (790-5).

the Montefiores were hit hard by the new colonial duties, and more broadly by the excessively high costs of doing business in Victoria, and the accumulating cost of borrowing more and more from London in order to convey the goods from Melbourne to the diggings, and cover a multitude of exorbitant overheads.

To obtain an independent assessment of the progress of their investment in Victoria, the bank despatched from California to Melbourne a trusted employee, the peripatetic clerk John Luck, whose brief was to discreetly monitor the Montefiores’ transactions—even to the point of furnishing unofficial audits—while, at the same time, scouting independently for new business opportunities, and also trading on his own account. These practices were identical in California, South America, and many other places where the bank sustained relatively informal agency

arrangements, so Joseph Barrow Montefiore was not at all unusual in being watched closely. In the end, he became hopelessly over-extended, and in 1855 faced bankruptcy, defaulting on substantial advances from the London branch. Rothschilds' agent Jeffrey Cullen sailed out to Melbourne to act as fireman.⁵

Rothschilds' decision in 1852 to secure the lease on the Royal Mint Refinery in London must have been driven at least in part by the immense flow of gold from Victoria, more than doubling what was already pouring out of California. The Paris branch had refined bullion since 1827, when James de Rothschild opened his smelter in the Quai de Valmy. Indeed Michel Benoit Poisat, James's business partner in that venture, eventually oversaw the technical aspects, equipment and staffing of the London refinery.⁶ It is no accident that many of Montefiore's reports from Melbourne were copied and sent to Paris, presumably to assess the viability of extending to London the firm's production of gold bullion. In the broadest sense, this valuable capsule of Australian correspondence deftly illustrates the capacity of the bank to think and act globally, on a dizzying scale as well as on the almost microscopic, the better to reinforce, support and nourish a growing network of mutually sustaining, and enormously profitable interests. In the ten years from 1851 to 1861 most of the 25.2 million ounces (787 tons) of gold extracted by hand from the creek beds, escarpments, gravel pits and stony hills of central Victoria passed through the hands of Rothschilds in London – worth far more to the firm than every one of those shipments of hogsheads of middling-quality Sandemans pale sherry, pickles, Barcelona nuts, raisins and currants, and even the losses incurred by their well-meaning and by no means incompetent Melbourne cousins by marriage.

Angus Trumble was born and raised in Melbourne, Australia, and is now senior curator of paintings and sculpture at the Yale Center for British Art in New Haven, Connecticut. He is the author (with Davis McCaughey and Naomi Perkins) of *Victoria's Colonial Governors (1993)*, and of *A Brief History of the Smile (2003)*, and *The Finger: A Handbook (2010)*.

NOTES

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1 The best concise histories of the gold rush in Victoria are still Geoffrey Serle, *Golden Age: A History of the Colony of Victoria, 1851-1861*, Melbourne: Melbourne University Press, 1963, and Geoffrey Blainey, *The Rush That Never Ended: A History of Australian Mining* (Melbourne: Melbourne University Press, 1963). To these may now be added Bruce Moore, *Gold! Gold! Gold! A Dictionary of the Nineteenth-Century Australian Gold Rushes* (Melbourne: OUP, 2000), and a host of more specialist books and articles.

2 Rothschilds' involvement in the Victorian gold rush has consistently escaped notice in Australia, and indeed has hardly ever been documented at all, except by Niall Ferguson, *The World's Banker:*

The History of the House of Rothschild (London: Weidenfeld and Nicolson, 1998), pp.578-80. For the Montefiore brothers, see Israel Getzler, 'Montefiore, Joseph Barrow,' in Douglas Pike, ed., *Australian Dictionary of Biography* (Melbourne: Melbourne University Press, vol. 2, 1967), pp.250-51; Martha Rutledge, 'Montefiore, Jacob Levi,' *Ibid.*, vol. 5, 1974, pp.270-71; George F. J. Bergman, 'Montefiore, Eliezer Levi,' *Ibid.*, vol. 5, 1974, p.269.

3 Alisa Bunbury, *This Wondrous Land: Colonial Art on Paper* (Melbourne: National Gallery of Victoria, 2011), pp.120-21.

4 RAL XI/38/7/5.

5 Ferguson, p.578.

6 Michele Blagg, 'The Royal Mint Refinery, 1852-1968', *The Rothschild Archive, Review of the Year: April 2008 to March 2009* (London: The Rothschild Archive, 2009), pp.48-49.

List of beer, wines and spirits shipped by N M Rothschild & Sons to Montefiore. 'NB - The wines of a good quality - Hunts and Sandemans are preferred.' RAL XI/38/7

