

# CONNECTIONS AND NETWORKS IN SPAIN OF A LONDON MERCHANT-BANKER, 1800-1850 \*

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## ABSTRACT

This paper deals with Anglo-Spanish trade and finances for the period c. 1810-1850. It concentrates on the business activities of a London merchant bank (Huth & Co. or Huth) with Spain during this period by paying special attention to the support given by Huth to the many bilateral trades between Spain and Britain in which the company participated. It also focuses on the support given by Huth to much trade in and out of Spanish ports but which did not go through British ports. This overall support included the provision of credit facilities, exchange rate brokerage, insurance services and commercial intelligence. In addition, the article covers the links between Huth and the Spanish crown, thanks to which the bank became an important conduit of Spanish investments in American securities before 1850. Huth was also the paymaster abroad for the Spanish state. In view of Huth's close connections to the Spanish economy during this period, it is perhaps surprising that this is the first study of this «Spanish» house in London.

**Keywords:** Anglo-Spanish trade, Anglo-Spanish finances, merchant-bankers, 19<sup>th</sup> century, transaction costs

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## RESUMEN

El presente artículo trata sobre las conexiones comerciales y financieras entre España y Gran Bretaña para el período 1810-1850. El mismo se concentra en las actividades de negocio de un mercader banquero con sede principal en Londres (Huth & Co.), y en particular en las relativas al apoyo prestado por el mismo a diversos flujos comerciales entre España y Gran Bretaña. Pero el artículo también brinda atención al soporte brindado a importaciones y exportaciones españolas que no pasaban por puertos británicos. Para estos fines Huth proveía muchos servicios a hombres de negocio en España y otros países, tales como crédito, seguros, e información comercial. Adicionalmente, este ensayo versa sobre los nexos entre Huth y la corona española, gracias a los cuales dicho banquero se convirtió en uno de los principales canales de inversiones españolas en valores financieros en los EEUU antes de 1850. Huth también estaba a cargo de pagar los sueldos en el extranjero de cónsules y diplomáticos españoles. Considerando las conexiones tan cercanas con la economía española durante este período, resulta sorprendente que sea éste el primer estudio sobre 'casas españolas' en Londres.

**Palabras Clave:** Comercio Anglo-Español, Finanzas Anglo-Españolas, comerciantes-banqueros, siglo XIX, costes de transacción

## INTRODUCTION

The few available studies of Spanish foreign trade covering the period from the end of the Napoleonic Wars until the mid-19<sup>th</sup> century concentrate mainly on the following «macro» topics: Spain's colonial trade and the impact of the collapse of the Spanish empire on the Spanish economy; the long-term impact of foreign trade on economic growth; general trends of the overall performance of Spanish imports and exports; the changing composition of Spanish exports, by products and geography; the impact of the industrial revolution on Spanish foreign trade; and bilateral trades with selected destinations. In addition, studies of Anglo-Spanish trade and financial connections for this period focus mainly on the overall value of exports, re-exports and imports (Fontana 1970; Cuenca-Esteban 1981; Prados de la Escosura 1982a, 1982b, 1983, 1984, 1985, 1986; Prados de la Escosura and Tortella 1983).

Despite the importance of these studies to improve our understanding of Spanish foreign trade and Anglo-Spanish economic relations soon after the collapse of the Spanish American empire and until the mid-19<sup>th</sup> century, the available historiography for this short period does not cultivate a global history approach or a «micro» analysis of the main actors involved in Spain's

external trade, including London merchant bankers. In particular, the important role played by trading and financial intermediaries in Spanish foreign trade is a neglected area. Particularly striking is the lack of research on the service sector. This is not surprising: the literature on international business has been mainly concerned with manufacturing rather than services (Jones 1998, p. 1). For example, the use of London intermediaries by Spanish international traders is fully understandable in terms of transactions cost theory but there is little mention, if any, of this factor within the extant studies of Anglo-Spanish economic relations.

In turn, thanks to the general literature on merchant banking (Chapman 1984, 1992; Jones 1987, 2000), we know that London was financing British foreign trade, including bilateral trade between Britain and Spain. However, we were unaware of the important role played by London merchant banks in financing Spanish trades that never docked at British ports. Take for instance the main works by Chapman and Jones, in which there is little mention of Spain (Chapman 1984, 1992; Jones 1987, 2000). Through a case study it will be shown here that London was an important provider of «market-making» and financial services to promote Spanish trades unconnected to British ports. This situation is quite different from the picture provided in the classic work of Chapman (Chapman 1984, pp. 8-9, 14-15), for whom London merchant bankers «preferred to allow credit to agents permanently resident in Britain ... because experience had taught them that the legal process of recovering debts abroad was impossibly expensive» (Chapman 1992, p. 135). Likewise, Chapman himself provided evidence showing that the earliest development of British merchant banking was in connection with the United States to such an extent that in the late 1830s about half of British acceptances were for Anglo-American trade (Chapman 1984, p. 105). Not surprisingly, acceptances for other markets have been neglected. More importantly, this is relevant for our purposes here because London's credit was crucial in supporting trade between Spain and her remaining colonies, as well as between Spain and other parts of the world before 1850 at a time when Cuba, for example, ranked third among Spain's main export destinations and import origins (Prados de la Escosura 1982b, pp. 211, 221).

Overall, we know little about London merchant banking in connection with Spain before 1850, not only regarding trade-related issues, but also in relation to the movement of securities. For example, important London houses such as Huth & Co. (hereafter Huth), Darthez Brothers, Gower, Sadler Whitmore and Mathiesen provided critical support to Spain's foreign trade and capital flows, but few of their archives have survived. Of these merchant banks, the only major archive collection available for the period 1810-1850 is that of Huth. It is, therefore, unfortunate that we are not able to compare the experiences of these London houses in order to explain why so many merchants in Spain preferred to use the services of Huth over those of

other merchants. According to Chapman, this situation is mainly because of the fact that merchant bankers were peculiarly reluctant to commit their stories to print (Chapman 1984, p. 169, 1992, p. xiii).

This neglect is relevant because a select number of London merchant banks provided crucial services to Spanish merchants and other Spanish businessmen before 1850. These services encompassed trading goods on own/joint account, or obtaining consignments of products for themselves, their agents or friends in Spain; trading in securities; financing Spanish foreign trade and even financing the trade of securities into Spain; insurance of Spanish imports and exports; negotiating foreign exchange rates or getting acceptance of bills of exchange on behalf of Spanish merchants resident in markets outside Britain; shipping services for Spanish merchants; and issuing. That is, London merchant banks were important vehicles for Spanish foreign trade but also for Spanish short-term foreign investment.

At this point it is important to stress that many of the services provided by this select group of London merchant banks to Spanish businessmen were not available in Spain, or at least not on better terms than they were in Britain, as happened in many other underdeveloped markets of the world before 1850. Why was this so in the particular case of Spain? Why could Spanish merchant banks (or their equivalents) not compete effectively with London's merchant banks for some of these services? The answers to these questions are given in this paper mainly using transaction cost theory as a useful theoretical frame, supported by the literature on the theory of trading companies, merchant banking and the relationship between trade and trust. Finally, it is worth noting that some important Spanish merchants competed with Huth and other London merchant bankers in the provision of a few services such as the granting of advances and shipping services. I am not putting forward the argument that London held a monopoly on all the services offered by Huth to his Spanish connections. Although it would be interesting to know why so many of Huth's Spanish clients preferred his services to, say, Ybarra of Bilbao, to answer this question fully we would need to dig deeply into Spanish merchants' archive collections which would take several years of research and lead this investigation in a different direction. That said, with the evidence available it is possible to make some conjectures, which are provided below.

Therefore, this article, by concentrating on the commercial and financial activities of a London merchant bank with Spain, sheds new light on London merchant banking in the period between 1810 and 1850, in particular in Spain, during a very important period in Spanish economic history, characterised by a much-needed but difficult economic recovery after the loss of most American colonies and Napoleon's occupation. The article also provides new information about Anglo-Spanish trade and financial relations during the early 19<sup>th</sup> century, as well as about Spanish foreign trade more generally. Additionally, it increases our understanding of the global economy

soon after the Napoleonic Wars, and the role played by London's Spanish connection in this global system of trade and networks.

Huth was a London-based merchant bank, which had been operating in Britain since 1809. Huth's early decades of activity constitute a very interesting phase in British merchant banking because this period provided «spectacular new opportunities for trade companies» in Britain (Chapman 1977, p. 7; Jones 2000, pp. 18-21). This situation was not only because of increasing British industrial production. The period under study was preceded by a long period of warfare that had started with the American wars of independence and was followed by the Napoleonic Wars and the Anglo-American War of 1812. During these conflicts many British merchants either retired, weary of so many disruptions to trade or went bankrupt for the same reason, thus leaving plenty of room for newcomers, including Huth, to prosper after 1815. Houses trading with Europe were particularly affected: it is estimated that 90 per cent of London's continental Europe houses disappeared during the Napoleonic Wars (Chapman 1979, pp. 217-218, 1984, p. 10, 1992, pp. 47-48, 68-70), to the great benefit of Huth, given his interests in Spain.

However, Huth was no ordinary merchant bank during the first decades after the Napoleonic Wars. It ranked immediately below the two leading London merchant banks at that time: Baring Brothers and Rothschild (Jones 2004, pp. 1-2). Despite Huth's pre-eminence within the London merchant-banking community, and despite its pivotal role as far as the Spanish economy is concerned, there is no specific work dealing with Huth's activities in Spain. This is the more surprising given that between 1812 and 1851 Huth corresponded with at least 870 merchants or businessmen in Spain, located in about 75 different cities or towns (Table 1). Furthermore, Frederick Huth and his wife were well connected to the Spanish crown, which gave the bank an edge over other London merchant banks as far as Spain was concerned. It is true that the Rothschilds had more influence upon the Spanish economy, but their activities were mainly linked to issuing rather than trade.

The richest primary source of information on Huth's activities, and therefore the main source of information for this article, is found in the papers available at University College London (Special Collections). This collection contains 183 volumes of letters from Huth for 1812-1855 and about 70 folders of incoming correspondence for 1814-1850. Despite this wealth of information, few scholars have used this collection, and they have done so mainly in relation to Huth's dealings with either the United States or South America. I also consulted the papers at the Guildhall Library and information relating to Huth in other collections such as the Rothschild Archives.

This article consists of eight other sections. In the next section, I deal with Huth's origins as a merchant in Hamburg and Corunna. After this, I concentrate on the early years of his activities with Spain after he became

**TABLE 1**  
GEOGRAPHICAL DISTRIBUTION OF HUTH'S CORRESPONDENTS IN SPAIN: A SAMPLE FOR 1812-1851

Location	No. of correspondents	Location	No. of correspondents	Location	No. of correspondents	Location	No. of correspondents
Alcala	1	Castropol	2	Molina de Aragon	2	San Sebastian	22
Alcoy	1	Cordoba	1	Mondoñedo	3	Santander	85
Algeciras	1	Corunna	113	Moreda	2	Santiago de Compostela	29
Alicante	1	Cudillero	2	Mugaridos	1	Santoña	1
Almazan	1	Cuenca	1	Muros	1	Segovia	2
Almeria	1	Estella	8	Ocaña	2	Seville	29
Amposta	1	Ferrol	5	Olaveaga	1	Soria	5
Aranda de Duero	1	Gijon	30	Orense	10	Tarragona	3
Asturias	1	Gines	1	Oviedo	8	Tenerife	4
Avila	1	Guernica	2	Padron	1	Valencia	8
Barcelona	32	Jerez	5	Palencia	2	Vega de Rivadeo	1
Bejar	1	Llerena	1	Pamplona	12	Vigo	20
Betanzos	2	Logroño	1	Pontevedra	2	Villoslada de Carneros	1
Bilbao	101	Luarca, Asturias	1	Puerto Cesures	1	Vitoria	6
Burgos	7	Madrid	158	Puerto de Santa Maria	2	Vivero	8
Caceres	3	Mahon	1	Puerto Real	1	Zaragoza	1

**TABLE 1** (Cont.)

Cadiz	59	Malaga	21	Reus	2	Zarauz	1
Candamo, Asturias	1	Meira	1	Rivadeo	17	Grand total	870
Carril	2	Merida	1	Salamanca	1		

Source: Huth Papers, Spanish and English Letters (HPEL, HPSL).

established in London in 1809. This is followed by a description of a consolidated system of bilateral trades between Spain and Britain, and the positive consequences of being connected to the Spanish monarchy. I then examine the trade in Spanish mercury, before analysing the support given by Huth to trades between Spain and non-British ports. Finally, the last section is devoted to financial and other services provided by Huth to Spanish entrepreneurs.

## HAMBURG AND CORUNNA: THE BEGINNINGS

Nowadays Huth is recognised as a leading London merchant banker. Yet, his commercial origins can be traced to Hamburg and Spain. Frederick Huth, the founder of Huth & Co., was born in Hanover in 1777 (Jones 2004, pp. 1-3) and in 1791 he was admitted as an apprentice to a Basque merchant house in Hamburg called Brentano Urbietta & Co. This was not unusual at that time since many Basque merchants established themselves in European Atlantic ports during the 1790s (Angulo-Morales 2011). Hamburg was by this time one of the primary ports in continental Europe, an important entrepot of colonial produce, in particular with regard to the British and Spanish empires. Merchants in Hamburg were well connected to the most important European entrepots of the time. Furthermore, when in 1795 Amsterdam was taken by the French, Hamburg made further commercial gains from this situation. In addition, merchants formerly working in Le Havre, Amsterdam and Antwerp emigrated to Hamburg, bringing with them vast networks of trade and their capital (Jones 1987, pp. 36-37; Roberts 1992, pp. 14-15; Wake 1997, p. 10). In other words, Huth could not have asked for a better port to start his education.

After four years working for these Basque merchants, Frederick Huth was promoted to senior clerk, and two years later, Juan Antonio Urbietta (the head of this house) decided that he was of better use in Corunna, where they had a branch house (Murray 1970, introduction). The links between Hamburg and Corunna were important on account of the re-export trade of Spanish colonial produce, but also because of the re-export of Silesian linens from Hamburg to Corunna, and from Galicia into the rest of Spain and even Spanish America (Jones 1987, p. 37). The Corunna house was headed by a brother of Juan Antonio, who increasingly left much of the running of the house in Huth's hands. In addition, his arrival at Corunna roughly coincided with the end of the monopoly of Seville-Cadiz with Spanish America. This is important because it was in Galicia that Huth became familiar with Ibero-American trade. Indeed, he was sent to South America several times acting as supercargo. During these trips he landed in Rio de Janeiro, Callao, Valparaiso and Buenos Aires, gaining valuable experience for his future operations from London. Overall, Huth's appointment in Galicia is crucial to understanding his later connections with Spain after moving to London in 1809. It gave Huth a first-mover advantage over potential competitors, as well



as long-lasting friends who could be trusted at a time when one of the main obstacles to international trade was the lack of trust. In turn, trust was intimately linked with two other crucial elements in international trade: credit and reputation (Casson 1998, p. 23; Lamikiz 2010, introduction).

Frederick's commercial experience in Hamburg, Corunna and South America convinced him that he was able to manage a business of his own and indeed, despite having been appointed chief clerk of Urbietta's Galician branch, he decided in 1805 that it was time to open his own establishment (Murray 1970, introduction; Jones 2004, pp. 2-3). Unfortunately for him, the Napoleonic invasion of the Iberian Peninsula followed soon after, and Huth decided to leave the country. He had already married a young Spanish lady called Manuela Felipa Mayfren (Freedman 1968, pp. 12-13).

Thus, Huth and his wife moved to London with little capital and only a few letters of introduction given by his friend, the merchant Juan Francisco Barrié. Huth also had some valuable London contacts, previously cultivated while working for Brentano Urbietta. Among those who helped Huth in his early days in London was Fermín de Tastet, a Spanish merchant resident in London and a contact provided by the Urbietas<sup>1</sup>. Tastet helped Huth to settle in England and provided him with many contacts in Spain beyond Galicia. Furthermore, when Huth decided to take a partner on board in 1815, he chose John Frederick Gruning, at that time working for Tastet. Given that Gruning remained his principal partner until his death, the long-term influence of both Tastet and Spain's on Huth should be seen as critical. Another early influential friend in London was Adalid, a merchant from Corunna by then also resident in the English capital. Finally, Flores-Mendez also proved helpful to Huth during his early years in London. All in all, it is clear that without the Spanish connection Huth's establishment in London and his subsequent expansion would have been very difficult if not impossible.

## TRADING WITH SPAIN FROM LONDON: THE EARLY YEARS

In London in 1809, Huth resumed business as a general commission merchant, albeit under difficult trading conditions given the impact of the Napoleonic Wars on European trades at a time when England's main trading partner was Europe. The first three years of Huth's operations are not well documented. Yet, we have a good source of information from 1812 onwards. Table 2, for example, contains Huth's worldwide correspondents for 1812-1813, and it gives us a clear sense of his early activities. Trade with Spain was the backbone of the business, while the English connection was obviously very strong too. Overall, he relied heavily on the contacts previously made in Spain.

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<sup>1</sup> SP 46/147/47, Harrys vs. Tastet. Statement by Huth, 1819. On the activities of Spanish merchants in London (see Lamikiz 2010, pp. 45-50, 146-150).

**TABLE 2**  
LOCATION OF HUTH'S CORRESPONDENTS, 1812-1813

Country	No. of correspondents	Share (%)
Argentina	6	5.3
Cuba	1	0.9
Uruguay	1	0.9
Latin America	8	7.1
Spain	58	51.3
England	37	32.7
France	2	1.8
Germany	1	0.9
Gibraltar	1	0.9
Latvia	1	0.9
Portugal	1	0.9
Russia	1	0.9
Rest of Europe	7	6.2
Philippines	1	0.9
No available	2	1.8
Total	113	100

*Source:* Huth Papers Spanish Letters (HPSL).

Huth's main contacts in Spain were located in Bilbao, Cadiz, Corunna, Rivadeo, Santander, Santiago de Compostela and San Sebastian. Essentially, Huth obtained consignments of a wide range of British products for their friends. More importantly, however, and certainly a consequence of the extensive involvement of Hamburg and Corunna in colonial products, Huth also obtained consignments of non-British products. Indeed, around this early time, Huth's strongest support to trade from Britain to Spain was not in British manufactures but in foreign produce. In the particular case of pepper and other spices, Huth was very active in London public auctions, buying for up to 45 «friends» in Spain around the early and mid-1810s<sup>2</sup>. For all these operations Huth charged a small commission on invoices and sales of no more than 2.5 per cent for exports to Spain, certainly a small fee given all the savings on searching for information, agreeing prices and looking for trusted

<sup>2</sup> HPIL, R/38, Account Current, 1817.

buyers or sellers. In exchange for exports to Spain, Huth received consignments of wool, and many other Spanish products. Spanish wool, however, occupied most of Huth's energies. Huth's correspondents in Spain linked to this trade consigned the wool to London or Bristol. If sent to Bristol, Hill & Sons and Greaves & Son received and sold the wool on Huth's behalf<sup>3</sup>.

During this early period, Huth operated mainly under consignments, that is, getting Spanish colonial produce on consignment and encouraging British suppliers to consign their merchandise to Huth's contacts in Spain. Thus Huth mainly acted as an intermediary between sellers and buyers. Why did Spanish buyers not engage directly with British sellers, or British buyers with Spanish sellers? The main reason for this was the high transaction costs involved. The main obstacles to trade between Spain and Britain before 1850, as between so many markets at the time, were the lack of direct contact, trust, product specification, agreement on prices and the language barrier (Chapman 1992, p. 25; Casson 1998, p. 23; Jones 1998, p. 17). Thus, the main transaction cost components of these obstacles were the search for information, sampling of products, price setting and monitoring of quantity, quality and punctuality in delivery.

However, because Huth had operated in Spain and Britain, and because the company had so many sources of information for both markets, Huth mastered both the British and the Spanish markets as very few competitors did. We must be aware that London merchant banks not only handled flows of goods and securities; they also handled large amounts of information (Casson 1998, pp. 34-35). Because Huth was trusted by merchants at both ends of the market chain, Huth was in a better position than most competitors to reduce transaction costs and thus provide the necessary means of linking buyers and sellers who could not otherwise trade easily among themselves. It was too costly, for instance, for a Spanish wool exporter to find a buyer in Britain and to agree on a selling price; he preferred to use trading companies based in Britain, including merchant bankers such as Huth, as «market-making» intermediaries (Casson 1998, pp. 22-24; Jones 2000, pp. 27-28). Likewise, if a merchant in Spain (e.g. Ybarra) wanted to be the bridge between British consigners and Spanish consignees, then this merchant would need either to open a branch in London (at a significant incremental cost) or to pay a commission to a broker in London, which was probably the same commission Huth charged their Spanish clients so that it made little sense to become involved in that kind of transaction.

Likewise, when a seller was consigning to a foreign market in the period between the 1810s and the 1840s, he usually needed credit, which was provided by merchant banks. Indeed, the provision of credit was an intrinsic part of the activities of any international merchant during this period, and Huth (like so many London merchant bankers) was quick to enter this

<sup>3</sup> HPSL-154, Huth to Hill & Sons (Bristol). London, April 8 and September 29, 1812.

market. For example, his Spanish contacts would draw against Huth for exports from Spain. Without these advances most Spanish consignments would not have been possible since Spanish exporters usually lacked working capital, which was abundant in a financial centre such as London, a point further developed below. In any case, such was the importance of advances that the acceptance business became the most important way of financing world trade during the 19<sup>th</sup> century (Jones 2000, p. 23). Indeed, a leading merchant bank would deal with hundreds of clients whose international trade it supported, effectively acting as private bankers to many of their clients (Chapman 1984, p. 115).

Finally, because ports in the south of England were well connected to the north of Spain where most of Huth's correspondents resided, it made sense to have agents there. In Plymouth, for instance, Huth was assisted by James Olver, who provided ships' information, forwarded letters and handled returns received from Spain. Likewise, in Portsmouth, Day & Phillips provided similar services. Finally, Huth's confidential agents in Falmouth were G. C. & R. W. Fox, all of whom were vital to the promotion of their Spanish dealings. This is important because any potential Spanish competitor based in Spain wanting to «steal» some of Huth's clients would surely need to pay agency fees in many of these southern English ports, which undoubtedly was a major obstacle to overcome when competing with Huth.

## CONSOLIDATING BILATERAL TRADES WITH SPAIN: A MATURE BUSINESS

In 1812 Huth had fewer than 60 business correspondents in Spain. By 1822 this figure had trebled, and around the mid-1830s quadrupled in relation to 1812. I am not aware of any other London merchant banker having so many connections in Spain at this early stage. Most prominent merchant banks of the period concentrated on Anglo-American trades or on one or two other markets (Chapman 1984, p. 38), among which Spain was not always a preferred option. Such was the case, for example, of Baring Brothers (Chapman 1984, pp. 26-27; Austin 2007, pp. 65-67)<sup>4</sup>, Brown Shipley & Co. (Perkins 1975, pp. 17, 112-113; Chapman 1992, p. 152), Swire & Co.<sup>5</sup>, Cropper & Benson<sup>6</sup>, and Rathbone Brothers & Co., all of which remained highly focussed on the United States. Likewise, before 1850 other comparable London multinational traders specialised in European markets, but these were beyond the reach of Spain. Such was the case of Brandt Sons &

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<sup>4</sup> It was only during the 1870s that Barings focussed their attention on other areas beyond the United States and the Far East.

<sup>5</sup> It was only during the second half of the century that the business expanded (Jones 2000, p. 37; Jones 1987, pp. 145-146).

<sup>6</sup> The core of their business was Anglo-American trade and finance (Wake 1997, pp. 39-40, 42-45).

Co. (Chapman 1984, p. 122), and Ralli Brothers (Roberts 1992, p. 53; Kynaston 1995, p. 56; Jones 2000, pp. 24-25).

Huth's vast number of correspondents in Spain is a clear indication of the consolidation of Huth's British trades with Spain. As part of this process of consolidating their position in Spain, it is worth noting that Huth's involvement in the Spanish wool market remained strong during most of the period covered by this article. Yet, there was also a process of product diversification. Apart from wool, another Spanish product, which became very important for Huth's dealings was wine, in particular the Jerez variety, which was at that time one of the main Spanish exports, especially to Great Britain (Prados de la Escosura 1982b, pp. 208-210). Their main contact in Spain for this product was Haurie & Nephews, of Xerez, an important local dealer in this commodity. Thus, Huth received in London vast quantities of Jerez, which were redistributed to other locations around Britain. Huth, however, also instructed Haurie to send the wine directly to places such as Liverpool, Dublin and Bristol, where Huth had either a branch or confidential agents who took care of the subsequent redistribution of the wine to other locations<sup>7</sup>.

Regarding Huth's strategy of product diversification, their networks within Britain expanded substantially between the 1810s and the 1840s, in particular the textile connections. Thus, apart from trading extensively in wool, wine, pepper, other spices, Indian cottons, tallow, hides, cinnamon, tobacco, rice, cod, rum and sugar, Huth had now become a major player in the British textile export trade, sending vast supplies to Latin America, North America, continental Europe and Asia. In turn, textiles were the main import of Spain and Britain the most important supplier (Prados de la Escosura 1982b, pp. 215-217). A logical consequence of this process was that Huth's textile exports to Spain also increased significantly during this period, as well as the number of clients in Spain. Apart from British textiles, Huth also started to send vast quantities of other British products to Spain, such as iron and coal, which were also falling within Huth's expertise in international trade.

Interestingly, this product diversification was unique for a London merchant banker during the 1810s-1840s (Llorca-Jaña 2013). The usual pattern for multinational merchants and merchant bankers during this early period was to specialise in one or a few commodities only (Chapman 1984, p. 8). For example, according to Chapman, prominent merchant banks of the period such as Baring Brothers and Rothschild «focused on two or three sectors or world trade in which they had come to specialise» (Chapman 1984, pp. 35-36). Likewise, during the first half of the 19<sup>th</sup> century Schrodgers' main areas of trade were grain, raw cotton and sugar (Roberts 1992, chapter 1), while Ralli Brothers specialised in textiles and grains (Jones 2000, pp. 24-25). Finally, the House of Brown focussed mainly on the raw cotton trade (Perkins 1975, pp. 17, 112-113).

<sup>7</sup> HPEL-17, Huth to Haurie (Xerez). London, January 2 and 5, 1837.

This partly explains why so many Spanish importers receiving consignments from Britain preferred to use the services of Huth rather than merchants based in Spain. We do not know what sort of commissions a merchant in Spain would need to charge in order to obtain consignments from London of many British or colonial products for other Spanish merchants also resident in Spain, but we do know that Huth's 2.5 per cent commission was very low. We also know that if a Spanish merchant based in Spain wanted to compete with Huth, then that merchant needed the same level of expertise with regard to the products and would probably need either a branch in Britain or to pay a confidential agent there, which would surely increase his costs well above those charged by Huth.

Indeed, even the mighty Ybarra & Co. used the intermediary services of Huth to purchase products in Britain<sup>8</sup>. Furthermore, Huth had a sound knowledge of most products widely traded between Britain and Spain, which a merchant based in Spain would certainly find very difficult to match. Huth also had a good reputation in London, having survived all the financial crises affecting merchant bankers during c. 1810-1850, so that those British consigning to Spain preferred to do so through Huth (and other British merchants) rather than through an unknown and untested Spanish merchant. Finally, the British legal framework, which applied to those consigning through London merchant houses was certainly preferred by British consigners over the Spanish legal framework when things went wrong.

### HUTH'S CONNECTIONS WITH THE SPANISH MONARCHY

Frederick Huth's marriage had important consequences for his future commercial dealings with Spain. Indeed, Manuela, his wife, was well connected with the Spanish monarchy because of the fact that her father was a senior member of the Spanish King's court, and after her father's death she was taken under the care of the influential Duke of Veragua (Jones 2004, pp. 1-3). Thanks to these connections, Manuela became closely acquainted with the Princess of Asturias (Maria Antonia) (Murray 1970, pp. 72, 77). When Huth left Spain for Britain in 1809 he and his wife took with them jewels belonging to Ferdinand and Maria Antonia for safe keeping, as Maria Antonia had feared before her death that they could be lost, given the political instability in Spain during the Napoleonic Wars. The jewels were returned by Huth in person once Ferdinand was restored and Maria Antonia had already passed away (Murray 1970, pp. 77-78, 108).

But Maria Antonia's early death was not the end of Frederick Huth's connections with the monarchy. He was also on good terms with the Spanish

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<sup>8</sup> HPIL, R48, Ybarra to Huth (Liverpool). Bilbao, November 27, 1839.

Queen Maria Christina. Indeed, in 1829 he was appointed the Queen's financial adviser and private banker in Britain. Furthermore, after her husband's death in 1833, Maria Christina continued to rely on Huth for private financial operations in London. That same year she secretly married Fernando Agustín Muñoz, who happened to be the son of one of Huth's earliest contacts in Spain. Indeed, during the Carlist Wars, Maria Christina regularly channelled private funds to London via Huth to invest them in British and American securities. The nature of these operations should not surprise us given the high level of corruption in Spain at that time (López-Morell 2005, p. 89). The key men behind these operations were Fernando Muñoz, Funez y Carrillo and Manuel de Gaviria. It is worth mentioning that the latter had been a very close friend of Ferdinand VII and his widow. Indeed, in 1833, when he was already the quartermaster of the *Casa Real*, he was also entrusted with the royal family's treasury (López-Morell 2005, p. 89).

By purchasing American securities, Spanish investors (including the crown) were looking for the high returns provided by the new American states. It is well known that during the first decades of the 19<sup>th</sup> century American securities were widely introduced into Europe by institutions such as the Bank of the United States in association with London merchant bankers such as Peabody and Huth (McGrane 1935, pp. 8-9; Chapman 1984, pp. 46-47; Kynaston 1995, pp. 116-117). As part of this process, in 1836 Huth sold British consols belonging to Funez y Carrillo, which fetched over £300,000 on the London market. This sum was 250 per cent of Huth's capital at that time so represented a sizeable sum of money, and it eventually ensured Huth's entrée into the American securities market. Indeed, after completing this operation, Funez y Carrillo asked Huth to invest part of these funds in American securities. After assessing several options, Huth decided to invest most of the Spaniards' money with the infamous Bank of the United States in the middle of the 1836-1837 crisis. This decision was taken following the recommendation of one of Huth's agents (Perit of Philadelphia). Despite the ongoing crisis, the Bank of the United States was still seen by Perit as a reputable institution. The operation involved a £200,000 loan from Huth (using Funez y Carrillo's funds) to the Bank at an annual interest rate of 5 per cent and with the entire capital to be reimbursed ten years later. The Bank was also to pay a commission, which was distributed between Funez y Carrillo, Huth and Perit<sup>9</sup>. In addition, £25,000 was invested by Funez y Carrillo in Morris Canal & Banking's bonds.

Furthermore, a few years later in 1839, Huth bought more American securities for their Spanish clients. This time the chosen instruments were state bonds of the Union Bank of Mississippi, worth over £120,000. Among the final buyers were Gaviria (£79,000), Funez y Carrillo (£42,000) and a

<sup>9</sup> HPEL-17, Huth to Perit (Philadelphia). London, April 29, 1837; HPJ 1836 and HPJ 1837 (unnumbered pages) and HPL-F.

lesser-known Spanish investor called Miguel Alava<sup>10</sup>. In addition, Gaviria acquired Alabama bonds for some £44,000 and Arkansas bonds for another £60,000. Regarding these operations, it is believed that Gaviria and Funez y Carrillo subsequently transferred these bonds to Fernando Muñoz, who had secretly married Maria Christina, and that in turn Muñoz was actually buying on behalf of the Spanish Queen (Freedman 1968, p. 343).

At this stage the reader may wonder why Spanish investors needed Huth's services to buy American securities or why American sellers needed London merchant banks as intermediaries to sell their securities on the Spanish market. The answer is clear: transaction costs were too high, in particular because of the lack of trust and information. In intermediating financial flows, a merchant banker used the same principles as used when intermediating commodity flows, procuring funds from an investor «with whom it has built up a reputation for sound judgement» (Casson 1998, pp. 37-38). In our case, if a Spanish investor wanted to invest in American securities, he needed to have good information about the securities being offered at that time on the market. Few Spaniards could have had a good working knowledge of the American market during this early period, while, in contrast, Huth enjoyed an extremely close financial connection with the United States. That is, most potential Spanish competitors were excluded from this profitable business because American states and companies preferred to use the services of trustworthy London merchant banks, widely known not only in the United States and Britain but also in many the parts of continental Europe where United States securities ended up.

Indeed, from the mid-1830s Huth was very active floating United States securities on the European market (McGrane 1935, p. 9; Jenks 1963, chapter 3), at a time when not even Baring Brothers or Rothschild participated in this market<sup>11</sup>. By this stage Huth had two important confidential agents in the United States: Goodhue & Co. of New York and the aforementioned Perit of Philadelphia. They both provided invaluable information for Huth, who trusted them; this fact was known to his friends in Spain who, in turn, fully trusted Huth. That is, trust and information were readily and cheaply provided by Huth, in particular if compared with other alternatives available in Spain. From the American sellers' point of view, they needed a reputable house to offer their securities (otherwise no one would buy them) and Huth's reputation was beyond discussion (Chapman 1984, p. 72). This is important because before the transport and communications revolution of the second half of the 19<sup>th</sup> century «a good reputation, built on past behaviour, was often the only reliable antidote to the effects of distrust» (Lamikiz 2010, p. 10).

As a result, the commission Huth charged Spanish investors on the purchase of American securities was very low. If a Spanish merchant banker

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<sup>10</sup> HPJ, 1839, several dates.

<sup>11</sup> Barings and Rothschild did not enter this market until 1852 (Chapman 1984, p. 92).



wanted to compete with London merchant banks in this market he would need high-quality confidential agents in the United States, as Huth had in both Goodhue and Perit, to whom a commission also had to be paid. This of course was not easy to achieve and certainly did not come cheap. Furthermore, the Spanish merchant banker needed to be trusted by US states wanting to float their debt in Europe, so that they would need to be perceived as reputable and attractive not only to Spanish investors but also to other European investors beyond Spain. However, an international reputation was not easily achieved and Spanish merchant bankers of the time did not often deal directly with the United States so were little known there.

Yet, despite Huth's credentials, the Bank of the United States suspended specie payments in 1839 and eventually closed its doors in February 1841 and passed into liquidation (Kynaston 1995, pp. 116-117). Likewise, in 1840 the Morris Canal & Banking failed to provide dividends and subsequently also collapsed. In addition, in 1841 the Union Bank of Mississippi failed to pay dividends on its bonds, and the legislature of that state later repudiated its bonds altogether. Other states (including Arkansas) also failed to pay dividends on their debts because of lack of funds. Not surprisingly, American securities had a very bad reputation in Europe and few transactions took place on the London market. As a consequence, Huth's Spanish clients saw an important part of their investments heavily compromised. This was perhaps the worst error of judgement Frederick Huth ever made. He advised his Spanish friends badly and public opinion punished merchant bankers for recommending their clients to invest in risky and uncertain ventures. After all, Huth, like many other intermediaries disposing of securities, did not lose any money; he lost his clients' money. *The Times* in particular launched a ferocious attack on merchant bankers, which no doubt was applauded in Madrid. *The Times* even called for an enquiry

into the manner in which they [USA securities] first obtained circulation here; into the conduct of the mercantile or banking firms who first introduced them, more especially as regards the preliminary investigation by which they satisfied themselves of the resources and the means of credit of the borrowing states, which induced them to offer shares in the loans to their friends ... It is hoped, therefore, that something may be done in the matter, particularly as it has been insinuated that enormous commissions ... have been allowed to mercantile firms for assistance in getting this rubbish into circulation and defrauding ... innocent holders<sup>12</sup>.

Among these «innocent holders» Spanish investors were doubtless first on the list.

<sup>12</sup> *The Times*, April 14, 1842, 'Money-Market and City Intelligence'.

For several years Huth's Spanish clients did not see a single penny from their investments in the Morris Canal, the Union Bank of Mississippi and the Bank of the United States. Such was Funez's anguish (and surely the Queen's), that in the early 1840s he moved to the United States to try to recover part of his capital<sup>13</sup>. Painful negotiations followed, but the Spanish investors only recovered a small part of their money<sup>14</sup>. The Spaniards' most important concern was undoubtedly the £200,000 invested in the Bank of the United States. Thomas Dunlap, a former president of the bank, was assigned to recover the due monies. In addition, Leon Lillo (financial adviser to the Queen of Spain in Paris) was also sent to support Dunlap's efforts. However, even after the bonds matured in 1847, it proved very difficult to recover anything at all. At one moment it was even suggested that in order to recover the Union Bank of Mississippi's bonds one strategy would be to disclose that «the Queen of Spain was the owner of a large amount of bonds represented by Huth ... [and] that a foreign royal personage could sue a state in the United States Supreme Court» (McGrane 1935, p. 216), although this idea was eventually disregarded.

In any case, Huth's bad advice to Spanish investors did not seem to have affected his reputation in Spain, not even within the Spanish Royalty. Indeed, in 1847 he was made Knight Commander of the Order of Charles III<sup>15</sup>. Likewise, Huth was appointed as Paymaster Abroad for the Spanish state, that is, the firm was in charge of paying Spanish consular agents and diplomats worldwide. By having so many correspondents all over the world, Huth was in an ideal position to accomplish the task entrusted by the Spanish Crown. No other London merchant banker of his time had diversified geographically as Huth did before 1850, let alone a Spanish merchant banker. Indeed, around 1847 Huth had over 1,800 correspondents in all continents, as seen in Table 3. All the company had to do was to instruct Spanish diplomats and consuls abroad to present their salaries' receipts to one of its nominated connections in the location where that consul resided.

Finally, Huth's connections with Spanish authorities spread further afield. For a while the firm was well connected to Jose Safont, who was one of the agents of the contractors to the Spanish government procuring tobacco for the country. Thus, for example, Huth arranged a deal between Clason & Ules of New Orleans and Safont, for the former to supply tobacco to the latter. For these operations, Huth granted a substantial credit of £60,000, for which the bank reserved its rights to charge a small commission<sup>16</sup>. All in all, Huth's connections with the Spanish royalty were surprisingly diverse. For example,

<sup>13</sup> HPSL-175, Huth to Funez (New Orleans). London, January 8, 1843; HPIL, S/SP/2, Funez to Huth. Philadelphia, September 27, 1844; HPEL-46, Huth to Funez. London, June 3, 1845.

<sup>14</sup> Business correspondence in the Huth papers ends abruptly in 1852. After this year, little is known about what Spanish investors recovered.

<sup>15</sup> Previously, Huth had been appointed a Knight of the Order of Charles III of Spain.

<sup>16</sup> HPEL-53, Huth to Clason & Ules (New Orleans). London, June 18, 1847.

**TABLE 3**  
 LOCATION OF HUTH'S CORRESPONDENTS. A SAMPLE FOR 1846-1848

Country	No. of correspondents	Share (%)	Country	No. of correspondents	Share (%)
North America	77	4.2	United Kingdom	324	17.5
Mexico	27	1.5	England	278	15.0
United States	50	2.7	Northern Ireland	8	0.4
			Scotland	26	1.4
Caribbean	60	3.2	Wales	12	0.6
Cuba	44	2.4			
Haiti	1	0.1	Europe	1,216	65.7
Jamaica	2	0.1	Austria	19	1.0
Puerto Rico	6	0.3	Belgium	73	3.9
Saint Thomas	3	0.2	Croatia	1	0.1
Saint Croix	4	0.2	Czech Republic	6	0.3
			Denmark	5	0.3
South America	63	3.4	Finland	5	0.3
Argentina	7	0.4	France	73	3.9
Bolivia	1	0.1	Germany	528	28.5
Brazil	22	1.2	Gibraltar	1	0.1
Chile	6	0.3	Ireland	4	0.2
Colombia	1	0.1	Italy	19	1.0

TABLE 3 (Cont.)

Country	No. of correspondents	Share (%)	Country	No. of correspondents	Share (%)
Guyana	1	0.1	Latvia	5	0.3
Peru	10	0.5	Netherlands	61	3.3
Uruguay	2	0.1	Norway	7	0.4
Venezuela	13	0.7	Poland	38	2.1
			Portugal	4	0.2
Asia	60	3.2	Russia	11	0.6
China	12	0.6	Spain	226	12.2
India	40	2.2	Sweden	88	4.8
Philippines	4	0.2	Switzerland	40	2.2
Singapore	1	0.1	Ukraine	2	0.1
Sri Lanka	1	0.1			
Turkey	2	0.1	No available	39	2.1
Africa	5	0.3	Australia	6	0.3
Sierra Leone	1	0.1			
South Africa	4	0.2	Grand total	1,850	100

Source: Huth Papers, Spanish Letters (HPSL), English Letters (HPEL) and German Letters (HPGL): HPSL-177; HPSL-178; HPEL-49; HPEL-50; HPGL-122; HPGL-123.

the firm also participated indirectly in a Spanish government monopoly (i.e. quicksilver), as is described in the following section.

## SPANISH QUICKSILVER

Apart from Spanish wool, wine, and other products, Huth was also very interested in Spanish quicksilver, an essential input for the production of silver in the world, the supply of which, during our period of study (before the Californian discoveries), was mainly restricted to Spain (Almadén and Almadenejos mines), and to a lesser extent to Peru (Huancavelica) and Idria (now Slovenia). Indeed, during the first decades of the 19<sup>th</sup> century quicksilver became one of the emerging products within Spanish exports (Prados de la Escosura 1982b, p. 183). Huth's interest in this commodity began in the mid-1810s, and it increased after the opening of the bank's branches in Chile and Peru during the 1820s, as both countries were important producers of silver<sup>17</sup>. On the West Coast, Huth was one of the main merchant houses, and was well connected with local merchants and authorities, including, for example, the director of a silver mine. This situation, according to Huth, put them in a good position to sell vast quantities of quicksilver on the Pacific<sup>18</sup>. Likewise, although Huth did not have a branch in Mexico, it had a very important connection there: the Drusinas, who were their confidential agents and who were also keen to receive this product given Mexico's paramount silver production.

Almadén's quicksilver production, however, was in the hands of the Spanish Crown, so that it was very difficult to get any consignment of mercury without good political connections in Madrid. Yet despite Huth's close links with the Spanish Crown, they could never secure much in the way of supplies from Spain. Nonetheless, a first consignment of quicksilver was obtained by one of Huth's sons, after touring Spain in 1829<sup>19</sup>. A connection with Corral y Puente, who was well connected in Madrid and Seville in relation to the mercury trade, proved particularly useful<sup>20</sup>. Such was Huth's interest in this product, that although by the late 1820s they were operating mainly on consignments for most products, they were willing to operate on own account for this particular commodity if Corral y Puente could secure a deal with the Spanish government<sup>21</sup>. Nonetheless, Huth's early endeavours to get more consignments failed miserably<sup>22</sup>. Apparently, other «Spanish» houses operating in London were better connected, and so were the mighty Rothschild & Sons.

<sup>17</sup> HPSL-160, Huth to Huth Jr (Cadiz). London, October 26, 1829.

<sup>18</sup> HPSL-161, Huth to Huth Jr (Cadiz). London, January 1, 1830.

<sup>19</sup> HPSL-161, Huth to Huth Jr (Cadiz). London, December 4, 1829.

<sup>20</sup> HPSL-161, Huth to Huth Jr (Cadiz). London, January 1, 1830.

<sup>21</sup> HPSL-161, Huth to Corral y Puente (Cadiz). London, December 4, 1829 and January 1, 1830.

<sup>22</sup> HPSL-161, Huth to Corral y Puente (Cadiz). London, March 5, 1830

Thereafter, the situation seemed to have worsened until 1830, when the Spanish Crown decided to grant the production of Almadén to a sole buyer. The first contract was given to Iñigo Ezpeleta of Bordeaux and had a duration of five years, and in 1835 it passed to Rothschild & Sons (Prados de la Esocura 1982b, pp. 205-206; López-Morell 2005, p. 65; Platt 2011, p. 38). This near monopoly-monopsony left Huth with few options of trading directly in this product. Instead, the firm now resorted to getting consignments from the Rothschilds. From c. 1836 Huth became Rothschild's agent in Chile and Peru. Likewise, Huth's agents in Mexico were entrusted to sell Rothschild's quicksilver (Platt 2011, p. 41, 2012, p. 213). Although it was true that Huth depended on the Rothschilds to obtain consignments, it was also the case that without Huth's services or those of a similar house in either Chile, Peru or Mexico, the Rothschilds would not have been able to do much business without running major risks, as one of their agents touring Latin America reported: «Having only been here so short a time I cannot yet state whether I shall be able to take charge of the quicksilver at first without the intervention of either ... Huth or some other house. I think however from the manner in which business is conducted here in general that I shall not be able to do so»<sup>23</sup>. And indeed, in order to sell Rothschild's quicksilver in Latin America Huth charged a very high commission of 13 per cent. Yet, because Rothschild did not have a branch in either Chile, Peru or Mexico, they were forced to rely on Huth.

What is more, as well as receiving consignments from the Rothschilds, Huth also bought from them on their own account, in particular sending cargoes to Drusina<sup>24</sup>. Helping to develop this trade to Mexico was the fact that Henry Huth, one of Frederick Huth's sons, worked for the Drusinas for several years, even becoming a partner<sup>25</sup>. Unfortunately, vast quantities of quicksilver started to be produced in California from the late 1840s, and this production reached not only Mexico but also Chile and Peru at lower prices than the Rothschilds had been offering for over a decade. In California, production was in the hands of Forbes, and their chosen agents in the Pacific were one of Huth's main competitors: Gibbs & Sons. Undoubtedly, this was a great blow to Rothschild's re-exports of Spanish quicksilver to the Americas, and Huth's interests in this trade, as the market price declined quickly<sup>26</sup>.

## MOVING BEYOND BILATERAL TRADES: HELPING SPAIN TO TRADE WITH THE WORLD

Huth, and in particular his global trading and financial networks, expanded exponentially after the 1820s. By 1850 the bank had an accumulated

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<sup>23</sup> RHL, XI/38/81B, Davidson to Rothschild (London). Valparaiso, February 28, 1848.

<sup>24</sup> RHL, XI/38/149/A, Huth to Rothschild (London). London, December 17, 1839.

<sup>25</sup> HPEL-31, Huth to Drusina (Mexico). London, January 15, February 3 and 15, 1841.

<sup>26</sup> RHL, XI/38/82/A, Davidson to Rothschild (London). San Francisco, August 31, 1851.

list of over 6,000 correspondents all over the world, in more than 70 countries in the five continents (Llorca-Jaña 2013). Yet, despite this success, Huth's expansionary process was not exempt from difficulties. Trust was key to building commercial networks during this period, but was only slowly and painfully cultivated. For example, when he was establishing his London branch, Frederick Huth once confessed that he was trying to get some cargoes of cod from Newfoundland for Spain, but that no house wanted to enter into business with him because he was unknown there<sup>27</sup>. Recommendations from other merchants were fundamental to multiplying the network of contacts, and he learnt how to use them effectively. For example, Brentano Urbieta gave Huth many of their most valuable early contacts abroad, like Conrad Rucker of Montevideo, to whom Huth started to consign Catalonian wine<sup>28</sup>.

Apart from his first masters, Frederick's contacts in Spain also provided many of his early connections in Latin America. For example, the Llano family of Corunna had some relatives in the River Plate, to whom he was quick to write after establishing a base in London, and he soon started trading with Llano & Hermano of Buenos Aires<sup>29</sup>. Likewise, Serra of Corunna was happy to provide the means of connecting Huth with Alsina of Buenos Aires<sup>30</sup>, while the Sanchez family of Corunna also provided links to their branch house in Buenos Aires. Finally, many of his early correspondents in Spain had sister offices in many of the Spanish colonies. For example, the principal partner of Pola Mendive of Havana (one of the main correspondents in Cuba) was Menendez of Corunna, while Goicouria, also of Havana, was also a branch of Goicouria e Hijos.

Although it is true that many of Huth's earliest connections in Latin America were in the main provided by Spanish merchants, Huth's global network stretching to over 70 countries was not solely because of contacts made in Frederick's early life in Spain. They were mainly a consequence of his honesty, his ability to nurture friendships, and later on to his commercial reputation. More importantly, Huth's connections in Spain could now profit from the firm's connections all over the world. Indeed, Huth not only participated actively in bilateral trades between Spain and Britain, but was also happy to help supply Spanish merchant establishments in Spain, Spanish colonies or former Spanish American colonies from beyond Britain. Upon Huth's intermediation and recommendation, Huth's friends in continental Europe, Asia and the Americas regularly supplied many of their «Spanish» connections anywhere in the world. For example, glasses from Bohemia were sent to Buenos Aires thanks to Huth's intervention<sup>31</sup>. From Cuba,

<sup>27</sup> HPSL-157, Huth to Viuda de Trueba (Corunna). London, August 30, 1815.

<sup>28</sup> HPSL-159, Huth to Rucker (Montevideo). London, October 15, 1822.

<sup>29</sup> HPSL-154, Huth to Llano (Buenos Aires). London, July 7, 1812.

<sup>30</sup> HPSL-154, Huth to Alsina (Buenos Aires). London, July 7, 1812.

<sup>31</sup> HPSL-156, Huth to Llano (Buenos Aires). London, November 5, 1814.

Layseca of Havana coordinated shipments of sugar and tobacco to northern Spain<sup>32</sup>. Likewise, Groning of Hamburg used to send German glasses regularly to Spain, to the likes of Rochelt Brothers (Bilbao), while Huffel of Hamburg supplied Antonio Prado from Rivadeo with many German manufactures. Beyond Germany, cheese from Amsterdam was often sent by Van Veen & Son to Rochelt Brothers of Bilbao and Adalid of Corunna.

In this vein, the Riga connection deserves a few lines. From the 1810s, Huth was an instrumental player in the flax-fiber trade from Riga to Galicia and Bilbao, at a time when this product ranked among the most important raw materials imported by Spain (Prados de la Escosura 1982b, p. 184). This trade became so important that Riga's exports to Spain were one of the most important trades connecting Huth and Spain. This flax fiber was used in Galicia for the production of the famous Galician linens. From the 1810s, Riga houses consigned vast cargoes to Huth's contacts in Galicia and the Basque country. Mitchell & Co. became their main connection in Riga, but many other houses also became involved, with the volume of trade increasing significantly and remaining high during the 1820s-1840s. By 1829, for example, 12-15 cargoes of flax-fiber linked to Huth left yearly from Riga for Spain<sup>33</sup>.

However, Spain's exports to other destinations beyond Britain also benefited from Huth's global contacts. For example, wine was consigned by Sierra & Hermanos (Santiago de Compostela) or Vilardaga (Barcelona) to Huth's connections in Buenos Aires<sup>34</sup>. Likewise, once Huth had opened branch offices in both Peru and Chile, many of Huth connections in Spain were happy to supply their establishments on the West Coast. For example, Vilardaga & Reynals of Barcelona happily supplied wine to Callao and Valparaiso upon Huth's request.

Why did this Spanish dependence on the intermediation of Huth (and other London merchant bankers) and their network of contacts exist? Why were these Spanish merchants unable to trade directly with those foreign merchants beyond Spain and Britain? Why did they not simply use the services provided by merchant banks in Spain instead? This is a key theoretical question concerning the existence of merchant banks and in general of multinational trading companies (Jones 1998, pp. 16-17). In turn, the lack of research on the functions performed by merchant banks may be a result of neo-classical economic theory treating firms (including merchant banks) as «black boxes» within a world in which there is no role for intermediaries because of the assumed existence of perfect information and enforcement (Jones 2000, p. 4). The first half of the 19<sup>th</sup> century, however, was quite different from a neo-classical world. Indeed, Spanish merchants used Huth

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<sup>32</sup> HPSL-159, Huth to Layseca (Havana). London, July 30, 1822.

<sup>33</sup> HPSL-160, Huth to Huth Jr (Cadiz). London, November 6, 1829.

<sup>34</sup> HPSL-159, Huth to Dickson Montgomery (Buenos Aires). London, June 21, 1822.



(and other British merchants) as intermediaries, rather than searching directly for contracting partners, because international trade during this period required trust and good information about the import and export markets; trading internationally was risky. Chapman has already pointed to the fact that when communications were slow and difficult «the ultimate problem of the overseas merchant was maintaining understanding, policy and trust with correspondents» (Chapman 1992, p. 45).

Huth's unique global network and extensive product diversification (Llorca-Jaña 2013) provided trust and information at a lower cost than could be procured in Spain, thus reducing risks: Huth greatly decreased search, negotiation and general transaction costs for Iberian businessmen. Huth specialised in overcoming these obstacles to trade on behalf of his correspondents in a world of informational asymmetries. Huth's impressive global network of contacts gave the firm at least a handful of trustable correspondents in every major port in which any Spanish merchant wanted to trade. This was known to Spanish merchants and they used Huth effectively. Furthermore, there were also language and cultural barriers to overcome. For example: if a Spanish merchant wanted German manufactures, how would he contact a supplier in Germany? In which language should the Spaniard write? In contrast, Huth was conversant with German, Spanish, English, Portuguese, French and even Italian. More importantly, Frederick Huth also knew hundreds of German manufacturers who trusted him, while he in turn trusted hundreds of Spanish merchants requiring German manufactures. Consequently, acting as a bridge between buyers in Spain and sellers in Germany (with previous payment of a commission) was relatively easy for Huth while it was very difficult for a Spaniard to do so directly. But perhaps equally importantly, these foreign trade operations required credit, and credit was scarce and dear in Spain, as is explained in the following section.

#### FINANCIAL AND OTHER SERVICES PROVIDED BY HUTH TO SPANISH MERCHANTS

The pivotal role played by non-banking institutions in supporting the expansion of international trade before 1850 has long been recognised. Merchant banks, in particular, played a crucial role by advancing monies to consigners of products all over the world. Without this form of credit, many international trade operations could not have taken place, in particular for countries lacking capital, such as Spain. Overall, the increasingly complex system of international trade that developed from the mid-18<sup>th</sup> century depended largely on this provision of credit (Perkins 1975, pp. 8, 85-86; Chapman 1984, chapter 7, 1992, p. 46; Roberts 1992, p. 27, 1993, p. 23; Jones 2000, p. 23). Indeed, after Huth became a merchant banker, the firm provided open credits and letters of credit to many of his Spanish connections,

enabling them to trade with many parts of the world. The acceptance of bills of exchange became so important that for most London merchant bankers of the period accepting replaced trading as their main source of income (Jones 2000, p. 23). In turn, Huth was one of the leading accepting houses of the period covered by this article, in particular for trades beyond the United States (Chapman 1992, p. 70). It was only Huth's international reputation, however, which allowed the bank to become a leading acceptor, and indeed only institutions with a sound reputation could enter the acceptance market (Chapman 1984, pp. 70-71; Jones 2000, p. 23).

I have mentioned that one of the most important products traded between Spain and Britain during the period covered by this article was Spanish raw wool. To support this branch of trade, a great deal of credit was extended in London to Spanish suppliers. This trade, in turn, was also one of the most important branches of trade for Huth with Spain. Once the wool had arrived in Bilbao, San Sebastian, Santander or any other Spanish port, the Spanish wool suppliers were entitled to draw against Huth for a share of the value of the cargo at 90 days (a practice known as advances)<sup>35</sup>. Likewise, Haurie's shipments of wine to Britain were also made possible thanks to Huth's liberal advances, as was the case with many other Spanish exports. Huth charged a commission of just 1 per cent on the value of the drafts before accepting them (although a higher rate could be applied in cases of clients of lower standing or repute), but if the draft was not covered at maturity, then the commission would increase to 2.5 per cent. Often too, if the merchant enjoying an open «confirmed» credit with Huth did not use it, a commission of 0.5 per cent could be charged anyway, and if subsequently the credit was used, then the other 0.5 per cent was charged. In any case, the drafts could be cashed at maturity or discounted immediately after acceptance. That is, advances were money provided before sales had taken place or before remittances had been received. If the drafts were cashed after acceptance, the usual discount rate (given Huth's solid reputation) was very close to that of the Bank of England. These liberal credit facilities were not available in Spain to merchants exporting to Britain because Spanish enterprises were less creditworthy for bills payable in London. Likewise, the distinguishing feature of London merchant bankers of the period was a large capital linked with intimate knowledge of a particular market (Chapman 1992, p. 70). In Huth's case, the firm was unrivalled in Spain.

Furthermore, Huth also extended liberal credit to British exporters to Spain. A British textile manufacturer in, say, Manchester, would draw against Huth for the shipment of cottons to one of their correspondents in, say, Galicia, and then probably discount the bill immediately after acceptance. Thus the British manufacturer benefited because he was less exposed to the risk of selling directly to a foreign market (Chapman 1992, pp. 68-71).

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<sup>35</sup> HPSL-160, Huth to Huth Jr (Cadiz). London, October 9, 1829.

Huth would accept the draft because he trusted both the British exporter and the Spanish importer. In turn, the Mancunian exporter would not draw a bill against a merchant in Galicia (or in Madrid) because it was probably not discountable in either Britain or Spain, and certainly not payable in sterling as the Mancunian would have wanted. That is, a merchant banker resident in Spain would not be able to offer the same services offered by London merchant bankers because he would have been unknown to the British manufacturer.

Huth's advances, however, were extended to support many other trades linked to Spain and her colonies, even those which went nowhere near London. These included trades: (i) between Spain and her colonies; (ii) between former Spanish colonies and Spain; (iii) between Spanish colonies and former Spanish colonies; and (iv) between Spanish colonies and other markets beyond the Americas. For example, regarding the first case, sugar was sent from Cuba to Corunna, Cadiz and other Spanish ports thanks to liberal advances given by Huth to merchants in Cuba. Likewise, shipments of sugar from Manila to Spain received advances from Huth in London. Regarding the second case, cacao shipments sent from Venezuela to Santander or to other Spanish ports received advances from Huth. In particular, Bermudez of Caracas would draw against Huth for cargoes sent to Porrua Egusquiza of Santander, with drafts at 90-120 days, which had to be covered by Porrua Egusquiza at maturity. Finally, cargoes of hides from Buenos Aires to Spain also received Huth's generous advances.

Regarding the third case, extensive shipments of jerked beef from the River Plate to Havana received advances from Huth in London. Cuban sugar was also shipped to Chile and Peru using Huth's credit. Finally, in the fourth case, Huth also funded trade operations between Spanish colonies and other markets beyond Spain or the Americas such as continental Europe. For example, Embil of Havana was in the habit of sending sugar cargoes to Antwerp and St Petersburg funded by Huth's advances, and so did Mariategui and Drake, while Pastor of Havana consigned tobacco to Gaedechens of Hamburg after drawing bills of exchange against Huth as advances. To support these operations, Huth would open a credit account to the importer in, say, St. Petersburg in favour of the consigner in, say, Havana, and the latter would draw against Huth to settle his account with the consignee.

Perhaps more importantly, most of the strategic Riga flax-fiber trade was made possible thanks to Huth's credit. In this case the firm's agents in Riga would buy flax, ship it to Spain and draw against Huth. In London Huth would immediately accept these drafts. That is, indirectly Huth was extending credit to the Spanish merchants in Galicia receiving the flax-fiber. For example, Stresow & Sons and Jacobs & Co. would buy in Riga for Bengoechea (Rivadeo) or for Garcia in Santiago de Compostela. Before shipping the products they would draw against Huth on account of this flax, usually for up to two-thirds of the invoice value of the cargoes. Finally, the Spanish merchant receiving the flax would pay back to Huth the monies lent by Huth to the Riga merchants, ideally covering the drafts before maturity.

At this point an obvious question arises. Why were Spanish merchant bankers not able to offer the same credit services as those provided so extensively by merchant bankers in London? Or, alternatively, why did Spanish traders prefer Huth's credit to Spain's own credit facilities during the period covered by this article? We must remember that during the 1810s-1840s Britain was the world's largest trading nation as well as the largest capital exporter. Consequently, a great deal of the finance of world trade «was orchestrated in London and sterling was the main currency of international finance» (Chapman 1992, pp. 4-5, 41-42; Jones 2000, pp. 2-3, 19-20). London had already overtaken Amsterdam as the premier centre of international finance and payments (Chapman 1984, p. 9). Therefore, London merchant bankers' credit facilities were unmatched by financiers in Spain because capital was more expensive in Spain.

We also know that during most of the 18<sup>th</sup> century and the first half of the 19<sup>th</sup> century, overseas trade within Europe and beyond was an elite activity because of the large amount of capital required to operate in this sector (Chapman 1992, pp. 27-28). Not only was ample capital needed, but also a sound international reputation. And indeed, on account of these two limitations, London merchant bankers during the 1810s-1840s consisted of a very small group of some 15 businessmen. Many of the merchant bankers' advantages can certainly be explained by reputational asymmetries in international business (Jones 2000, p. 6). In this respect, Huth's capital and international reputation would have been difficult to match by a merchant banker resident in Spain.

Moving beyond the provision of credit, it is known that another of the many roles performed by a London merchant bank during the first half of the 19<sup>th</sup> century was dealing in bills of exchange, an activity which did not escape Huth's enthusiasm. In order to fulfil this role, the firm obtained acceptance in London for bills of exchange drawn anywhere in the world if they were drawn on a London house. If drawn in a currency different to sterling, Huth also negotiated exchange rates on behalf of their correspondents, including many Iberian establishments. Among Huth's principal Spanish customers were the Banco Español de San Fernando (predecessor of the Bank of Spain)<sup>36</sup>, whose director was none other than Joaquin de Fagoaga.

Furthermore, in 1844 Huth secured another important Spanish deal in bills of exchange after being appointed by the Banco de Isabel II as their representative on the London market. For a 0.25 per cent commission, Huth would get acceptance and negotiate exchange rates on this bank's behalf<sup>37</sup>. Unfortunately this bank only lasted a few years and disappeared during the financial crisis of 1847. Another of Huth's important clients was the Banco de Cadiz. Again, as for many other contacts in Spain, Huth obtained acceptance

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<sup>36</sup> HPSL-177, Huth to Banco de San Fernando, any letter for this volume.

<sup>37</sup> HPSL-176, Huth to Banco de Isabel II. London, May 14 and 16, 1844.

of bills in London, negotiated exchange rates, collected London bills endorsed in the Banco de Cadiz's favour, and credited them into this bank's account<sup>38</sup>. Finally, it hardly needs pointing out that Huth's connections in Spain also performed in return the same services he carried out for them in London for bills of exchange drawn on Spain. For example, Serra Hermanos of Barcelona were entrusted to get acceptance in Catalonia for any bill of exchange drawn in Huth's favour.

Why did these Spanish banks need the financial intermediation of London merchant bankers? The answer is similar to the argument provided before: to obtain acceptance of bills in Britain on behalf of Spanish merchants Huth had a headquarters in London, a branch in Liverpool, confidential agents in many other British locations, dozens of experienced clerks (many of them specialists in Spain) and a sound reputation, which helped the bank to represent its Spanish friends against British banking institutions. Likewise, in negotiating exchanges between London and Madrid, Huth's expertise in both markets was unmatched by most competitors in either Spain or Britain, so that their friends in Spain could use Huth's information at a low rate.

The connections between Huth and Spanish businessmen take us again to the securities market. Two other important facts should be highlighted at this point. First, not only was the Spanish Crown interested in buying securities via Huth on the London market, many more Spanish businessmen resorted to their services to buy securities in the English capital. This usually included British and US securities, but there was also an interest in Spanish securities themselves, which were widely traded in London. For example, in the «Spanish panic» of May 1835, Spanish securities lost 30 per cent of their value on the London market, bringing ruin to many investors. Thereafter, many Spanish securities were also liquidated on British soil by Huth on behalf of Spanish businessmen. For example, Yribarren & Sobrinos often asked Huth to sell shares of the «empréstito nacional» on their behalf. Likewise, Gaviria was also in the habit of requesting Huth to liquidate «títulos españoles» and «cupones» in London<sup>39</sup>, many of which either belonged to the royal family or to Gaviria himself, given his proclivity to mix government with private business (López-Morell 2005, p. 88). This is not surprising: after the restoration of Ferdinand VII, Spain's debt was issued in both France and Britain by eminent bankers, and therefore «Spanish» bonds were widely traded in both London and Paris.

Beyond the financial sector, Huth was also happy to provide any other reasonable service upon request. For example, in 1828 Spain imposed a very high import duty on lino coming from Riga if shipped in foreign vessels. By contrast, if imported in Spanish vessels the duty was reduced by around

<sup>38</sup> HPSL-180, Huth to Banco de Cadiz. London, February 8, 1851.

<sup>39</sup> HPSL-175, Huth to Gaviria (Madrid). London, January 1, 1843.

50 per cent. Likewise, around this time, exports of flour from Spain to Havana in foreign vessels also had to pay very high import duties in Cuba, but if carried in Spanish vessels they were free of duties. Thus, many of Huth's contacts in Spain and Cuba asked him to buy British ships and send them to Spain to sail them under the Spanish flag<sup>40</sup>.

Huth also provided many of their connections with important postal services, at times when mail packet companies were not in operation on many international routes and communications were slow, expensive and unreliable. Many foreign merchants sent letters to Huth in London to be forwarded to diverse destinations. Such was the case of Porrúa of Santander, who sent letters to La Guayra via Huth in London. In the opposite direction, merchants in distant locations would send letters to London for Huth to forward to various places. For example, Galceran of Havana was in the habit of sending letters to Manila via Huth in London<sup>41</sup>. Finally, Huth also provided many other petty services, from buying lottery tickets for Lasa of Havana<sup>42</sup>, to purchasing London newspapers regularly for many merchants in Spain.

#### HUTH AS INSURANCE BROKER FOR SPANISH MERCHANTS

It is well known that merchants engaged in overseas trade were usually involved in marine insurance during the period covered by this article. Indeed, among the many commercial activities connecting Huth in London with Spanish merchants was that of marine insurance. Such was the importance of this function that it deserves to be treated in a section of its own. To start with, some preliminary comments seem pertinent. First, Spanish merchants requested Huth's insurance services because marine insurances could be procured in London on better terms than those available in Spain. London's marine insurance market was unrivalled across the world during the 1810s-1840s. Here again, since the firm was based in London, asymmetrical information was in Huth's favour, as Spanish traders preferred to pay him a small commission (0.5 per cent) to effect marine insurance on their behalf. Spanish traders used London merchant banks' brokerage rather than the intermediary services of Spanish merchants based in Spain because the Spanish insurance industry was very underdeveloped before 1850<sup>43</sup>, and therefore could not compete with London. This meant that, sooner or later, a Spanish merchant offering insurance in Spain would need the services of an intermediary in London or a branch in that city if he wanted to remain competitive, and neither came free.

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<sup>40</sup> HPSL-160, Huth to Huth Jr. (Cadiz). London, November 6, 1829.

<sup>41</sup> HPSL-177, Huth to Galceran (Havana). London, April 1, 1847.

<sup>42</sup> HPSL-159, Huth to Lasa (Havana). London, September 28, 1822.

<sup>43</sup> Pons-Pons 2012, pp. 189-190.

Second, judging from Frederick Huth's business correspondence, it is clear that he was extremely averse to risk and insured all trade operations in which he had any interest, and against all possible risks. This was the case throughout his career from his early years in London to the late stages of his enterprise. In turn, and perhaps because of Huth's extremely cautious attitude towards insurance, he managed to build a crucial reputation among London underwriters which gave the company a vast network of insurers to resort to, a network which would have been unavailable to a Spanish merchant operating from Spain.

Third, Huth arranged most, if not all, of the marine insurance of shipments between Britain and Spain in which the firm had any interest, either as a consignee or as a distant intermediary advancing funds. These included shipments of wool, wine and many other products from Spain to Britain and vice versa. Likewise, for shipments between Britain and the Spanish colonies, Huth was also happy to provide insurance brokerage. For example, the sugar cargoes sent by Vazquez Falcon Echarte of Havana to Britain were always insured by Huth in London, as were sugar shipments from Puerto Rico<sup>44</sup>. If advances given by Huth were involved, then a prerequisite for these operations to be financed by Huth was that he had to take out the insurance himself, since the merchandise consigned was taken as collateral. Because Spanish merchants used so much of Huth's credit, a logical consequence of this was that his insurance brokerage had to be widely used too.

In addition, Huth also effected marine insurance for a wide range of Spanish merchants for shipments from other places (i.e. outside Britain) to Spain (and her colonies) and vice versa. I am referring to trades, which never docked at British ports but were insured on the London market. For example, Huth insured cargoes on behalf of Adalid and Santos (both of Corunna) for shipments from Havana and Vera Cruz to Cadiz or Corunna<sup>45</sup>. Huth would also insure shipments of hides and tallow from Buenos Aires to Spain. Likewise, even Brentano Urbieta in Hamburg would ask Huth to effect insurance for cargoes from Lima to Cadiz or to Hamburg, or from Hamburg to Havana<sup>46</sup>. In the same vein, the flax trade between Riga and Spain was also insured in London<sup>47</sup>.

Overall, Huth's marine insurance services were of great consequence for Spanish foreign trade because without this service many Spanish traders would have been reluctant to engage in international trade. Huth & Co. not only advanced insurance premiums to Spanish merchants, but also made their vast network of contacts at Lloyds available in order to contract the insurance services requested from Spain. Thanks to this service Huth prevented the ruin of several Spanish merchants, since seawater damage was very

<sup>44</sup> HPSL-177, Huth to Elzaburu (Puerto Rico). London, January 16, 1847.

<sup>45</sup> HPSL-159, Huth to Santos (Corunna). London, August 9, 1822.

<sup>46</sup> HPIL, R/38, Entries in Account Current, October 10, 1817.

<sup>47</sup> HPEL-6, Huth to Kaul (Riga). London, August 20, 1830.

common during this period, in particular for cargoes such as textiles, sugar and tobacco. Perhaps more importantly, shipwrecks were also very common, and often both ships and cargoes were completely lost. Such was the case of the Spanish ship *San Jacobo*, which was loaded with sugar from Havana to Corunna and Riga, but luckily was insured by Huth on behalf of many merchants, and for which they claimed £6,000 from the underwriters<sup>48</sup>.

## CONCLUSIONS

The main focus of this paper was to analyse the role played by a London merchant banker within Anglo-Spanish economic relations and more generally in relation to Spain's foreign trade and capital flows during the 1810s-1840s. This «micro» story is important because it improves our understanding of Spanish international trade, financial services and insurance during the first half of the 19<sup>th</sup> century. In particular, the article answers a key question: why did Spanish traders need the services of a London merchant bank? Why could they not use the services of Spanish institutions instead? The answer to this question is not to be easily found within the extant literature or archival material. Unfortunately, merchant banks «have found little place in either theories of the firm and the multinational enterprise, or in the history of international business» (Jones 1998, p. 19, 2000, p. 3), while few of their collections have survived. In addition, merchant banks were an amorphous group and each enterprise is difficult to characterise. This, however, makes them an interesting subject of study because many of these firms were organised and managed in different ways from their more familiar manufacturing counterparts. Therefore, merchant banks pose interesting theoretical challenges for the scholar seeking to explain the different strategies they followed (Chapman 1992, pp. 2-3; Casson 1998, p. 32; Jones 2000, pp. 2-4). In this respect, Huth's special interest in Spain is unique within the London merchant-banking community during the first half of the 19<sup>th</sup> century.

Despite these difficulties, Huth's experience suggests that London merchant banks were able to provide lower transaction costs to Spanish clients than those available in Spain. The firm was part of a select group of essential intermediaries in Spain's international trade and finance at a time when trading and moving capital internationally was very risky. Huth effectively linked Spanish sellers and buyers with traders in the wider world who otherwise lacked direct contact with sellers and buyers beyond Spain, making a larger and more secure transaction of goods and securities for their Spanish clients possible and on better terms than could be procured using Spanish institutions only. Thus, Huth effectively reduced transaction costs, as well as the risks inherent in Spain's international trade and capital flows

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<sup>48</sup> HPEL-6, Huth to Du Bois (London). London, July 9, 1830.



because of the lack of information and trust, and the existence of language and cultural barriers. Huth had invaluable information about so many different markets, products and cultures that few merchants could easily match them, in particular in Spain. The poor state of both transport and communications during the first half of the 19<sup>th</sup> century made Huth's and other London merchant bankers' intermediation crucial in reducing the risks associated with trading across borders. If, as Jones argued, knowledge about products and regions was the trading companies' main asset during the period covered by this article (Jones 1998, p. 19), then Huth's «invisible» capital was truly remarkable.

I have shown how Frederick Huth's early and increasing knowledge of the Spanish and Spanish-American markets became a major asset for his firm, with little incremental cost, and it was used repeatedly for the benefit of all his correspondents wanting to trade with Spain (and there were thousands of them). In the same vein, his impressive knowledge of so many products and regions beyond Spain could also be used at little cost by his correspondents in Spain who lacked first-hand knowledge of foreign markets, at a time when the usual pattern for multinational merchants and merchant bankers was to specialise in one or a few commodities only (Chapman 1984, p. 8). That is, by specialising in so many products and markets Huth & Co. were able to generate efficiency gains, thus «selling» information about a market/product to a multiplicity of correspondents spreading the information costs across a large number of clients. Indeed, Huth's several hundred friends in Spain effectively used their information and contacts at lower costs than they would have been able to procure if acting individually without Huth's intermediation. Huth's friends could also use his «invisible» assets because of the high level of trust existing between Huth and selected agents and friends in Spain.

Indeed, Huth built up a truly global network of trade and lending during the first half of the 19<sup>th</sup> century, which managed to accumulate a capital of over £0.5 m by 1850. Thanks to this impressive enterprise, Huth & Co. were able to provide great support to the most important bilateral trades between Spain and Britain during the 1810s-1840s. Namely, Spanish exports of wool and wine, and Spanish imports of British manufactures and colonial produce, trades in which they quickly gained great expertise and direct involvement. Huth also entered actively into trades of Spanish colonial produce, by trading dynamically in the primary products exported from Cuba, Puerto Rico and the Philippines. However, they also supported many trades between Spain and Spanish colonies with other parts of the world beyond British ports, often involving complex multilateral trades, thus helping Spanish merchants from all over Spain to trade with the wider world. Indeed, the geographical dispersion and huge numbers of their contacts in Spain can only be described as breathtaking. Huth decided to go global well before any other competitor, thus defying the conventional wisdom of the era (Llorca-Jaña 2013).

Apart from direct support to Spain's import/export operations (and to the Spanish colonies' foreign trade), Huth & Co. also provided other key services to their Spanish correspondents in addition to dealing in goods. These encompassed the liberal extension of credit to Spanish exporters, as well as to Spanish importers from many parts of the world. Huth also financed Spanish colonial trades and Spanish imports from non-British ports. That is, the firm was actually financing many Spanish foreign trade operations, even if they never docked at British ports. Huth was able to provide these services to Spanish merchants because he was resident in London and Britain was the main source of credit for financing international trade at that time. Likewise, Huth was keen to provide various kinds of marine and fire insurance services for Spanish merchants, given London's supremacy in the international insurance market at that time.

Apart from the extension of credit and the brokerage of insurance, Huth also provided a wide range of other financial services to his Spanish correspondents, by dealing in medium-term and long-term securities, thus becoming actively involved in capital flows «in» and «out» of Spain. Thanks to Frederick Huth's connections with the Spanish crown he became the main conduit of Spanish investments in American securities during the first half of the 19<sup>th</sup> century. In this case Huth's intermediation is explained by his superior information of the US securities market compared with the information available to most potential Spanish investors in Madrid, but was also a consequence of his political influence. Huth's securities intermediation was also because of his international reputation, which made him a preferred option for the Americans to float their securities in London instead of trying to sell them directly on the Spanish market. The reputation of London merchant bankers and their knowledge of the American market would have been regarded by potential Spanish buyers as a mark of trust in the securities Huth was offering in Europe, undoubtedly reassuring potential investors. Furthermore, Americans issuing securities often requested advances to those floating their shares or bonds, and Huth could grant this credit on better terms than Spanish bankers thanks to the ample capital of the firm. Likewise, this merchant banker was also of paramount importance in clearing bills of exchange balances between Britain and Spain by negotiating acceptance and exchange rates. Overall, it is perhaps surprising that a London enterprise that originated mainly in Spain had become so instrumental in boosting Spanish foreign trade and, just a few years later, in providing various commercial and financial services, many of which were scarce but in high demand in Spain. It is also astounding that we knew so little about the Spanish connections of this prominent London merchant banker.

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