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*The Rothschild House business network in
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decision-taking and management structure*

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The Rothschild House business network in Spain as an example of entrepreneurial decision-taking and management structure

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ABSTRACT

In the period between 1835 and 1931 the Rothschild House established one of the most complex and influential business networks in Spanish economic history. This network controlled a wide range of activities, including financial services for the Spanish Government and the Bank of Spain, as well as the management of industrial, mining and railway firms. Instances of these firms are Rio Tinto Co., Société Minière et Metallurgique Peñarroya, MZA railway company and Deutsch & Cie, which was the main oil refining firm in Spain at the end of the 19th century.

The present article intends to describe and analyse the internal structure of the Rothschild network, its organisation and the way in which it avoided agency problems. Likewise, it aims at study depth the devices used by the network to obtain the requisite information for the improvement of investment, and management decision-making. The analysis focuses on the nature of the Rothschild’s business network, by applying the theory of entrepreneurial functions, and illustrating rent-seeking strategies in the context of an extremely politically-biased market, as was the case of the Spanish market between 1835 and 1931.

Keywords: Spain 1835-1931, Rothschild, networks, Weisweiller, Bauer, foreign investments in Spain, railways, mining and refining companies, international raw material market, Public Finances, entrepreneurial function, agency problems, rent-seeking.

The present article is part of a research project of a wider scope, aiming to reflect on the nature of the businesses of the Rothschild House in Spain. We believe the case to be of the highest importance, as it takes place both in the field of public finance and in industrial companies, developing within a chronological framework that embraces most of contemporary history. However, the question at stake is not so much analysing the influence that the House actually had in the economic development of the country, but considering the different entrepreneurial functions or rent-seeking enterprises carried out on their initiative, as well as the effectiveness of their business structure in the generation of a large-scale investment process.

Overall, we can state that the business chronology of the Rothschild House in Spain harks back to the funding of the Wellington army during the Independence war, though their presence in Spain would not be definitively established until 1835. It was in that very year that this prestigious banking family was able to conclude a long history of discrepancies with Ferdinand VII and the liberal governments, signing the agreement on the marketing of mercury in the Almadén mines, which, together with the Idria mines, allowed them to exercise an effective monopoly of the world supply of mercury for more than ninety years¹. From that time on, the bankers established a branch in Madrid, under the management of Daniel Weisweiller, who managed to control a major part of the business involved in the funding of the civil war (first *Carlista* war, 1833-1840), in partnerships with the key representatives of the financial elite in the capital city².

After several years of a certain cooling-off in the financial operations with the State after 1848, at the end of 1855 the Rothschild managed to get into the business of railway marketing through the *Madrid-Zaragoza-Alicante (MZA)*. This company would develop a huge investing effort allowing them to build 35% of the main Spanish railway lines, under a fierce competition from the *Compañía del Norte*, of a similar size, run by the Pereire family. During the intervening time between these operations, the Rothschild House strongly moved their financial transactions ahead with the bank of Spain and the Spanish Public Treasury, with which it cooperated in a substantial part of the debt issuing operations that took place in the 1860s and the *Sexenio* period³.

From 1875 to 1880, without abandoning their financial relationships with the Spanish government, with whom they collaborated in the debt settlements of 1876 and

1881⁴ the group dramatically turned around their transactions in Spain. They attempted to take advantage of their experience in the trading of raw materials to go on to directly run the manufacturing companies, either buying off their shares or promoting specific businesses. From that moment on, the Rothschild family favoured a new strategy that would lead them to concentrate their investments in the field of the mining companies of copper and lead, over which the Rothschild line had developed momentous exchanges from the middle of the 19th century, as well as oil, due to their growing interests in the founding of the oil refinery Deutsch et Cie, born in 1879 from an agreement with the French refining company Deutsch de la Meurthe, the Peñarroya Mining and Metallurgic Company, set up in 1881, and finally, the purchasing of a stake in the Rio Tinto Company in 1888. The latter were undisputed leaders in Europe and Spain in the production and elaboration of lead and copper pyrite, respectively⁵.

The development of each and every one of these businesses, which turned the Rothschild House into the biggest investor in Spanish economic history⁶, calls for a complex and exhaustive explanation, which is not within the scope of the present work. However, we do aim to describe and analyze the would-be importance of these enterprises in the business network structure of the family. Consequently, our goal is to study the way in which it was hierarchically structured, how agency cost were avoided and which tools could be used in the investment decision process.

There exists a wide range of literature on the figure and role of the entrepreneur in economic development⁷, as well as relevant contributions to network theory, emphasising the consequential role of the circulation of information when reducing transaction costs in the different business scopes⁸. Of special prominence are the innovations made in the study of cultural and ethnical factors in network development⁹, especially plentiful in the case of Jewish business networks. Andrew Godley and Doreen Arnoldus's¹⁰ work has proved these networks to be more effective than other competitors' ones, therefore constituting a useful point of reference for our study.

As far as their investments in Spain are concerned, it is also imperative to remark on the fact that the business network of the Rothschild family operated in the context of an incredibly unstable and politically-biased market, in which the Government intervened time and time again, often making very discretionary strategic decisions¹¹. In normal conditions the risk rate for financial operations and investments had to extremely high. However, the Rothschild family, either directly or through their

Madrid branch, knew perfectly how to take advantage of the facilities offered to them by the fragile Spanish political milieu in order to reduce uncertainty. They accomplished this feat either through their accurate knowledge of the market conditions, provided by their excellent network of agents, correspondents and associates, or through the integration of the Spanish political class around themselves. The latter would have meant, eventually, a high-scale *cacicato*¹² of sorts around their companies and financial businesses, which permitted them the recurrent usage of insider information, reducing their risk rate to zero and obtaining substantial extra revenues.

At this point, the questions raised are manifold, and we should establish some necessary hypotheses. It seems obvious that the Spanish economy could be described as one of “politically-biased” markets, in Lindblom’s sense¹³, namely an economy of high regulation and interventionism on the part of the State. In this scenario, the accomplishment of the different vectors of the entrepreneurial roles becomes especially complex. Taking into account that the entrepreneurial activity may consist of the following: reducing the ever-existing corporate inefficiencies (Leibenstein¹⁴); gathering the profit opportunities that may be accurately perceived in markets (Kirzner¹⁵); facing uncertainty (Knight¹⁶); and/or innovating (Schumpeter¹⁷). Kirzner and Knight’s functions reach a very peculiar profile in politically-based markets and often are more similar to rent-seeking than to the proper nature of the entrepreneurial function, which, according to Baumol¹⁸, is always closer to productive activities. The chance to exploit profits that always exists in the market, to affront uncertainty in order to calculate risk and even innovating in the wide typology described by Schumpeter, all of which can be attained with a previous, precise and exclusive information on markets by strongly interventionist governments. The guarantee to earn profits can be certain when the issue is not to perceive what the State is going to become, but whether it is possible to have an effect on what has to be done. Therefore, the question is whether this peculiar feature of the Spanish economic environment actually had a bearing on the complex organizational network that the Rothschild family created. Nevertheless this raises a further question: given the absolutely strategic value of information for the Rothschild house, was the design of the organizational structural network the most adequate bearing of mind the diversity and number of the people involved and the possible agency problems that could be arise?

A brief description of the configuration of this particular system may help to approach these questions. Therefore, the first part of the present article will dwell upon the network organization and its incentives, as analysed in their three hierarchical levels: parent companies and their branches; correspondents and partners; and the clientele.

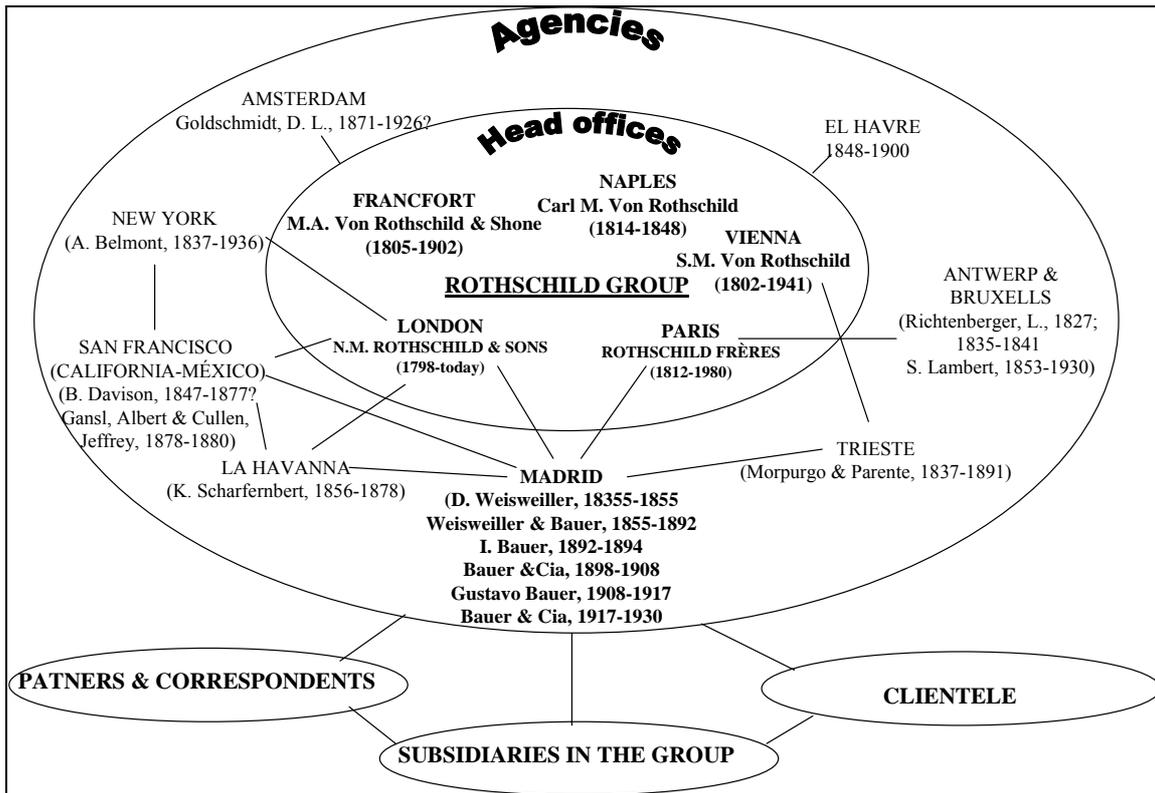
Next, we will add an analysis of the effectiveness of the network, focusing on the way in which information was circulated and distributed, as well as describing the development of the decision-making process; finally, the strategies followed by this network so as to reduce costs and risks will precede the conclusions of our work.

II

The Rothschild house was, and still is, a strictly family enterprise that, initially, boasted five different branches spread over Frankfurt, London, Paris, Vienna and Naples during the Napoleonic wars. The one in Frankfurt, where the family came from originally, was the meeting place for the first generation, but its importance remained largely symbolic; the short-lived headquarters in Naples were the last but one in importance, whereas in Vienna Salomon Rothschild managed to get hold of most of the public finances of the Austrian-Hungarian Empire, generating an important entity such as Creditanstalt. Nevertheless, the most outstanding ones were the main offices in London, where Nathan Mayer and his heirs created N.M. Rothschild & Sons, one of the most prestigious banking houses in the City, as well as the one in Paris, that James Rothschild turned into the most important private banking house in Europe until his death, that took place in 1868.

This spreading of headquarters and corporate addresses did not mean a severance between the different members of the family, and, in fact, most of the success of the famous banking house during most part of the 19th century was due, precisely, to their sense of coordination and solidarity in business; mutual commitments were institutionalised periodically through internal pacts that worked from 1814 until at least 1905¹⁹. For our purposes, the London and Paris headquarters explicitly shared most of our businesses in Spain, to the point of sharing agents, financing and the accountancy of the operations.

Figure One: The Madrid Agency in the Rothschild business in the 19th century



Source: own elaboration from the Paris and London Rothschild Archives.

Rothschild had scarcely 50 employees in each of the main offices in Paris and London in the middle of the 19th century, but they possessed a wide network of agents and correspondents all over Europe and America, which, despite its limitations, was able to last with a level of efficiency higher than that of other contemporary limited liability entities, with a high rate of involvement in both the international financial and commodity markets.

The Rothschild agencies either emerged successively in line with specific businesses or because the House attempted to expand in certain markets. The oldest, such as those of Trieste, Ambers, New York or The Havre emerged as a complement to the network itself, with the aim to connect their five holding companies to other locations so as to promote the clearing of bills, the arbitration of gold, silver and currencies, as well as the management of determined transactions and businesses without the aid of external middlemen. The San Francisco one, however, was born out of the need to have an intermediary in the massive purchases of Californian gold and as a fixed distributor of mercury amongst the producers of silver in Mexico and Havana, where Karl Scharfenberg was sent with the mission of accelerating the payment of drafts or bills on the properties in Cuba. Such transactions subsidized a considerable

amount of the expense of the first Carlista war. This funding was directly sent to the Headquarters in London and their New York agent, August Belmont.

The Madrid main office was set up when Lionel Rothschild delegated all the affairs in Spain to Daniel Weisweiller, an agent who had travelled with him to this country in 1835. This agent was given a universal power of attorney to act and carry out any transaction on behalf of the Rothschild House²⁰. Weisweiller would work on his own for twenty years, with the exception of some months in 1838 when he was assisted by Scharfenberg before moving to Cuba, in the face of the spectacular rate that the transactions acquired in the island²¹.

At the end of the 40s, Weisweiller was absolutely overloaded with work, burdened with physical ailments and suffering the deep loss of his closest employees, Barcaiztegui and Estanislao Urquijo. Consequently, the Rothschild sent Ignacio Bauer, one of the most brilliant employees in the House, to his aid. Bauer had Hungarian origins but was reared amongst the Trieste Morpburgs, and was also the nephew of Moritz Goldschmidt, the head of Salomon's employees in Vienna²². Wilhem Ettlting was also sent, although we are uncertain about his date of incorporation in 1850. The position of each of these employees would not be the same in Madrid, however, as Bauer would go to Spain as a high echelon of the House, and second in command, soon getting the same rank as Weisweiller. Ettlting occupied a secondary role, even if he was granted power of representation on several occasions.

Weisweiller and Bauer decided to institutionalize their peer relationship on January 1st, 1855, creating their new company, Weisweiller & Bauer Cía. That very day the association between Scharfenberg and Tolmé & Cía was incorporated to form Scharfenberg Tolmé & Cía²³, which henceforth would work as link of the Rothschild House in Havana, as was customary since 1838.

At an internal level, the whole of the Rothschild's business network was organized in an extremely closed fashion, being promoted by the development of a dramatic family endogamy, and avoiding the presence of external specialists and managers. This proved to be, in the long term, the most effective system to prevent agency problems from happening, as well as the apparition of asymmetrical information from taking place.

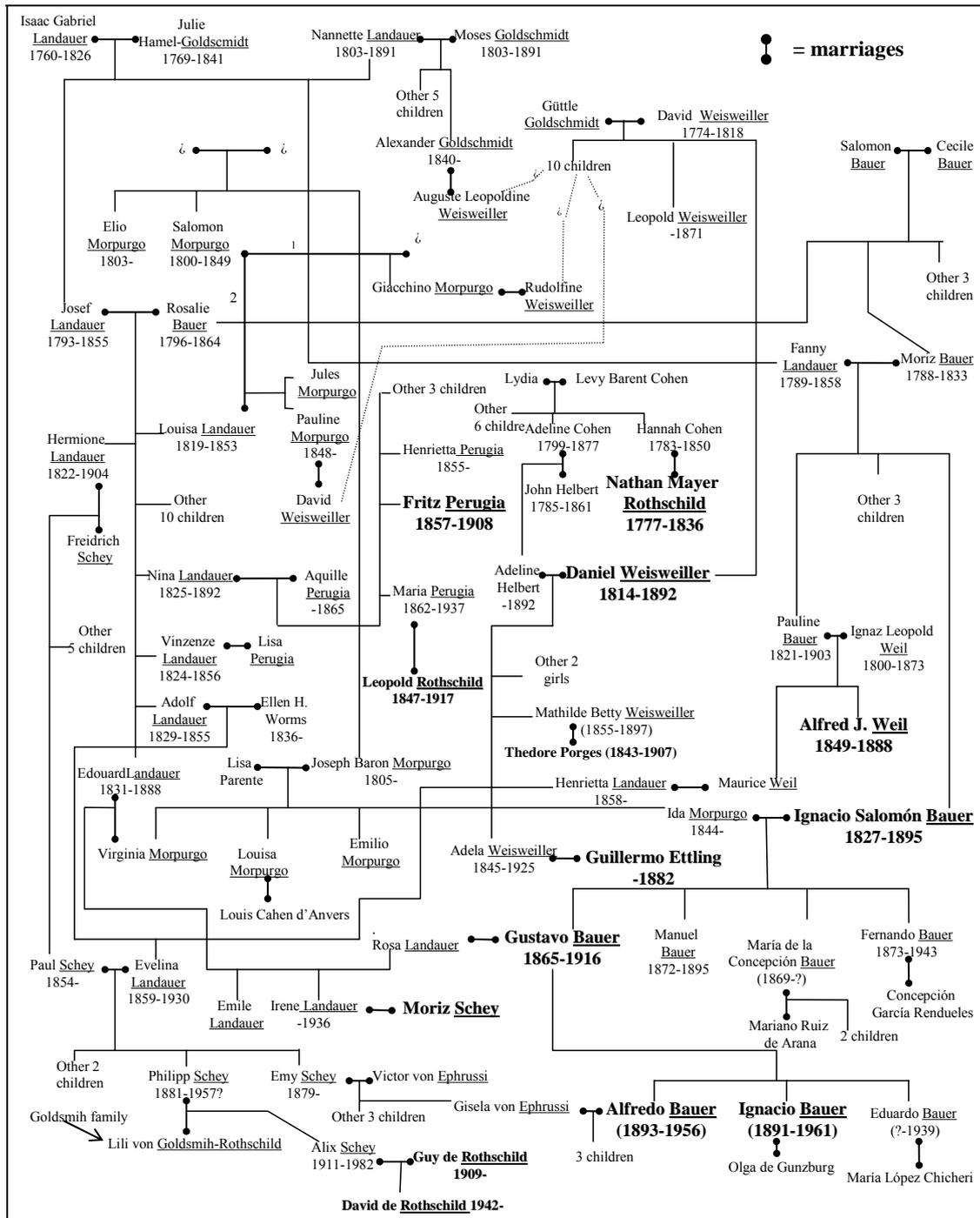
The reason lies in the fact that in the network of relationships and fidelities at the Rothschild agencies was settled in a strict, complex normative structure of established

hierarchical rules overcoming the field of purely economic inconveniences. At the agencies, employees were not only Jewish, but were also linked by very closely-knit family circles promoted by the sharpest of family endogamies. Agents, additionally, were educated from boyhood at the different agencies, among which they used to itinerate, in a continuous training process during which they narrowed their family relationships. In a certain sense, and despite the existing hierarchies, the key was to be found in the fact that their members participated in the business and felt it as something of their own, hence seriously reducing possible transaction costs.

A brief overview of the genealogical tree on Figure 2 shows us the family groups that took the role of agents in the Rothschild House in its two main head offices in the South of Europe, Madrid and Trieste. The members of the Rothschild House are outlined in bold and the full-right members of the Madrid Agency (Daniel Weisweiller, Ignacio Bauer, his son Gustavo, his grandchildren Alfredo e Ignacio, Mauricio Schey and Alfredo Weil) are marked in larger typeface, as well as other members of the agency who did not reach such category, such as Wilhem Ettling, who would have become a fully-fledged member but for his precarious health, and Fritz Perugia, who spent part of his training process in Madrid before going back to Trieste and taking charge of the Rothschild Agency there.

It is worth remarking on the way in which a continuous blood criss-crossing takes place between the Madrid members and the members of the Landauer, Morpurgo-Parente and Perugia families²⁴, as well as with the well-known dynasties of bankers like Goldsmith, Shey, Ephrussi, Cahen d'Anvers or the Rothschild family itself. It is very revealing the fact that almost all the family branches hark back to the Frankfurt Ghetto, from which a high majority of the most relevant members of the European finances sprang.

Figure two: Family links between Rothschild agencies in South Europe.



Source: own elaboration from the Paris and London Rothschild Archives.

Across three generations, the Bauer family married into the Landauer family (Ignacio's father and aunt, respectively), the Morpurgo (Ignacio himself²⁵) and again the Landauer (his son Gustavo). Alfred Weil, who was a full-fledged agent for the Madrid Agency from 1877²⁶, was a nephew of Ignacio's, and worked at the agency since his early youth, until his premature death in 1888. The marriage between the daughter of

the Baron of Morpurgo and Louis Cahen d'Anvers turned Bauer into the brother-in-law of the would-be President of Peñarroya²⁷.

Weisweiller, on the other hand, was married to a Helbert Cohen female member, which turned him into a nephew once-removed of Nathan Mayer Rothschild's. He had also connections, on his mother's part, with the Goldsmith family, closely-knit to the German and Austrian branches of the Rothschild. One of the deepest disappointments in the banker's life might have been the lack of male progeny, which constituted a major element in the transmission of business in Jewish families²⁸. However, he married his daughter Mathilde to the diamond tycoon Theodor Porges, also a partner of the Ephrussi-Porges family²⁹, although he regarded with distaste the marriage of his daughter Adela to Wilhem Ettling.

It is also worthwhile remarking upon the fact that the Rothschild and their partners did not accept, by any means, the people of either their family or training circle becoming a part of the rank of agents or associates of the House. A very significant example of this attitude came to light in 1874, when Scharfemberg died, and the agency in Havana became vacant. At that very time, Bauer wrote to the Rothschild, regarding such a vacancy: "Messieurs Burruty and Chaffraix & Co in Havana have sent a memorandum, as the successors of Scharfemberg Hohly & Cía; Could you tell us whether you wish the new house to remain as a correspondent? (Because) we very well know that we will not have them as agents at all". It is easy to infer from the message that the Rothschild drew a very clear-cut difference between associate agents and single correspondents.

It could be interpreted that, from a certain point of view, this organizational system is too conservative, being also linked to too many non-economic variables. But the significant fact remains that the system worked efficiently and there are no identified cases of asymmetrical information among the Rothschild and their correspondents. Such a fact has been repeatedly claimed by experts to be one of the main reasons explaining the Rothschild family's business success and their undisputed leadership in the European finances of the last century.

Obviously, this system of group endogamy was not exclusive to the Jewish business houses and banking, as it was widely spread in other ethnic groups in the world of finance. This was especially true of the protestant bankers in the German world. But, as an internal organization, the Rothschild network managed to acquire a high level of

width and efficiency in information flows and business management, and was second to none as regards other models of the time.

III

In tune with the agency structure, the Rothschild House leant on other people and institutions to carry out certain activities, or to be associates in several determined businesses. Literature brands them roughly as “correspondents”, although there were several levels of relationship amongst them, depending on different factors that we aim to clarify.

Correspondents fulfilled a major task in the network, as they constituted the link of the House to the economy of several parts of the world (countries, regions, specific cities). Paying tribute to their name, apart from drawing bills in their letters, correspondents usually informed accurately on the changes taking place in the market place, as well as on the situation of the commodity and stock markets in the area. Additionally, these messages were the steady source of proposals to get into determined projects, offered to the Rothschild directly, or through the Agency, mainly with a view to finance different projects or to take part in them. The goals were, subsequently, to set up a relationship as smooth as possible with them, as well as ensuring a fidelity that was to be compensated, both if the liaison was among equals or whether it implied a certain level of subordination.

In the case of Spain, the most important correspondent for the Rothschild was the Bank of San Fernando (later of Spain). Ostensibly, the financiers reached an agreement with the management of the bank in 1835 by virtue of which both institutions would draw bills between them with a 0.5% charge, plus brokerage and the usual post expenses, granting a mutual 4% in the accounts to be opened³⁰. This wholly instrumental liaison only allowed for the establishment of preference financial relationships, but constituted, however, the foundation that made a fruitful association possible during the following decades. The interest was mutual because, on the one hand, the Bank found in the Rothschild a major link with the international financial markets, as well as a privileged spokesman in the course of some of the most important transactions instructed by the Government, as for instance with the overseas debt arrangements in 1876, 1881; the House was also their main supplier of gold and silver,

and their best support in times of crisis, namely during the warranty transactions in the clearing terms of the General Deposit Savings Bank in 1861, in which the Bank of Spain always received advantageous terms as regards the market price of money. As far as they were concerned, the Rothschild found in the issuing Bank a client, as well as an exceptional partner in their transactions with the Spanish Public Treasury. The House had also an important ally in the Bank of Spain, as they faced the intrusion in Spain of other international finance groups, like the Pereire or the Paribas, who found strong reluctance on the part of the Bank and their area of influence to start operating in Spain³¹.

Similar relationships, but of very different hues, were established with other private houses of trade and banking, who saw in the Rothschild a support for their private businesses, and who compensated them sufficiently for their unconditional support as middlemen in the relationships with the Spanish government. The first of these houses was that of the merchant-banker Vicente Bertrán de Lis, who acted as the first correspondent of the Rothschild's in Spain in the 20s of the 19th century. The relationship of the Rothschild with the Royal House Manager, the Marquis of Gavia, is well-known through Otazu's work (1987). The Marquis mediated institutionally with the Queen Regent Maria Cristina for Weisweiler to take up an important stake in the loan transactions to the Government on the Cuba property, the banker also getting the subsequent contract rights to trade with the mercury of Almaden.

Iñigo Ezpeleta and his brother-in-law Domingo Pérez Ansoategui were also correspondents of the House, and from 1832 they organized the delivery to the bankers of the whole Almaden output from Bayonne, Cadiz and Seville³². The House of the merchant-banker Rodríguez Salcedo was also situated in Bayonne. Rodríguez became the main intermediary in the coin and precious metal export-import businesses with Spain³³.

Other less-known cases were those of small industry houses and merchants who played the role of Agency informants at the "hot" business spots of Malaga, where the Schultz family operated, and Almería, where the firm Spencer & Roda updated the Rothschild on the mining events that took place in the South-east of the Peninsula. This was also the role played by Hilarion Roux, the son of one of the Rothschild's correspondents in Marseille. These correspondents immediately gave reports on the mining outputs and the state of the lead market, and they did not miss opportunities to

offer specific business opportunities. This helped the family enormously in acquiring accurate information about the early lead industry during the 1840s and 1870s, before getting involved in it, in the context of the Peñarroya Company.

IV

Finally, the Rothschild network was rounded off in Spain with the establishment of clientele recruited from the Spanish political class. They were the channel through which the family tried to politically influence the government and the rest of the state institutions to their advantage.

The most common way to compensate, or to gain the favour of, these occasional co-operators, was to incorporate them into the boards of the companies under direct control of the family in Spain. It is the case of MZA, the railway company, where the phenomenon took striking dimensions. The board of this company boasted, from 1856 to 1935, no less than thirteen Treasury Secretaries of State (Juan Alvarado, Manuel Bermúdez de Castro, José Manuel Collado, Venancio González, Alejandro Llorente, José Salamanca, José Canalejas, Amos Salvador, twice, and Juan Francisco Camacho, Pedro Salaverría and Gabino Bugallal, who were directors four times over); nine Secretaries of State for Public Works and the Economy (Albareda, Alejandro Pidal and the Count of Xiquena, twice); and three PMs (Alejandro Mon, Eduardo Dato, García Prieto and Bugallal). The stipend for these directors reached a minimum of ESP 10,000 p/a, to be added to ESP 500 monthly for board attendance. Despite this fact, directors were not able to get 5% product surplus, as the Articles established, due to the fact that they never reached the minimum income levels³⁴.

There were also directors coming from other companies, undoubtedly more interested in mutual economic interests than in the charging fees and stipends, as for instance the numerous group of directors of the bank of Spain, who were also essential in the Spanish Industrial and Merchant Company, the bank created to finance MZA. These virtually disappeared from MZA after the liquidation of this company in 1868, with the exception of some noteworthy cases, such as the Salaverría and Camacho ones, both Governors of the Bank of Spain, and that of Manuel María Álvarez, who was simultaneously director of both the Bank and MZA between 1889 and 1898, as well as that of García Prieto, who did the same between 1920 and 1920. At the Mortgage Bank

we find the cases of Albareda, Dato, García Prieto, Alvarado and Llorente, as well as a substantial amount of managers in the new commercial banks, like the Bank of Vizcaya, Hispano, Banesto, Banca Sáinz and the Urquijo bank, together with high profile businessmen such as the Basque Ramón de la Sota. All of them were integrated at MZA, in most cases, from the end of the First WW.

At Peñarroya we find Gonzalo and Álvaro Figueroa, Marquis of Villamejor and Count of Romanones, respectively, the latter Secretary of State and PM of the Spanish Cabinet on several occasions. In 1912, they incorporated their sizeable mining-industrial legacy to the assets of Peñarroya. From then on, and for the following four decades, both brothers, and later their progeny, took their places as members of the Board of the Company, getting into partnerships with Peñarroya so as to carry out investments in Spain and South America through the family company G. and A. Figueroa³⁵.

This Board also included José Canalejas Casas and his two sons, José and Luis Canalejas Méndez, all of them involved in politics, senators, but lacking the main role as a politician that José Canalejas the son had. He was the great reformer of the Spanish politics at the beginning of the 20th century. The three of them sat subsequently on the same chair at the Peñarroya Board, after previous experience in the railway Company of Badajoz, taken over by MZA³⁶. Although the first to take it was not the father, though, but his son José, who joined Peñarroya in 1888 to replace the late Weil, as the counselling lawyer in Madrid and a salary of FF 1,500 p/a.³⁷

The Rio Tinto Co., on the other hand, operated with a certain degree of independence in Spain, as opposed to the Rothschild's typical system of insider dealing. Partly because the structure of its Board of Directors was very different from the model of the major railway companies, full of Spanish politicians, or the system of Peñarroya, that used to gradually integrate the managements of the several companies with which they merged. In part, also, because the Rothschild, as they took control of the company, twenty years after its foundation, found a series of very well ingrained, effective practices, hence deciding not to change and even reinforce their operational tactics.

Harking back to the very moment in which the company was born, it is worthwhile noticing that the management of Rio Tinto also deemed the integration of relevant characters in the Spanish political scene as an interesting option. The aim was for these characters to intercede for the company to obtain a better treatment, although

in this case lesser figures were used. In 1847 they hired the MP Daniel Carballo, who speeded up the authorisations to carry out works at the railway and the port, and to accelerate machinery imports. From then on, he was included, by virtue of his role in favour of the company until 1889, on the payroll, with an annual salary of GBP 1,200³⁸. Until 1896, he was followed by Enrique Bushell, but from that date onwards, the company considered that it was more profitable and discreet for the company to lean on the candidates of the conservative party in Huelva and Valverde del Camino, with the commitment from them to support the Rio Tinto Co. in Madrid.

To reinforce this presence, the existence of an official representative in the Capitol city was institutionalised. He had the mission of managing the administrative issues of the company, directly with the Government. This job was assigned, from 1873 to 1904, to Gabriel Rodríguez and his son Antonio; but it was from 1905, with José Valero Hervás, that the Río Tinto Company would reach its highest level of influence in Madrid.

The way in which this company would get involved in the hidden corners of political corruption of the Restoration period is really striking. The company dominated and biased the *encasillado*³⁹ in the Huelva constituencies with total authority, which turned them into the most powerful *cacique* in the region. From then on, the company operated in order to gain favour with of the Government, justifying their presence as the only factor that could drive the dynastic parties to win in the mining area, in opposition to the republicans and the numerous socialist groups. Such a “service” was paid to the company by means of manifold political and economic privileges that rendered them virtually untouchable⁴⁰.

V

As far back as the Napoleon Wars, the Rothschild family ensured the way to take advantage of the fluctuating commodity and currency markets, with the prospect of increasing profits in the drawing of international bills. Working in several venues and coordinating their multiple family businesses as one was an asset that soon allowed them to get to know the development of exchange rates, the movement of troops and the outcome of military battles beforehand, for their own benefits. This was the time when the Rothschild legend was born. Tales were told about their art to get information on

far-away markets cautiously and speedily, due to their skill in organising codified post through carrier pigeons and relay horses. Information, as a main element of commercial and financial activity, took a new economic sense in their hands, as it permitted them to move swiftly into Stock Exchanges and the markets of strategic commodities, in an increasingly dynamic and unforeseeable milieu⁴¹.

This is the philosophy that strongly marked the guidelines for the construction of the business network as described above. In this network, information played a main role, as the basis of the group's overall activity.

A living proof of the wish to get information as effectively as possible was Weisweiller and Bauer's habit of writing duplicate letters both to Paris and London, respectively. This usage was to be repeated by the Madrid agents year after year, with no interruption.

These letters, however, are to be grouped distinctly. On the one hand, business correspondence was to be reduced to inform about changes and accepted bills, and was sent that very day to the agency, from which they were forwarded straight away to the offices of the accountants in London and Paris. On the other hand, "private" correspondence contained the essential information to actually carry out specific businesses, to initiate determined deals or to take advantage of favourable market conditions. This information was obtained, as mentioned above, through its purchase, either from the house experts, or the client networks of the House. The tracking from the Agency of the legislative activity is really enlightening in the view of these letters, as it is surprising how they obtained confidential information about each and every one of the projects in hand. Their contact with the administration, the Court, and their periodical meetings with the MPs (of any ideology) was a steadily open door to any transaction. Whatever the business opportunity to perceived in Madrid, regarding either merchant (tobacco, copper, lead, mercury, flour..), financial (loans or allowances to the Government or to the Bank of Spain, opening accounts for Royal members or Spanish financiers, precious metal sales, debt clearings, etc..) or industrial deals (mining or railway contracts, for example), employers were swiftly informed on them accurately. This was not an obstacle for the Rothschild to lead their agents away from some of their Spanish affairs managed overseas or within the House itself, as was the case with Río Tinto.

At least one letter-report of this sort departed daily towards Paris or London, always by means of the quickest method: first by private post, then by railway lines, then the by telegraph and finally by phone. Internal communications worked to perfection, as we find evident in the negotiation of the loan for the Spanish State in 1871. Alphonse and Gustave Rothschild had all the documents about such negotiations, and showed their surprise to know that the Spanish Finance Commission in Paris did not have any news on the subject⁴². This was customary, as Weisweiller and Bauer always acknowledged that they had personnel in charge of forwarding legislative bills and the –ostensibly secret– terms supplied by other bankers to get the auctions or contracts, as happened to the Almaden products. These contacts were compensated generously, but their identity was never revealed, not even to the Rothschild

VI

As per usual, the Rothschild stipulated that their agents should act on their behalf, offering them ample powers of attorney and business. Nevertheless, the system worked at a level of loyalty and confidence where the decision and profit areas were perfectly demarcated: agents would carry out as many business operations as they wanted, informing the parent company in relation to the importance of the issue. The parent company always made the final decision, but when the agents acted on behalf of the Rothschild House, the profit would be kept by the family, without commissions. In return, the Rothschild would deal with the agency charges, plus a fixed retribution. They usually compensated their agents with small stakes in the businesses they closed, preference rights in the House issues, and the partaking of some services to the companies controlled by the family. Hence, for instance, the London House reserved an eighth of the net profits in Almaden for the partners of the Madrid agency: 50% went to Bauer, 26.35% to Weisweiller and 23.65% to Ettling⁴³. They also reserved the financial services in Spain of MZA, Deutsch et Cía.⁴⁴ and Peñarroya, which meant a substantial fixed income to them.⁴⁵

There was a certain hierarchy and specialization when dealing with the different business areas. Weisweiller always proved to be the most capable of handling financial issues, designing the terms supplied for advances and the large loan or credit transactions to the State. He was also in charge of attending the AGMs at the Bank of

Spain in the 1860s, the years in which the House acquired a substantial amount of shares in the institution.

Ignacio Bauer was specialised, however, in negotiations, political relationships and railway affairs. Not in vain was he a director at MZA for thirty years (1865-1895). This company was backed up by Cipriano Segundo Montesinos, a prestigious specialist amongst his peers, who became the first Industrial Engineer in Spain and was one of the drafters of the railway legislation in 1855, his time as Minister of Civil Engineering. In 1899, after his retirement, MZA was controlled by a specific management committee exercising the executive power in the company, together with the Paris Committee. It would be integrated by the Bauer family and the new Managing Director Nathan Süß, replaced in 1908 by Eduardo Maristany, who would last until 1934, and a group of very reliable directors (never more than two) such as Eduardo Dato, Alvarado, Manuel Marqués, Bugallal o Antonio Valenciano⁴⁶. Other men at the House, namely Rafael Clemente and Martínez Campos, narrowly cooperated in these tasks.

Outside these Boards, with regard to legal counselling matters, the company showed its preference to hire the most prestigious legal bureaus. The first to exercise the task with continuity was Manuel Cortina, who did not partake in the MZA Board but acted from the legacy as counsel. Cortina, who quit politics early enough, was Dean of the Madrid Law Association since 1847 and the most prestigious lawyer in Madrid until his death in 1879. He was replaced to perform that function by Venancio González, a man of the House, in those years, and by Eduardo Dato's bureau in the 20th century, possibly together with that of Gabino Bullagal, both being first-rate politicians and lawyers. Vicente Piniés, the former Justice Secretary of State would also cooperate in the thorny affair of the Bauer's bankruptcy in 1931.

Finally, Ettling, and then Weil, were mainly in charge of the commercial and mining affairs of the House, substituting the formerly mentioned men when they had to travel abroad. For day-to-day work, the Agency⁴⁷ would also maintain a number of employees on its payroll. We do not know exactly their names nor the dates of their incorporation to the company, but we know that, after the departure of Estanislao Urquijo, Moreno and Barcaiztegui, who had worked with Weisweiller in the first years, José de Endara y Goñi was employed by the Agency, receiving powers of attorney in the hands of Bauer in 1872, together with Weil. The Agency cashier, Pedro Rodríguez González, in addition to Vicente Esquivel and Federico Perugia, would exercise a

similar competence in 1885, but only Pedro Rodríguez González would maintain it in 1888, this time with Gustavo Bauer, who started to cooperate with his father very early; both of them would take it up again in 1890⁴⁸. The sons of Pedro Rodríguez, José and Jesús Rodríguez Ferro would go on in the 1920s in the role of their father until the bankruptcy of the Agency in 1931. Together with them, we find other experts who did not belong to the House properly, such as the lawyer and politician Venancio González, the civil engineer Rafael Clemente and Miguel Martínez Campos, who are mentioned in the House documents as “employees”, but whose denomination seems to be restricted to the internal usage within the MZA⁴⁹.

In the headquarters, on the other hand, the Rothschild had first-rate employees, who integrated the Boards of the companies controlled by the family, or managed them from their own offices.

In Paris, for instance, at the Paris Committee of the MZA railway company, where the strategic policies of the company were really designed during its first years, renowned figures like the economist Leon Say are found⁵⁰. Grandson of Jean Baptiste Say, this liberal politician, very close to Gustave Bauer, was the Finance Secretary of State in France on several occasions, and also the director of the du Nord Company. He became possibly the most important expert on the committee in the years following the first line establishment. With Say’s influence, the former finance inspector Rene Lisle got into the management of MZA and du Nord. After going through the lower echelons of the company, Lisle took up his former role as his mentor at the Committee, in close contact with Maristany. Lisle got incorporated in Peñarroya in 1923, with the very same role of supervisor of the Rothschild’s interests. He, together with Gustavo and Alfredo Bauer, Robert Rothschild, Ferdinand Duval and Pierre Getten, who replaced him in such roles during the 1930s, were the only ones to share their chair simultaneously at both Peñarroya and MZA.

Also employed at the House were the engineer Leon Aucoc, who operated side by side with Say, the prestigious economist Paul Leroy-Beaulieu, who entered the Board of Peñarroya in 1893 and Gastón Griolet, President of the Paris Committee since the death of Gustave Rothschild. Other characters were also close to the Rothschild, such as the Baron Lambert or René Mayer, who would reach the presidency of the French executive in the 1850s, as well as the previously mentioned representatives of

the House at Peñarroya: Cornelis and Pierre de Witt, Ferdinand Duval and Armand de Lau.

Regarding mining affairs, the Paris House hired the services of a veritable expert, Jules Aron, a capable mining engineer with the mission of advising his new bosses on the most profitable investments, also supervising and coordinating the industrial policy of the companies where he would eventually work. As we indicated above, Aron was appointed deputy engineer at the Peñarroya management team, and remained in that post until 1917. He was replaced by René Weil, who performed such a role during the 1920s and 1930s. Hamilton Smith, who would become manager at the Exploration Co., took over in London with the same functions⁵¹.

VII

Once information had been properly channeled, having gone through the filters of the Agency and the experts at the headquarters, the network organization as a whole had no other purpose but reducing negotiation costs to a minimum, increasing profits in each and every transaction.

Within the scope of the business with public finance, it became apparent that the House was more than able to face most of the transactions and businesses they took up on their own. Therefore, it is very clear that the family and their representatives were interested in incorporating certain people to their transactions, just in the sole search of a specific profit.

Such was the case of Weisweiller's agreements with Queen Regent Cristina's administrator, Antonio Gaviria. These agreements were reached with the purpose of ensuring the swift payment of their loans to the Government, without the customary delays⁵². As proof of the real possibilities of Gaviria's and Queen Cristina's influence on the management of the Treasury payments is the experience of the Bank of San Fernando. This Bank complained to the Regent because the Treasury was prioritizing the payment of bills and drafts to Gaviria and Weisweiller to the detriment of their own, which were older⁵³. In spite of this fact, the Rothschild tried to ensure other additional supports to their transactions. Hence, they applied for, and achieved, a "moral warranty" from the British Government to "upkeep the Rothschild's interests", which Palmerston himself sent to the Havana Consul⁵⁴. The role of Scharfenberg as intermediary is not to

be forgotten. He operated so effectively that the Bank of San Fernando required his services to unblock their accounts in 1840⁵⁵.

In those cases in which personal relationships and favours were not enough, insider dealing and bribery were used as usual tools of performance, both to close and/or accelerate specific transactions, and to compensate good turns or ensure personal loyalties.

The most renowned of all the briberies took place in 1834, with the Almaden contract, when Lionel Rothschild overcame any resistance from the Minister Toreno with a very well documented bribery of FF1.3m (4,962,100 *reales*) and the donation to the Queen's civil list of 2 to 6 million *reales*.⁵⁶ This practice was repeated extensively throughout the following years with the due discretion. Such that although Weisweiller solved the delays of different transactions by bribing Mon (Otazu, 1987: 275), we know similar payments were being made in the credit offered in 1868-69 and 1871, as well as in the operations for the Almaden contract in 1870. Many Treasury officials benefited from these "gifts" (or rather, bribes), as did the ministers themselves, although Weisweiller and Bauer took great care in keeping their names in the dark, even as far as the Rothschild were concerned. In the specific case of the Almaden transaction, the intermediary concerned received no less than GBP 61,524, namely ESP 1,497,494⁵⁷, which meant a fourth part of the total profits from the transaction. Otherwise, the Agency customarily reserved 2% of the net profits from the precious metal business for small bribes to informants and friends in court, as was emphasised above.

In the scope of the business practices carried out by their companies it is evident that the politicians with seats on the various boards, were named specially for the purpose of insider trading, to a larger or greater degree.

In the MZA case, both PMs and MPs alternated their governmental duties with their presence on the boards of the companies that they had to legislate upon. In some cases, the person in question did not even show any embarrassment whatsoever about keeping both a post on the MZA board, and within the Cabinet simultaneously⁵⁸.

The range of cases to be applied as examples of the favourable treatment given to the company by the Parliament is endless, especially during the period during which the network was built, when the legislation on the financing of railway companies (mainly in the issue of bonds) was amended several times to their benefit. In other

cases, the Government supported large companies by taking decisions, contrary to the public interest. This was the case of Norte and MZA, and their competition for the lines of access to Catalonia. But it was the PM himself, Cánovas, who sponsored, in 1896, an agreement between both, for the establishment of a series of combined tariffs and the proportional release of profits⁵⁹. Since 1906, a new accord institutionalised a Norte-MZA mixed commission, in charge of solving the general policy on combined transports, as well as reaching agreements for the transport of specific wares⁶⁰. In that way, MZA consolidated their overall traffic monopoly between Madrid and the coast of Levant, Andalusia, the Manche, Badajoz and Saragossa, towards the north, where Norte shared the area with them.

One of the most striking cases of this type of behaviour was at of the politician Eduardo Dato, who apart from being the lawyer of the Rothschilds in Spain and a close friend of the Bauer, took part in the MZA Management Commission for several years. He became famous also, when it became necessary, for defending the interests of the Río Tinto Company. Nevertheless, the MPs on the Company's payroll were actually in charge of this, and they did it efficiently at least for as long as the Restoration politics operated. From the time of Primo de Rivera's dictatorship onwards, the British mining giant started to bear the difficulties of the stagnation of the *cacique* system. The most important problem to arise, undoubtedly, was the large-scale file on tax evasion, started in 1928. After finding the necessary proof, the government obliged Río Tinto to pay a fine of many million of pesetas for failing to declare their exports correctly, which made the accounts of the company stumble for several years⁶¹.

In the case of Peñarroya, there still remains pending a more thorough research to find out the limits of the political bearing of their Spanish directors. And even more so with the Count of Romanones who became minister and PM several times and sat at the chair of Peñarroya for longer than 40 years, since his incorporation into the company in exchange for a huge package of shares in the company and the exclusive rights to exploit lead in Spain. We are very much aware, though, of the destitution of the Minister of the Treasury Urzáiz in 1917, who was discharged in hours by Romanones for having signed two Royal ordinances levying the export of copper and pyrites⁶², against Río Tinto's interests.

We have also found traces of Canalejas's influence in favour of this company. For example, in July 1891 members of the Canalejas family, defended in the Senate the

proposal by Peñarroya for the railway line from Peñarroya to Fuente del Arco⁶³. José Canalejas the junior did his job well and managed to withdraw most of the requirements imposed, such as the duty to have different wagons for prisoners and post, and the need to regulate traffic under the post administration⁶⁴. The second son, Luis, a civil engineer, was compensated with ESP 5,000, for his good services, provided for the construction of this railway⁶⁵. All of the above are examples of the manipulation by the Spanish politicians who were present in the companies mentioned, as well as of the levels of corruption in the system.

VIII

The complex organizational business network of the Rothschild House in Spain, and the scope of these businesses, raises several very important issues from the point of view of business initiative and the search for profit:

- If we consider the key issue of business performance at the Rothschild House, the Spanish experience indicates that information on business opportunities was their main competitive advantage over other investors. Despite being considered as financiers, industrial entrepreneurs or miners, the nub of the Rothschild business actually consisted of handling information, although this may not be their only strength, as will be demonstrated below. They built up a sophisticated, well-structured and peculiar network for the management of information, with a strategic scope aimed at seizing relevant information wherever it was generated. Due to the nature of the information and its value of exclusivity, they designed a network endowed with high levels of safety by virtue of the loyalty to the House showed on the part of all the different nuclei of people who worked for the Rothschild.
- The network system, divide into holding companies, agencies, correspondents, partners and clients allowed for the acquisition of business opportunities in different environments, transmitting it to the management centres smoothly, depending on the importance of the business in question. The network structure allowed for the conveyance of information up the hierarchy, taking into account different and wide business areas in its descent. It also permitted a special relationship with key people in the decision-making process, especially in the economic sphere.

- The safety and loyalty of the network was guaranteed at the lowest level, by means of economic incentives. But when we refer to key people in the management of the agencies, information was channelled and selected by people with a special training received in the different European facilities of the Rothschild House. These people, of Jewish ethnic origin, kept family relationships in a criss-crossing fashion, which endowed them with strong links of loyalty to the House. This factor guaranteed that the strategic factor, information, would not be shared by competitors or taken advantage of for specific interests. By strengthening the participation of the employees in a profit-sharing scheme, was another way to ensure such loyalty.
- On numerous occasions, and by virtue of the management of information, the ostensible policy of the Rothschild's, in their way of handling their businesses, was to reach a situation of market power, either through monopoly, or through privileged treatment in regulated markets, or through the availability of strategic information. The latter would enable them to reach maximum levels of profits and income, achieve cost reduction as well as risk reduction, acquired by facing uncertainty in the privileged position of those who managed exclusive information sooner than their competitors. This policy, peculiar to income-searchers rather than entrepreneurs, was not restricted to the handling of privileged information, but also went beyond, using agents at the lowest levels so as to alter the business environment to their own benefit. The payroll, full of political personalities with important positions in the different Spanish Governments, is a testimony to this reality.
- The nature of the Spanish economic and political system promoted the success of such businesses and increased the chances for it, as the network was completely reliable due to the imperviousness of information channels and the discrete character of bribes and retribution. Regarding the latter aspect, the endogamy of the network structure generated sufficient confidence and prevented problems arising between agencies as regards incentives, since the interests of agents and employers coincided. In addition, the complexity of the network also served as a suitable barrier for agents having access to information, as none of them had a global vision of the business.
- In the Spanish economic environment of those years, the Rothschild House performed their business functions efficiently, mainly regarding Knight's avoidance

of uncertainty. They might have gone beyond this aspect too, as they were able to alter the future economic environment, as long as they could boast about having people working for them who could alter that environment at the governmental level, in one way or another. However, it has to be acknowledged that the system designed to take up business opportunities, as Kirzner establishes, was plainly admirable and provided them with a steady situation of market empowerment. Nevertheless, the way in which they performed those functions may be brought into question, as it lacked ethical values and even bordered on income searching and even illegality, despite the fact that behind those activities there lied a productive action, not a merely speculative one.

- If we assessed the activities of the Rothschild House in Spain from the business perspective in the era under analysis, we could firmly maintain that their action was mainly focused on the performance of business functions as described by Knight (uncertainty avoidance) and Kirzner (taking up profit opportunities). With respect to the rest of the business theories, we cannot establish, for example, that the action defined by Leibenstein as regards the reduction of the ever-existing inefficiencies in business was one of the strategies pursued by the company. However, the innovating business function as described by Schumpeter has its reference in the activity performed by the House in Spain. As they were aware of the role that technology was starting to play in the economic activity, they did not hesitate in hiring the best engineers for the management of their mining exploitation, probably being clear instances, in certain markets, of the way in which innovation leads to monopoly.

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NOTES

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¹ Since the 16th century, mercury was the only cheap way to obtain silver and gold from low sterling standard minerals. Because of its high price and the scarce world production, concentrated in Almadén, it meant one of the main income sources of the Spanish Crown for three centuries. During the 19th century mercury was still used in the Mexican silver mines and its usage spread to other industrial processes, like metal gilding, the manufacturing of Physics tools, paintings and mirrors and, mainly, as weapon detonating device.

² Fontana J. *La Revolución Liberal. Política y hacienda en 1833-1845* (Madrid, 1977), Martín, V. *Los Rothschild y las minas de Almadén: el servicio de la deuda pública española y la comercialización del mercurio de Almadén* (Madrid, 1980), Otazu, A. *Los Rothschild y sus socios españoles (1820-1850)*

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⁴ López-Morell, M. "El papel de los Rothschild en la evolución de las finanzas públicas españolas durante el S. XIX". *Revista de Historia Económica*, no 3. (2004): 597-636, and López-Morell, Miguel A. *La Casa Rothschild en España*.

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⁷ The classical referente is Casson, Mark. *The Entrepreneur: An Economic Theory* (Cheltenham, 1982). For a recent update on new contributions, see Cassis, Youssef and Pepelasis Minoglou, Ioana. *Entrepreneurship in theory and History*. (New York, 2005).

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¹¹ Comín, Francisco and Pablo Martín Aceña "Los rasgos históricos de la empresa en España: un panorama", *Revista de Economía Aplicada*, vol. IV, n° 12, 1996: 75-123.

¹² In the Spanish political history, *caciquismo* is defined as the institutionalized system through which the political forces of the Restoration period (1874-1923) established power networks in agreement with the local caciques or tyrants (generally people of reknowned prestige and economic power). Their normal course of behaviour was the *encasillado*, through which the Parliament poll results were decided beforehand in each and every constituency.

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¹⁵ Kirzner, Israel M. *Competition and entrepreneurship* (Chicago, 1973).

¹⁶ Knight, Frank: *Risk, Uncertainty, and Profit*. (Boston, 1921).

¹⁷ Schumpeter, Josep. *The Theory of Economic Development: An inquiry into profits, capital, credit, interest and the business cycle*, (Cambridge MA, 1934, first ed. 1911)

¹⁸ Boumol, W.I. "Entrepreneurship: productive, improdutive and destructive" *Journal of Political Economy*, Vol. 98, no. 5 (1990): 893-921.

¹⁹ Rothschild's Archives, London (hereafter RAL), 000/89

²⁰ This power of attorney was signed on 13th June 1835, Otazu, *Los Rothschild y sus socios españoles*, 41). There exists a copy of it in French in ARP, 132AQ 40

- ²¹ Otazu, *Los Rothschild y sus socios españoles*, 83-84, and Calavera Calavera, A. “La casa Rothschild, Madrid y La Habana y operaciones financieras y tabaco.” *Arbor*, (1991): 181-196.
- ²² Ferguson, *The World’s Banker. The History of the House of Rothschild*, 300 and Gille. Vol 2, 576.
- ²³ Bank of Spain Archives, Secretary, Boxes 1015 y 1022. Scharfenberg and Tolmé were brothers-in-law.
- ²⁴ Marco Parente was the agent of the Rothschild House in Viena from the beginning of the 19th century before associating with Giuseppe L. Morpurgo to set up the Morpurgo & Parente House. The latest was to become the promoter of the Assicurazioni Generali Austro-Italiche, the origin of the present Generali Group. Gustave Landaure was a partner of the Morpurgo & Parente House, like his brother-in-law, Aquille Perugia, who married one of his daughters to Leopold Rothschild, senior partner of the Rothschild House in London.
- ²⁵ As it seems, James Rothschild himself arranged the marriage between Ignacio Bauer and the Baroness Ida Morpurgo in 1864.
- ²⁶ Letter to the Bank of Spain, 1st January 1877. Bank of Spain Archives, old Registry, 1st transfer, document 533.
- ²⁷ Ferguson, Niall. *The World’s Banker. The History of the House of Rothschild*, 1010.
- ²⁸ The Rothschild had, for example, stipulated that only male heirs would be a part of the family business, by virtue of their stake in the legacy (rights were proportionally divided among each of the first five heirs, subsequently being separately divided among their own heirs); daughters and their husbands had to expressly relinquish the family legacy.
- ²⁹ Alphonse Rothschild did the same with one of his daughters, who got married to another partner of the Maurice Ephrussi firm. The goal of this union was, according to Ferguson (1998:903) to narrow their links to the Russian Jews.
- ³⁰ Letter dated 19 September 1835 and 22 March 1836, Bank of Spain Archives, Secretary, documents 1,196 and 1,259. There had been previous contacts with the bank that did not bear any fruit. Tedde (1999: 50), glosses over the fact that Nathan had suggested the Bank of San Fernando placing his own shares as intermediary in February 1835, but this proposal had no effect whatsoever.
- ³¹ López-Morell, M. *La Casa Rothschild en España*.
- ³² When the Rothschild were officially in charge of the contract rights Ansoategui became their direct sales agent in Cadiz and later in Seville, until, at least 1851, RAL XI/38/3-5.
- ³³ Otazu, *Los Rothschild y sus socios en España*, 443-444.
- ³⁴ Directors charged ESP 100 per session, which turned into the fixed amount of ESP 10,000 p/a. The President, however, just earned ESP 250 extra p/a. Fundación Ferrocarriles Archives, MZA, Secretary, S-0012-1029. Other big foreign and national companies also included prestigious Spanish politicians in their boards in this way; see Cabrera, Mercedes and Del Rey, Fernando. *El poder de los empresarios. Política y economía en la España contemporánea* (Madrid, 2002).
- ³⁵ López Morell, M. “Peñarroya: un modelo expansivo de corporación minero-industrial, 1881-1936”. *Revista de Historia Industrial*, no. 23, (2003): 95-135.
- ³⁶ José Canalejas, senior, had been Managing Director of the Badajoz Company, and his eldest son, José, the Secretary.
- ³⁷ Metaleurop Archive, PYA-Juridique. no. 257. Procès-Verbaux des Séances du Conseil d'Administration. Book 2, session of 20-6-1888
- ³⁸ Avery, D. *Not in Queen Victoria’s birthday. Story of the Rio Tinto Mines*. 300.
- ³⁹ See note 10.
- ⁴⁰ Peña, M. “Caciquismo y poder empresarial. El papel político de las compañías mineras en la provincia de Huelva (1898-1923)”. *Trocadero. Revista de Historia Moderna y Contemporánea*, nº 5. 1993: 299-324.
- ⁴¹ Ferguson, *the Worlds Banker*, 101-104
- ⁴² Letter to the Paris House to the London one 1st September 1871, RAL XI/109/107
- ⁴³ Letter of Weisweiller and Bauer 15 March 1872, RAL, 000/374/1.
- ⁴⁴ Letter of 1st de August 1895, where Gustavo Bauer admitted that the Bauer House received FF51,000 p/a from Deutsch, Rothschild Archives, Paris 132AQ24.
- ⁴⁵ The Board of Peñarroya, once Auguste Lavaurs was appointed as a representative of SMMP in Spain, accepted the supervision of the financial services of the company in Spain by Weil in Exchange of FF1,500 p/a. Metaleurop Archive, PYA-Juridique. no. 257. Procès-Verbaux des Séances du Conseil d'Administration. Book 1, session 14-11-1881
- ⁴⁶ Anuario de los Ferrocarriles (Railways Annals) and Memories of MZA.
- ⁴⁷ The Agency was situated since 30s in the old Red de San Luis (current Montera Street) in Madrid. In 1849 it moved to the numbers 2 and 4 of the Plazuela de Santa María and at the end of the 1870s, beginning of the 1880s the office moved to 44 Bernardo St. This office did not moved until 1931.

⁴⁸ Copies of the powers bestowed in 15 June 1872, 28 July 1885, 2 July 1888 and 17 May 1890. Bank of Spain Archives, old Registry, 1st Transfer, document 553.

⁴⁹ Letter from Gustavo Bauer dated 12 June 1895, RPA 132AQ24

⁵⁰ Say was the father-in-law of Bazile Parent, but we do not know the date of the marriage and, consequently, we cannot infer whether this had a bearing on the negotiations to merge, or in the creation of Peñarroya, or the merger of the Badajoz Company

⁵¹ Mckay, "The house of Rothschild (Paris) as a multinational Enterprise in historical perspective, 1875-1914"; Ferguson, N. *The World's Banker*, 876; and Turrel and Van-Helten, "The investment Group: the mining link in British overseas expansion before 1914?", 267-274.

⁵² Otazu, *Los Rothschild y sus socios españoles*.

⁵³ Tedde, *El Banco de San Fernando*, 67-68

⁵⁴ Broder, *Le role des interets étrangers dans la croissance économique de l'Espagne: 1815 -1913. Etat, entreprise et histoire*, 496

⁵⁵ Tedde, P. *El Banco de San Fernando*, 126-127

⁵⁶ Gille, *Histoire de Maison Rothschild*. Vol. 1, 251, Fontana *La Revolución Liberal. Política y hacienda en 1833-1845*, 80, and Corti *The Rise of house Rothschild*, 127. The latter states that 1.3m were directly given to Torrano, plus 300,000 to third parties.

⁵⁷ Letter to Bauer, dated 27 June 1870, RAL, XI/109/102. Bauer had suggested supplying a juicy credit so as to guarantee the Almaden business, but immediately received a letter from Daniel Weisweiller "where he told us that in order to ensure the mercury business you should offer a substantial bribe (written in *Judendeutsh*)" The *Judendeutsh* keys (German in Hebrew characters) were usual in compromising letters from the agency, letter from Bauer, 20 March 1870, RAL XI/109/101

⁵⁸ As it was the case with Salaverría, who was asked on some occasion to leave his post in the board as he became part of the Government. Comín and Martín Aceña (*Tabacalera y el estanco del tabaco en España. 1636-1998*, 258) also exemplify with the case of Allende Salazar, who resigned from his post of MD at the Tobacco Hiring Company when he was appointed President of the Senate in 1919. The PM, Navarro Reverter, did not admit it, Allende hence having to hold both posts simultaneously for some months.

⁵⁹ Tedde "Las compañías ferroviarias en España (1855-1935)", 71-77, and Pascual, Pere. *Los caminos de la era industrial. La construcción y financiación de la Red Ferroviaria Catalana (1843-1898)*, 465-469.

⁶⁰ Fundación Ferrocarriles Archives, Minutes of the MZA-Norte Mixed Commission (1906-1918), L/0454-0458.

⁶¹ As a whole, the company had to pay GBP 1,122,000, namely ESP 32,908,260, which made the Rothschild lend them GBP500,000, RAP 132AQ 104 and 106. See also Avery, D. *Not in Queen Victoria's Birthday*: 324-327 and 341 and Harvey, C. *The Rio Tinto Co. An economic history*, 140-141 and 256.

⁶² Roldán, Santiago y García Delgado, José Luís. *La formación de la sociedad capitalista en España. 1914-1920*, Vol 1, 154.

⁶³ Metaleurop Archive, PYA-Juridique. no. 257. Procès-Verbaux des Séances du Conseil d'Administration. Book 2, session dtd 18 March 1891.

⁶⁴ Metaleurop Archives, PYA-Juridique. no. 257. Procès-Verbaux des Séances du Conseil d'Administration. Book 2, session dtd 19 October 1892

⁶⁵ Metaleurop, Archive PYA-Juridique. no. 257. Procès-Verbaux des Séances du Conseil d'Administration. Book 3, session dtd 12-9-1895.