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978-0-521-48999-7 - Politics, Markets, and Mexico's "London Debt," 1823–1887

Richard J. Salvucci

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Politics, Markets, and Mexico's "London Debt," 1823–1887

In 1823 and 1824, the newly independent government of Mexico entered the international capital market, raising two loans in London totaling £6.4 million. Intended to cover a variety of expenses, the loans fell into default by 1827 and remained in default until 1887. This case study explores how the loan process worked in Mexico in the early nineteenth century, when foreign lending was still a novelty, and the unexpected ways in which international debt could influence politics and policy. The history of the loans, the efforts of successive governments in Mexico to resume repayment, and the efforts of the foreign lenders to recover their investment became one of the most significant, persistent, and contentious, if largely misunderstood, issues in the political and financial history of nineteenth-century Mexico. The loans themselves became entangled in partisan politics in Mexico and abroad, especially in Great Britain and France, and were a fertile source of speculation for a wide range of legitimate – and not-so-legitimate – international financiers, including Baring Brothers and the House of Lizardi.

Richard J. Salvucci is Professor of Economics at Trinity University. He has held major fellowships from the Social Science Research Council, the National Endowment for the Humanities, and the American Philosophical Society. In 2006, he was the Peggy Rockefeller Visiting Fellow at the David Rockefeller Center for Latin American Studies at Harvard University, and in 2008, he delivered the Christopher Lasch Memorial Lecture at the meeting of The Historical Society. He has published in the *Hispanic American Historical Review*, the *Journal of Interdisciplinary History*, and *Historia Mexicana*. His books include *Textiles and Capitalism in Mexico: An Economic History of the Obrajes, 1539–1840*; *Latin America and the World Economy: Dependency and Beyond*; and a chapter in *The Cambridge Economic History of Latin America*. In 2001, his article in the *Journal of Interdisciplinary History*, coauthored with Linda K. Salvucci, won the Conference on Latin American History Prize. Richard Salvucci lived in Mexico City from 1976 to 1977 and has returned repeatedly to Mexico for research and other professional purposes since then. He has also spent extensive periods in England, Spain, and Cuba doing historical research.

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For Madeline Salvucci

And in memory of Louis Salvucci

Nel mezzo del cammin di nostra vita

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An excuse for the war was found in the confiscation of the sums of money that Claudius had given to the foremost Britons; for these sums, as Decianus Catus, the procurator of the island, maintained, were to be paid back. This was one reason for the uprising; another was found in the fact that Seneca, in the hope of receiving a good rate of interest, had lent to the islanders 40,000,000 sesterces that they did not want, and had afterwards called in this loan all at once and had resorted to severe measures in exacting it.

Cassius Dio, *Roman History*, Vol. 8, Bk. 62

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Acknowledgments

If, as it is said, it takes a village to raise a child, how many villages does it take to write a book? We, of course, acknowledge our many debts and make a ritual assumption of sole responsibility for the result. This is as it should be. I wrote this book and, for better or worse, its merits and defects are my doing.

Yet most of us should know a little better. A good book usually benefits from much scrutiny long before, or even well after, the formal referees' reports are in. This book is no different. Herb Klein, let it be said, takes his responsibilities as the editor of the Cambridge Latin American Studies seriously. Not that he was anything other than encouraging or helpful, because he was both. However, he also told me exactly what I needed to hear about an early draft of the manuscript, and without ceremony. I have taken the editor seriously and am glad that I did. The few suggestions that Herb made that I did not follow are the result of my obtuseness.

I honestly do not know how John Coatsworth gets from here to there every day as a serious administrator of serious programs at equally serious institutions. Somehow he found the time to read and comment on what I had written. He made several major suggestions for improvements, and I have followed them closely. Coatsworth is one of the hedgehogs of Latin American history. The foxes, and I count myself as one, end up suitably instructed. For more than one big idea, and for three decades of collegial support, I thank him.

Doctora Josefina Vázquez y Vera of El Colegio de México also reviewed this with the thoroughness and care characteristic of the truly distinguished professional. The political and financial history of the nineteenth century is just treacherous. The documents leave you longing for the "simplicities" of the seventeenth century, and the adage that a week is a long time in politics somehow seems an understatement. Josefina Vázquez knows this better than any other living historian of Mexico, so if you can persuade her of a larger argument, you tell yourself you did something right.

William Summerhill of UCLA has read this entire book, some parts more than once. He is one of the best economic historians working in any

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field in the United States today, and he tried to keep me honest about bond markets. He usually succeeded, even if I wasn't always sure of what "telling the truth about history" might mean in the context of financial history.

We all give papers, chapters, and presentations. Over the years, their number gets unwieldy. So, with due respect for a listener or discussant whom I have omitted, I would mention only a couple of crucial encounters. The first took place at the University of Texas at Austin more than fifteen years ago. The discussant for my paper was Josefina Vázquez. "Stylized facts" about this subject, she made it clear, would never do. I took her point, and for me, the rest really was history. Much more recently, I had the great honor of talking at the Instituto de Investigaciones Históricas at the UNAM in Mexico City, thanks to Maestra Alma Parra. Doctora Leonor Ludlow and Doctor Silvestre Villegas Revueltas made, for me, very striking observations that forced me to rethink parts of my basic argument at a very late date. Carlos Marichal, of the Colegio de México, the outstanding financial historian of Latin America, has always encouraged my efforts. Finally, I thank Jeff Williamson for inviting me to Harvard's Economic History Workshop, where seminars are indeed a contact sport. These gatherings wonderfully concentrate the mind, whether or not you want it concentrated.

Among economic historians, there is a broad consensus that markets are embedded in institutions and, therefore, so are their outcomes. A book is a good example of this principle, because trying to write in the absence of relevant institutions is likely to mean writing little or nothing at all. At the very least, institutions provide the resources to get the job done. In my case, Trinity University supplied, over a lengthy period of time, the academic leave and supplementary funding that allowed me to begin the basic research and the outline of a manuscript. My department was very helpful in funding research assistance and travel to Mexico and in acquiring scholarly resources including a microfilm run of the Mexican newspaper *Siglo XIX* long before anyone had digitized it. There were two absolutely critical grants that moved me along at crucial moments. The first was a Sabbatical Fellowship from the American Philosophical Society (APS), which essentially allowed me to compose a very rough (handwritten) draft of most of the manuscript. The second was an appointment as the 2005–2006 Peggy Rockefeller Visiting Scholar at the David Rockefeller Center for Latin American Studies (DRCLAS) at Harvard University. That was an incredible opportunity and permitted me to complete what became the first working draft of this book. Were it not for the generosity of the APS and DRCLAS, these acknowledgments would most likely be appearing as the footnotes to a few good articles, if at all.

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My particular thanks go to the seventh Earl of Clarendon for permission to quote from the Clarendon Papers at the Bodleian Library.

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Jeanie Lee and Frank Smith at Cambridge University Press have made the always-mysterious process of getting a manuscript into print much easier by their kindness, patience, and professionalism. I consider myself very fortunate to have been able to work with them.

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I began writing this manuscript watching Martin and Rosie swim in the Alamo Heights Pool. Thanks for not tossing it in the water, guys! And to Linda, for somehow managing it all.