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The English House of Gibbs in Peru's Guano Trade in the Nineteenth Century

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THE ENGLISH HOUSE OF GIBBS IN PERU'S
GUANO TRADE IN THE NINETEENTH CENTURY

A Thesis
Presented to
the Graduate School of
Clemson University

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts
History

by
Megan L. Johnson
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Accepted by:
Dr. Rachel Moore, Committee Chair
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ABSTRACT

The English mercantile house of Gibbs emerged alongside many other foreign merchant houses in the years after independence in South American countries, and they were active mostly in Peru, holding a virtual monopoly on Peruvian guano, from 1842 until 1861. Unlike many other merchants who dealt with private companies, Gibbs worked directly on a commission basis with the government of Peru and loaned money to the government in advance of sales. By the time Gibbs left the guano trade in 1861, the government was the stronger party. South American societies regarded the foreign merchants as parasites, “producing and contributing nothing.” Yet merchants were critical to trade in South America in the nineteenth century. Historians have countered the arguments, especially in the second half of the twentieth century when interest in South America peaked, that they were simply middlemen who never contributed to the trade. They moved goods, performed specialized functions that local businessmen were not equipped to handle, and bore the risk of transporting goods from producers to consumers overseas. They had access to contacts, overseas markets, money, and credit. The house of Gibbs was typical in that they had the money, contacts, sources, and personnel located in South America, and they performed similar day-to-day tasks of other foreign merchants. Gibbs was atypical, however, because they worked directly with the government on a commission basis and the government dictated the terms of their contracts, including how long they could export guano, where they could export it to, how much they could sell it for, and how much they could take. As will be seen in the case of the guano trade in Peru,

the large, foreign mercantile houses, especially Gibbs, were critical to the survival of the trade.

DEDICATION

For my grandmothers.

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INTRODUCTION

*“L’odeur de l’ordure dure où l’or dort./
The stench of shit lingers where gold sleeps.”¹*

In the sixteenth century, Spanish conquistadores traveled to South America in search of “God, gold, and glory,” although they were slightly more concerned with finding gold. Before the Spanish arrived, guano, the excrement of seabirds, was used as a fertilizer by the Inca. It was taken mostly, but not always, from three large islands off the coast of Peru known as the Chincha Islands, about 90 miles from Lima. It was so valuable to the Inca they executed people for traveling to the islands and disturbing the birds. After the arrival of the conquistador Francisco Pizarro in the 1530’s, less emphasis was placed on agriculture and silver became the primary export. The guano off the coast was largely left ignored on the Chinchas. It was exported only on a very small, national scale. An historian estimated in the early twentieth century that during the years of Spanish rule, only about 1,700 tons of guano were sold in Peru, meaning the guano continued to accumulate for years on the islands where the birds nested.²

Direct colonial rule lasted 300 years, and as Spanish rule began severely waning in the 1800’s, so too did the silver exports. In the 1820’s, the republics one by one

¹ Gregory T. Cushman, *Guano and the Opening of the Pacific World: A Global Ecological History*, (New York City: Cambridge University Press, 2013), XIII.

² David Hollett, *More Precious Than Gold: The Story of the Peruvian Guano Trade*, (Cranbury: Associated University Presses, 2008), 73.

declared their independence from Spain. It was only after the establishment of the Republic of Peru that the importance of guano was recognized again. In 1830, the government decreed an abolition of duties and charges on guano brought into the country from the islands, declaring it to be an article “very useful and necessary for the development and prosperity of agriculture.” Guano soon became one of the most important branches of industry in Peru. The Peruvian Minister of Finance wrote in 1858: “So great is the value of this branch of the national riches, that without exaggeration it may be affirmed that on its estimation and good handling depend the subsistence of the State, the maintenance of its credit, the future of its increase, and the preservation of the public order.”³ At the time the Minister of Finance proclaimed guano’s importance to the country, the commodity was bringing into Peru “riches beyond the wildest dreams of Francisco Pizarro and his fellow Spanish conquistadores.”⁴

Shortly after independence and coincidentally at the same that European countries were at war with each other, foreign merchants flocked to South America in huge numbers to try to make a profit selling European products. A few were successful, but most failed miserably and were forced to return home. They encountered high taxes in the years following independence from Spain, but even when taxes began decreasing the foreign merchants still faced the problem of selling to a very small market. Most of the purchasing power lay in a very small elite in each country while the majority of the

³ A.J. Duffield, *Peru in the Guano Age; Being a short account of a recent visit to the guano deposits, with some reflections on the money they have produced and the uses to which it has been applied*, (London: Richard Bentley and Son, 1877), 71.

⁴ Hollett, 23.

population remained poor and far removed from the main cities. Merchants also faced many risks selling products abroad because of the lack of quick communication and transportation. They also faced hostility from local businessmen who were unable to conduct business because the foreign merchants had pushed them aside.

Many merchants traveled to South America, yet few were able to make a living there. Those that did became import and export houses that usually operated on consignment sale, a widespread South American practice leftover from Spanish rule. This meant they did not own the goods they shipped, and worked for commissions. The stronger, more established houses survived the first few decades after independence in South American countries because of their experience, knowledge of foreign markets, and large amounts of capital, and by the middle of the century they were dominating foreign trade in many countries. Brazilian rubber, Peruvian guano, Argentine grain and wool was dominated by foreigners.

One of these stronger houses that survived into the middle of the century was the English house of Gibbs, founded in London in 1808 by Antony Gibbs. The Lima branch was established in 1822, and the partners of the branch entered the guano trade in Peru in 1842. They were invited to participate because the cost to launch the guano trade required a significant amount of money and expertise that Peru nor the local businessmen had. Although they were not the only foreign contractors to sign the contract with Peru for the export of guano, they were most important to the trade because they could loan the largest amount of money to the government. Peru introduced “exclusive consignment

whereby competition was eliminated to maintain a higher level of prices.”⁵ Since Peru owned the guano, the government allowed contractors to take a specified amount of guano in a certain amount of time and sell in a specified market. The contractors took commissions from the total proceeds, and in exchange they lent money to the government before the payments for guano arrived. This was the main advantage of merchant monopolies: “easy access to foreign money markets and capacity to lend generously in advance of sales.”⁶

The international guano trade began in 1840 when local Peruvians approached the government about selling it overseas. Yet the expensive effort to launch the trade was out of reach for the businessmen. They did not have the money or contacts. It was therefore crucial for the foreign merchants to be involved. Gibbs were not the foreign merchants who initially helped the trade get started, but they joined two years later and brought together the much-needed factors of production including transportation, promotion, and sale overseas. Several years later, they were the only contractors who shipped to Britain. They were temporarily excluded from the French and Spanish markets, but shipped almost everywhere else in Europe. Their business expanded throughout the two decades they contracted with the government. It was because of the merchants the industry was able to get started, and it was also because of them, especially Gibbs, the guano industry was able to stay afloat.

⁵ Robert G. Greenhill and Rory M. Miller, ‘The Peruvian Government and the Nitrate Trade, 1873-1879,’ *Journal of Latin American Studies*, Vol. 5, No.1, PP. 107-131, (Cambridge University Press, 1973), 118-119.

⁶Hollett, 10.

It is interesting that guano took so long to become an international commodity since bird manure was not new, and had been sitting around for thousands of years. Furthermore, it was known at the time to have been used by the Inca as a fertilizer. When scientist Robert Coker visited the Chincha Islands in the early twentieth century, he counted nests within a 550-square mile radius, and estimated each pair of birds and their offspring produced \$1.50 worth of guano. From there he calculated that each pair of breeding birds had a commercial value of \$15.00 per year. His estimations were made after the guano trade, so at the start of the trade there was even more guano sitting on the islands. It is easy to appreciate the amount of wealth Peru had sitting on the islands in 1840 when the trade began.⁷ A few samples of guano were first imported into Liverpool in July of 1836 for experimentation on crops, and the results were very positive. The first commercial shipment into Britain was in 1841, and by 1847 it was Peru's most important export.⁸

Throughout the guano age, which lasted about forty years, the principal market for guano was Great Britain, with the United States and then France close behind. After Europe, the market for cotton in America made "necessary a reliable means of renewing the exhausted soil of the southern plantation."⁹ Britain needed guano because of a pressing problem with soil degradation sparked by industrialization, "a system of

⁷ Robert Cushman Murphy, *Bird Islands of Peru: The Record of a Sojourn on the West Coast*, (London: The Knickerbocker Press, 1925), 53-62.

⁸ Hollett, 82.

⁹ Bruce W. Farcau, *The Ten Cents War: Chile, Peru, and Bolivia in the War of the Pacific, 1879-1884*, (Westport: Greenwood Publishing Group Inc., 2000), 9.

robbery” that took nutrients from the soil, “decreasing the productive potential of the land.”¹⁰In the 1800’s, European agricultural chemists and agronomists were warning people about the loss of nitrogen and other important nutrients in the soil through the transfer of foods to cities and urban areas. German scientist Justus von Liebig noted that the problem in Britain was “the discovery of the means of producing more bread and meat on a given surface, to supply the wants of a continually increasing population.” He further wrote that far too many people believed the soil to be inexhaustible, and they saw guano as the answer to their problems rather than what it was: a temporary substitute to repair the problem of soil degradation.¹¹It replaced the nutrients in the soil that had been depleted as industrialization expanded in more advanced countries, notably the United Kingdom.¹²

Soil degradation sparked an international guano rush, “as agriculturalists sought the precious fertilizer to compensate for the soil nutrients they were losing.”¹³Peruvian guano was better than guano from anywhere else in the world because of its high nitrogen content. The Peruvian coast is the driest place on the planet, and there is scarcely any rainfall to wash away the nitrogen and other elements in the guano deposits.¹⁴Although guano could be found in the Caribbean, the Pacific Ocean, parts of Asia, and off the coast

¹⁰Baron Justus von Liebig, *Letters on Modern Agriculture*, (London: Bradbury and Evans, 1859), 159.

¹¹ *Ibid.*, 1-2, 161, 165.

¹² John Bellamy Foster, Brett Clark, and Richard York, *The Ecological Rift: Capitalism’s War on the Earth*, (New York City: Monthly Review Press, 2010), 352.

¹³*Ibid.*, 354.

¹⁴ Hollett, 9.

of Southwest Africa, Peruvian guano was by far the most valuable guano in the world, and after the first commercial shipment of it to the British market in 1841, Europeans were hooked.¹⁵ Guano quickly sold, even though it was selling at much higher prices at the time. It soon became the most popular fertilizer, and was in high demand by European farmers. The Earl of Derby was so happy with the results of guano on his fields that he bought an entire shipload for himself after his successful experiments. He “extolled its powers” before the Royal Agricultural Society, and used it on the usual crops, like potatoes, turnips, and oats, as well as on his raspberry bushes and apple trees.¹⁶ Another English farmer was so impatient to get guano for himself he stole a bag and scooped the guano by hand into a sack that he held open with his mouth. In his hurry, he accidentally ingested some, and was found dead the very next day.¹⁷

The first decade of the international guano trade was marked by constant bickering between contractors over price. In contrast to the policy of pricing in the following decade, the government always had to approve price changes in the 1840’s, but the contractors exercised more control in setting the prices. The 1840’s were also marked by competition from African guano, although it was short-lived. Guano was exported from the African islands into the British market at much lower prices, causing Gibbs and the other contractors to argue over prices. Gibbs did not chase short-term goals, one of

¹⁵ Ibid., 77-78. Foster, Clark, and York, 355.

¹⁶ Jimmy M. Skaggs, *The Great Guano Rush: Entrepreneurs and American Overseas Expansion*, (New York City: St. Martin’s Press, 1994), 6.

¹⁷ Charles Kidd, ‘Poisonous Effects of Guano,’ *The Medical Times: A Journal of English and Foreign Medicine, and Miscellany of Medical Affairs*, Vol. 12, (London: Angerstein Carfrae, 1854).

the characteristics of their firm that probably made them as successful as they were and stay in South America as long as they did. Other contractors were arguing for lowering the price of Peruvian guano to compete with the cheaper African guano, but Gibbs was adamant that they had to maintain a realistic, moderate price level throughout the threat of competition. Gibbs steadfastly did not reduce the price of guano, and demanded for a hold on a more realistic price. When it was over, the other contractors dropped out, and by the end of the 1840's Gibbs had a virtual monopoly on Peruvian guano.

Yet in the 1850's, the government of Peru had stepped up and was more involved in the affairs of guano. Not only did they continue to dictate the conditions of the contracts with Gibbs, but at times Peru threatened to cancel their contracts altogether if they did not oblige with the government's wishes. By the end of the second decade of the guano trade, guano was supplying a massive 80% of Peru's revenue, whereas in the 40's guano supplied only about 5%.¹⁸ Between 1855 and 1864, Britain received guano from Peru valued to be over £20,000,000, a figure much greater than any other commodity imported from any other country in South America.¹⁹ The waters around the Chincha Islands, calm and quiet only two decades earlier, were disturbed constantly by the presence of hundreds of ships flying flags from all over the world, waiting to take guano through Peruvian customs and to the foreign markets.²⁰ It was a prosperous decade, and

¹⁸ Jonathan V. Levin, *The Export Economies: Their Pattern of Development in Historical Perspective*, (Cambridge: Harvard University Press, 1960), 31-33.

¹⁹ W.M. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, (London: Royal Historical Society, 1981), 2-3.

²⁰ Levin, 31-33.

guano sales peaked in 1856. Guano completely transformed Peru, and at the end of the decade Peru was a leading borrower on the London capital market. Their record of debt service was “stellar” because the country used guano revenues to service their foreign debt. The guano gave “credibility to Peruvian paper.” At the height of the trade, historians agree Lima was one of the richest cities in South America.²¹

By the end of the decade, however, Gibbs had few friends and plenty of enemies in South America. Ultimately, the country turned against the foreigners, claiming they had taken too much profit for themselves while purposely keeping the country dependent on them, and keeping local businessmen out of the trade. Locals argued against Gibbs’ participation, claiming their enterprise was a barrier to economic development. This view persisted in the years after Gibbs left the trade and the local businessmen got the guano trade to themselves. However, as historians began arguing in the twentieth century, this was not entirely true. W.M. Mathew agrees that sometimes Gibbs made extra money from commissions simply from overseeing the trade or for overcharging for bags for the guano. The argument that they purposely kept Peru dependent on them, however, is ridiculous. Gibbs never had an interest in the affairs of Peru. They, like many other merchants, just wanted to make a living, and were not interested in the affairs of Peru. One historian, Jonathan Levin, argued that Gibbs purposely kept prices low because they got a commission from the total net proceeds. Theoretically, lower prices meant more people would buy which would lead to a higher total profit. Mathew and other historians

²¹ Catalina Vizcarra, ‘Guano, Credible Commitments, and Sovereign Debt Repayment in Nineteenth-Century Peru,’ *The Journal of Economic History*, Vo. 69, No. 2, PP. 358-387, (Cambridge University Press, 2009), 358-359.

argue against this as well, saying if anything Gibbs was guilty of keeping prices higher. The government wanted them higher, and if Gibbs went against what the government wanted they could easily be fired as contractors. Furthermore, there was no guarantee lower prices would lead to more sales.

When the topic of guano in Peru was revisited recently in the 2000's, as interest in environmental studies peaked, historians revisited the issue and argued the accusations leveled against Gibbs for their conduct in the trade were really more emotionally-based than fact-based. They agree it was easy for Gibbs to be a scapegoat, but it was the government's choice to spend the money from guano the way they did, keep Gibbs in the trade for as long as they did, and dictate the prices. On top of this, they argued the government did not try to protect the environment, and only tried to help the birds by killing their natural predators, which only caused harm to the ecosystem. When the trade ended, a traveler visited some of the smaller guano islands, and noted with dismay that equipment was just strewn around "as if they had been thrown down with curses."²²

At the end of the guano trade, which lasted until the 1870's even though Gibbs left in 1861, Peru was in no better shape than it was when the trade began. It was not Gibbs' fault that the government spent money the way it did. Not only was their economy centered around the export of a single product, but the income from that commodity, as large as it was, was not used efficiently. Levin agrees with Mathew, D.C.M. Platt, and other historians that the guano ended up being a "wasted opportunity" for Peru. The export taxes and revenue were used to pay off bondholders and debts, but it was also used

²² Duffield, 95.

to fund state pensions, the armed forces, and the construction of national public works. Peru was frequently tense with the countries surrounding it, and was preoccupied for most of the guano trade with building up the armed forces in case of the outbreak of war. There was never a legitimate stimulus for domestic production. Any opportunities for growth came, and then quickly went.²³ Furthermore, although Peru was spending so much money to pay off debt, the country was so caught up in the endless cycle of borrowing money so far in advance of guano sales, that the country remained permanently in debt to foreigners all the way up to the twentieth century. In the 1870's, Peru defaulted on her loans.²⁴ The merchant monopolies which allowed Peru to borrow money before sales proved to be a curse for the young country of Peru, because the financial difficulty of the country rested on mortgaging future guano sales rather than trying to “stabilize the internal structure of the country and organizing a solid financial system based on taxes.”²⁵

The government was somewhat reluctant to give the trade to anyone else because they knew they could rely on Gibbs for such large loans before guano sales. Amid mounting dissatisfaction from local Peruvians, when the contract with Gibbs ended in 1861, it was not renewed, and it instead went to local businessmen. When their time in the trade ended, the “physical spread of their business was wider...and larger” than ever. Their control extended over almost the entire European market, Africa, the West Indies,

²³ Roberto Cortés Conde and Shane J. Hunt, ‘Growth and Guano in Nineteenth-Century Peru,’ *The Latin American Economies: Growth and the Export Sector 1880-1930*, (New York City: Homes & Meier Publishers Inc., 1985), 255.

²⁴ Hollett, 18.

²⁵ *Ibid.*, 111.

Australia, and the Indian Ocean.²⁶ By all accounts, however, Gibbs was not very upset about leaving, and they began expanding their business in other countries, especially Chile. Yet the way the small family enterprise had dominated “one of the great trades of the international economy in the mid-nineteenth century is probably without precedent.”²⁷

It is worth noting, however, that the Peruvian government began this relationship with English contractors shortly after becoming independent from Spain. For the majority of Peru, they may have seen this relationship with Gibbs as a kind of substitution of power, and felt that Britain had merely replaced Spain’s previous hold on the South American countries in a more informal way. Unlike Spain, a country which controlled South America in a very direct and territorial way, Britain’s rule was indirect. Although Peru was independent, the country still needed the support of Britain, indicating the unequal amount of power in the relationship between Peru and Britain. Regardless of Peru’s status of owners of guano, their decision to keep Gibbs involved for their ready supplies of cash, and the strength of the government’s position in their contracts, there existed an imbalance of power between Peru and Britain.

The principal guano labor was conducted by a variety of workers, including convicts, a handful of slaves, and Chinese workers called “coolies.” The use of slavery in the guano industry in Peru raises the issue of capitalism and how the industry was

²⁶ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 95-105.

²⁷ D.C.M. Platt, *Business Imperialism 1840-1930: An Inquiry Based on British Experience in Latin America*, (Oxford: Clarendon Press, 1977), 339.

fundamental to the development of modern capitalism on a global scale, an issue explored in Sven Beckert's book, *Empire of Cotton: A Global History* (2014). Beckert argues that the importance of cotton in the American South permeated to other countries. One aspect of this "Empire of Cotton" is slavery. Beckert explains that this slavery and violence, as well as the pushing of people off their lands in order to make way for cotton, happened on a global scale, and outlines similar situations in countries like Egypt and Mexico to show that the government interfered for the sake of what he calls "war capitalism." He also makes the case that cheaper labor is in higher demand, and violence is not separated from this commitment to cheap labor. This argument can be further explored and applied to the Chinese coolies in Peru. As the slaves on plantations in the American South were performing back-breaking labor to outsource one single commodities to other countries, the Chinese coolies were similarly laboring under violent conditions as cheap labor to ship the commodity of guano to people all over the world.

Gibbs appeared to be in control since they were much more involved with the loading, shipping, and selling of guano. Yet the government was the stronger party, and historians agree it was ultimately the fault of the government that the guano trade collapsed. High prices that the government insisted on in the 1850's meant farmers were becoming more irritated and looking for substitutes. Hence, the demand for artificial fertilizers grew until in the 1860's, they were becoming the new favorite fertilizers on the European markets. These fertilizers had not been much of a threat when the trade began because they were so underdeveloped. With so little "ammoniacal material coming out of

European and American factories, it meant Peru had a monopoly in nitrogenous fertilizer, and Gibbs had a monopoly on selling it to its principal market, Great Britain.²⁸

Peru was not the “passive, innocent victim” it appeared to be in the many years following the guano trade. In the twentieth century, historians began studying the guano trade and the role Gibbs had played in it, and began questioning the argument that Gibbs was to blame for Peru’s fate following the trade’s end. W.M. Mathew questioned to what extent Gibbs could really be blamed. Critics were quick to blame the dominant mercantile body that sold guano overseas, and were angry that the government was so dependent on the more powerful European countries. These critics ignored the fact that to launch the guano trade, Peru needed merchants with their contacts, expertise, and, most importantly, their money. They kept Gibbs in the trade because of the unique relationship that Peru and Gibbs shared. Peru owned the guano, and for Gibbs to sell it they had to loan to Peru a specified amount of money before guano payments came in. Local Peruvian businessmen simply did not have the financial backing Gibbs did, so the government kept signing contracts with Gibbs because they became dependent on the loans and the entire process of borrowing money. They dropped Gibbs once there was too much criticism over the fact that locals were barely involved in the guano trade. It appeared Gibbs controlled the trade, but research beginning in the 1960’s and 1970’s shows it was the government who was in control. Despite the fantastic amount of wealth guano brought it,

²⁸ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 1.

much of the guano trade was characterized by “miscalculation, failure and wasted opportunity.”²⁹

²⁹ Ibid., 2.

CHAPTER 1: BEFORE THE DAWN OF THE GUANO AGE:

The House of Gibbs, The Emergence of the Merchants in Post-Colonial South America, and Peru in the Years Before the Age of Guano

The House of Gibbs: A Brief History

The long and prosperous history of the English mercantile house of Antony Gibbs and Sons begins with its founder, Antony. Born in Exeter, England in 1756, the sixth out of eleven children, Antony was the fifth son of George Abraham and Dorothea Barnetta Hucks Gibbs.³⁰ George Abraham was a wealthy landowner and well-known surgeon whose family had been commercially active in the Exeter port for more than two hundred years. He was a man of principles who inculcated an ethic of hard-work and patience into his children, and Antony revered him.³¹ After being educated at Exeter Grammar School, Antony was apprenticed to a Mr. Brook, whose successful woollen business extended into Spain. Under Mr. Brook's guidance, Antony learned Spanish, although to what

³⁰ John Arthur Gibbs, *The History of Antony and Dorothea Gibbs and of their Contemporary Relatives, Including the History of the Origin & Early Years of the House of Antony Gibbs and Sons*, (London: The Saint Catherine Press, 1922), 8.

³¹ Wilfred Maude, *Antony Gibbs & Sons Limited: Merchants and Bankers: A Brief Record of Antony Gibbs & Sons and its Associated Houses' business During 150 Years, 1808-1958*, (Southampton: The Millbrook Press Limited, 1958), 15.

extent is unclear. He learned about the importing and exporting business, and became more familiar with the ports the goods were sent to.³²

When his apprenticeship ended, most likely in 1778, Antony borrowed some capital from his supportive father and set up his own woollen manufacturing business with both the warehouse and his office located in Exeter.³³ He gained a partner in his developing business named Samuel Banfill, but Antony remained the primary figure and partner. Banfill traveled more while Antony stayed mostly in London.³⁴ Antony married Dorothea Barnetta Hucks in 1784, and the couple had five children. Two of their sons, George Henry (1785-1842) and William (1790-1875), later worked with their father in his business.³⁵ William later became a principal partner in his father's firm, a well-known businessman in Peru, and a wealthy man in England.³⁶

In 1786, Antony was appointed to a committee along with 26 other merchants to deal exclusively with the "illicit importation of wool," the export of which was prohibited in England from 1660-1825.³⁷ He had also ascended from mere 'assistant' to 'master' in

³² John Arthur Gibbs, 223.

³³ John Arthur Gibbs, 19-20. W.M. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 6.

³⁴ John Arthur Gibbs, 22.

³⁵ Antony's grandson, Henry Hucks Gibbs, entered the office as a clerk and became a partner in 1848. Until his death in 1907, the firm enjoyed a "remarkable period of rapid development and prosperity both at home and in its Associated Houses abroad." Henry Hucks was in charge for a long period of time during the age of guano in Peru. Maude, 26.

³⁶ William Edmundson, *A History of the British Presence in Chile: From Bloody Mary to Charles Darwin and the Decline of British Influence*, (New York City: Palgrave Macmillan, 2009), 139. William bought a Gothic Revival house called Tyntes Place and eventually it was named Tyntesfield, making him William of Tyntesfield. John Arthur Gibbs, 23, 32.

³⁷ John Arthur Gibbs, 20.

“The Incorporation of Weavers, Fullers, and Shearmen” of the Tuckers’ Hall in Exeter. By this time, Antony was an exceptional, well-liked businessman, but he was unfortunately bankrupt by 1789. The reasons for the failure of his business are not entirely clear, but it is most likely that excessive spending and a considerable amount of negligence to the business were the reasons for its’ short life.³⁸ Regardless of its lifespan, it was a blessing in disguise, according to Gibbs’ descendent John Arthur Gibbs, since it led to the establishment of the London house and later the South American branches.³⁹

Antony was not a quitter, and he decided to reestablish his business. In a letter to his father, Antony understood “the enormous errors into which I have fallen...I will go to great lengths in order to obtain what I so heartily wish, and I have great prospects of my succeeding.”⁴⁰ In search of a new market, he moved to Madrid, and from 1792 to 1807, Antony traveled extensively between England, Portugal, and Spain as a commercial agent for British manufactures. He collected orders, visited with potential buyers, and received money when it was due. He took on some importing on his own account, and his financial situation drastically improved. In 1793, Antony entered into a partnership with Juan Pomar of Malaga, and the pair successfully exported produce, mostly wines and fruits, from Spain to England until 1803.⁴¹

³⁸ Ibid., 60.

³⁹ Ibid., 62-63.

⁴⁰ Ibid., 59-60.

⁴¹ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 7.

The beginning of the nineteenth century was characterized by warfare between England, Spain, and France. Unsurprisingly, Antony's business began to feel the effects of war, and through his "Spanish connections" his attention was drawn to South America, where business looked more promising as new trading opportunities appeared when Spanish colonial rule began to decline and where entrance into the economy was easier because of his access to capital and his "readiness to assume risks."⁴² Antony arranged for his stocks, around £20,000 in value, to be held by a Spanish firm. The goods were nominally in Spanish ownership, and had to be shipped to South America in a Spanish vessel, but a British naval blockade meant his merchandise could potentially be seized. Antony's older brother, Sir Vicary Gibbs, was then Soliciter-General, and he secured for Antony a license guaranteeing his safe passage from Spain to Lima and then back to England. It is unclear why Antony chose to go to Peru, but on Christmas Eve in 1806 he left aboard the *Hermosa Mexicana*. This was the beginning of the house of Gibbs in Peru.⁴³

Antony briefly spent time in Peru before returning to London, where he established Antony Gibbs and Son with his oldest son George Henry in 1808.⁴⁴ He was extremely proud to open the business with his son, and had high hopes for the future of his company. He wrote to a friend "I have good hopes that we shall soon do business of considerable consequence...If I should ever have it in my power to be of service to you

⁴² John Arthur Gibbs, 164-166. Platt, 180.

⁴³ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 7.

⁴⁴ Hollett, 89-90.

or your House it will always give me pleasure to open connections with people whom I so much esteem.”⁴⁵ His second son William joined in 1813, and the name was restyled to Antony Gibbs and Sons.⁴⁶ Building on the foundations of the establishment in London, the firm set up a number of different branches of Antony Gibbs and Sons over the years in Gibraltar, Cadiz, Guayaquil, Tachna, Santiago, Arequipa, Callao, and Valparaíso.

The Lima branch of Antony Gibbs and Sons was called Gibbs Crawley Moens and Company, and was established in 1822.⁴⁷ Charles Crawley, one of the partners, was a nephew of Antony’s who entered the firm as an office clerk in 1814, the year before Antony’s death.⁴⁸ He only worked in the firm until 1833. According to a letter from George Henry in London to Charles ten years earlier, he never showed “lively interest in the business.” George Henry wrote that he and his brother William had an advantage in having been raised in the business, and their minds were “constantly employed in thinking how we may improve.” He added that his lack “of interest and pleasure in the thing leads you to think less of it; you do not investigate matters closely.”⁴⁹

The other partner, John Moens, was a very popular and respected businessman who managed the house in its earliest days. He was sent to Lima about a year before the branch opened to scout out the area to see how profitable he thought it could serve as a

⁴⁵ Ibid., 90.

⁴⁶ It stayed this way for the next 135 years until in 1948 it was converted into a Private Limited Company.

⁴⁷ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 6.

⁴⁸ John Arthur Gibbs, 338.

⁴⁹ Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons 1744-1953 Microfilm Reels 1-40* (The University of Texas-Austin,) Reel 7 Letter from GHG to CC.

location for a branch of the firm. His main task was to take advantage of any trading opportunities that arose from the changes in colonial commercial policy. After so much warfare, Spain no longer had the capacity to satisfy “the commodity needs of her colonies.”⁵⁰ Without Spain, the newly independent (or almost independent) republics had to trade directly with Britain. Their clientele outside Europe drastically increased in the years before the establishment of the Lima branch, and of those clients 11 were in Lima. This prompted the Gibbs brothers to explore the capital location, but they did not feel they could make the journey themselves since the firm was still relatively small and they felt they were more needed in London. Moens was sent instead. Despite Moens’ popularity, he had poor business ethics and lacked proper judgment and clerical ability. In 1824, his partnership was reduced and in 1829 he left, and the firm became Gibbs Crawley and Company.⁵¹

The house was “well-placed for securing South American produce for consignment to Gibbs in London, and for receiving British goods which could be re-exported to the trans-Atlantic colonies.” They operated as commission merchants, with about four-fifths of their commission earnings coming directly from sales of foreign produce in Lima.⁵² Despite a brief financial panic in the middle of the 1820’s, Gibbs emerged from the chaos with its credit unimpaired, while other merchant houses were not

⁵⁰ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 9.

⁵¹ Hollett, 93-94. When Moens arrived, Peru was not yet independent, and Moens, along with other European merchants, were met with hostility from the locals. They were permitted to set up business but could only act as consignees, and they had to pay a 5% extra duty on imports.

⁵² Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 8, 11-12.

so fortunate because their losses were too great, and they had not managed their money better or prepared well enough for the possibility of a financial crisis. Their reputation was positively circulated in London business circles, and clients were continuously satisfied with their services. They trusted Gibbs with their money and affairs, even at the worst of times. They were well-liked and respected, and were known for their patience and “cautious maxims.”⁵³ They still had 86 clients in Spain even at the end of the 1820’s, even though they started withdrawing from Spain. The Cadiz branch was closed in 1827, and the Gibraltar branch closed in 1833.⁵⁴ By the 1830’s, the House of Gibbs was one of the most established, successful trading companies in South America.

The Introduction of the Merchants in South America

When Spain ruled the present-day South American countries, foreign merchants were not normally allowed to trade with the Spanish-controlled territories. Most of the trade that did successfully take place between Britain and Spanish America was contraband. In the years between 1809 and 1830, almost all of Spain’s former colonies won their independence, and as Spanish control gradually declined, more British merchants began legally trading with the new republics. In Peru, for example, native-born

⁵³ Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons 1744-1953*, Reel 8 Letter 1842 WG to GHG.

⁵⁴ Platt, 163. Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries*, (New York City: Oxford University Press, 2000), 29.

and non-Spanish foreigners began opening businesses and engaging in foreign trade in 1821, the year the country gained its' independence.⁵⁵

In the beginning of the nineteenth century, as many foreigners flocked to South America seeking new trading opportunities, most of them journeyed overseas with the plan that the former Spanish colonies were only a “short-term problem” to temporarily restricted European markets that occurred in the wake of the Napoleonic Wars and the Industrial Revolution. Their need for new markets coincided with the relinquishing of Spanish control and monopoly trading rights previously held by chartered trading companies, which created a “commercial vacuum” that European merchants were desperate to fill.⁵⁶ In a letter to George Canning on December 27 in 1826, Charles Milner Ricketts wrote that the British were “not regular mercantile houses who had corresponding branches in these countries, but were the manufacturers, who from dull sales in England had quantities of merchandize on hand which it was important to them to get rid of at any price, and they took their chance on the South American market.”⁵⁷ At first, the merchants were merely seizing the opportunities, but some became much more established and much larger in South America, including the house of Gibbs. By the early 1830's, British merchants were clustered at the principal cities and ports to conduct

⁵⁵ Levin, 45.

⁵⁶ Robert G. Albion, ‘Capital Movement and Transportation: British Shipping and Latin America, 1806-1914,’ *The Journal of Economic History*, Vol. 11, No. 4, PP. 361-374 (Cambridge University Press, 1951), 361.

⁵⁷ R.A. Humphreys, Editor, *British Consular Reports on the Trade and Politics of Latin America 1824-1826*, (London: Royal Historical Society, 1940), 129-130 Letter to George Canning from Charles Milner Ricketts, 1826.

international trade. They began selling British manufactured goods and textiles overseas, importing low-cost raw materials, and exporting local commodities.⁵⁸

The development of international trade with Latin America meant more intermediaries were required to transfer the goods to overseas consumers from producers. The rise of “money economies and distance problems” meant specialized functions had to be performed by merchants who were important as middlemen in the import and export trade for their knowledge of foreign markets.⁵⁹ The rise of export houses replaced the “older domestic channels, and redirected the flow of trade.” Merchants worked for commissions rather than owning the goods being shipped and dealt with. Consignment sale was extremely popular in the nineteenth century in South America. Sellers usually preferred to retain ownership of their merchandise until it was sold overseas to consumers, so they consigned their items to merchant houses, like Gibbs, who worked on a commission basis and exported commodities without owning them.⁶⁰

The opportunities foreign merchants were so desperate to grab in South America came with many risks, partly because merchants were organized without limited liability. They were usually set up as either individual proprietorships or partnerships with specified shares of profits or losses and how much money they could withdraw.⁶¹ Many merchants eagerly went to South America in search of profits, yet most failed and

⁵⁸ Jones, 21, 27.

⁵⁹ Platt, 163. Cocoa in Ecuador was the only exception: plantation companies and large farmers did not need middlemen, and exported directly to consumers.

⁶⁰ Greenhill and Miller, 118-119.

⁶¹ Jones, 21.

returned to their homelands. In the same letter from Charles Milner Ricketts to George Canning in December of 1826, he concluded that merchants were too enthusiastic at first when “the returns which were at first remitted greatly exceeded their expectations... They did not reckon, however, on the evils which necessarily followed.”⁶² Most were met with disappointment. There were several reasons for the rate of failure merchants in the newly independent countries. Firstly, arbitrary regulations and high taxes existed on British imports in the years after independence.⁶³ If they did not pay the “heavy contributions,” then merchants were “threatened with the deprivation of his right of acting as a consignee.”⁶⁴ In 1825, for example, the tax on most British imports was 35%. Secondly, before the dawn of fast communication and overseas transportation, selling products abroad was a very risky business.⁶⁵ Merchants had to be able to foresee fluctuations in prices, because there was so much time that lapsed between buying, shipping, and receiving a product. Market forces were completely out of their control, and the possibility that world prices would fall in the very long amount of time between buying and receiving products created a huge risk.⁶⁶ Reports could drastically change in the time

⁶²R.A. Humphreys, Editor, *British Consular Reports on the Trade and Politics of Latin America 1824-1826*, 129-130.

⁶³ R.A. Humphreys, *Tradition and Revolt in Latin America and Other Essays*, (Liverpool: C. Tinling & Co. Ltd., 1969), 118.

⁶⁴ R.A. Humphreys, Editor, *British Consular Reports on the Trade and Politics of Latin America 1824-1826*, 128-129.

⁶⁵ Greenhill and Miller, 118.

⁶⁶ Platt, 176, 195-196.

it took for products to ship. The Panama Canal was not opened yet, so the shipping route for countries on the Western coast went around Cape Horn.

Many merchants also made the common error of misjudging the size of their markets, especially in Peru where the majority of the population was living in poverty and were not even closely located to the major cities. They mistakenly believed that “the magnitude of commercial interest” implied “manipulation.”⁶⁷ Some of the wealthier people, the “old Spaniards,” left after independence, leaving only a small handful of people “of very limited means” left to purchase products.⁶⁸ Independence did not accelerate an increase in the population or lead to a demand for products. Income was not drastically redistributed, and only a very small, wealthy, and sophisticated elite “in the major cities wanted and could afford imported luxuries.” Furthermore, South American exports primarily went overseas. Very few were consumed locally. There was also the issue of political stability in the new countries as government underwent significant changes that sometimes made it difficult for merchants to conduct business. They were frequently the targets of local hostilities. They were blamed by both producers and consumers, the former believing he was being underpaid and the latter claiming he paid too much.⁶⁹

Their involvement at every level of commerce pushed out local businessmen who might have had the capital, and the advantages held by foreign houses meant there was

⁶⁷Ibid., 161-162.

⁶⁸ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 18.

⁶⁹ Platt, 162-164.

less room for the locals. They were constantly shoved aside by bigger, strong foreign houses. Local businessmen became very prominent in the handling of goods in the production phase, between producers and merchants. This was the case with Gibbs, who left the process of extracting and loading guano to Peruvian landowning businessmen.⁷⁰ Even though locals had an advantage in that they were more familiar with the country, the commodities, and the local contacts, it mattered very little when there were not yet local banks and they could not get any credit without merchants.⁷¹ Furthermore, insurance and shipping were all foreign-owned, and since there were not local banks in existence in the first half of the nineteenth century, banking was dominated by foreigners as well. Small firms in Latin America that sprang up mostly in the second half of the century usually could not get credit without the name of a well-known foreign, usually British, firm attached to their documents, vouching for them and their ability to conduct business and repay loans.⁷² Without foreign merchants, many trades, including guano, would not have had such successful outcomes.

How Did Gibbs Compare to Other Merchant Houses?

⁷⁰ Eugene W. Ridings, 'Foreign Predominance Among Overseas Traders in Nineteenth-Century Latin America,' *Latin American Research Review*, Vol. 20, PP. 3-27, (The Latin American Studies Association, 1985), 6-7.

⁷¹ *Ibid.*, 6-7.

⁷² Platt, 186-193.

It is undeniable that Latin American countries needed the merchants to “promote and maintain economic development...after Independence.” The newly independent countries still lacked capital and expertise, and the foreign merchants brought both to South America in large numbers.⁷³ They took advantage of the lack of local entrepreneurship and infrastructure “to create the complementary businesses needed for their trading houses. If they wanted shipping or insurance facilities, they had to arrange them. If they wanted better produce to improve trade, they often had to invest in growing it themselves.” They imported consumer goods and capital, and were involved in a wider range of services normally associated with their respective businesses, like insurance, shipping, credit, and banking.⁷⁴ Gibbs, like other merchants, applied their skills to sectors of the economy, like insurance for example, because of the lack of entrepreneurship at the local level. They became involved in other areas of trade rather than simply import and export.⁷⁵

As many merchants as there initially were in South America after Spanish control dwindled away, by the 1850's the number was significantly smaller. Those that remained were mostly active in Brazil and Argentina, and there were a few who survived on the Pacific coast including Gibbs, Graham Rowe, Duncan Fox, and Balfour Williamson. Like many of the other merchants who tried to succeed in South America, these few surviving large mercantile houses did not think South America was to be a permanent trading

⁷³ Ibid., 2-3.

⁷⁴ Ibid., 180-181.

⁷⁵ Jones, 26-27.

establishment, but merely a temporary solution. They made a fortune off their exploits in South America while most others failed, however, and were soon extremely important to the economies of the South American republics. Compared to the foreign mercantile houses that survived, Gibbs was very similar to the other houses.⁷⁶

These houses prospered well into the second half of the century. They were all mostly heterogenous in the first half of the nineteenth century, meaning that they tended to specialize in the trading of one commodity like coffee, guano, or port wine. By the 1870's, more merchant houses had become "hybrid," and had greatly expanded their interests. Rather than simply sticking to the export of one commodity, they shipped multiple commodities and acted as insurance and shipping agents.⁷⁷ They also tended to have what historian Geoffrey Jones refers to as a "host region," where they operated and became accustomed to the customs, cultures, and markets. Gibbs, for example, was mostly located in Peru, but by the end of the century their major host region became Chile.⁷⁸ Similarly, Balfour Williamson's host region was also in Chile, as well as the United States.⁷⁹

Gibbs was typical to other foreign mercantile houses in that the government was dependent on them for several reasons, one of them being their economic expertise. Gibbs had a good reputation for business in Europe, and had been in the import and

⁷⁶ Ibid., 28.

⁷⁷ Ibid., 43.

⁷⁸ They were also active in Australia, especially towards the end of their participation in the guano trade and afterwards.

⁷⁹ Ibid., 54-55.

export business for several years. They almost never got involved with politics of the countries they were active in, although there was an instance in Mexico where alien traders were very involved in politics. Gibbs was also disinterested in identifying with the countries in which they operated, like many other merchants. Some, for example the Edwards in Chile, lived in the countries in which they conducted businesses and married into South American families, but many, including Gibbs, preferred not to. They sent representatives to conduct business and set up branches of their firms in South America, but never lived there. It was all simply business.⁸⁰ They also hired clerks, managers, and other assistants from their native countries rather than hiring locals in their businesses.⁸¹ They were more concerned with the economic matters of their home countries rather than in Latin America. Almost every foreign-owned merchant firm was a branch of a parent firm, with headquarters located somewhere in Europe, as was the case with Gibbs whose parent branch was in London. Additionally, Gibbs was typical in that merchants usually had their sources, money, capital, and contacts located in Europe rather than in South America. They were atypical in that they had a much closer relationship to the Peruvian government because they were the owners of the commodity being shipped, as we shall later see.

Before the Age of Guano in Peru

⁸⁰ Ridings, 3-5.

⁸¹ Ibid., 10-11.

At the dawn of the guano age, Peru was still relatively new and Peruvian commerce was in a very poor, slow condition. Economic activity revolved around a very small percentage of Peruvians, which constituted the tiny, wealthy elite. The government was “impoverished, as well as illiberal.” They did not have the funds to develop the economy, and they lacked the expertise and proper leadership to manage it differently.⁸² In addition to a need for capital, there was also the need for entrepreneurship. It was a “scarce and socially repressed quality” in South America, and especially in Peru.⁸³ Furthermore, knowledge of overseas markets was scarce, and there were no banks in existence. There was no capital market “through which savings could be mobilized for use in the most profitable undertakings.”⁸⁴ It is undeniable that Peru needed the foreign merchants for the guano trade.

Independence was costly for the South American nations, Peru included. Like many other South American nations after Independence, Peru incurred a massive debt almost immediately. They borrowed tremendous amounts of money from overseas. The bonds were issued through mercantile houses, and carried interest. Almost all the countries, including Peru, defaulted on their loans in the first decade after their independence.⁸⁵ In 1837, the Treaty of Amity, Commerce, and Navigation Between His Late Majesty and the Peru-Bolivian Confederation was signed between Peru and Britain

⁸² Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 16.

⁸³ Levin, 47.

⁸⁴ *Ibid.*, 34-38.

⁸⁵ Peru defaulted on its loan in 1825.

in June, which allowed for the opening of the international guano trade and the involvement of the foreign merchants. Article II of this treaty guaranteed that the subjects of both countries were legally allowed to “come with their ships and cargoes to all ports in either country...restrictive duties would not be placed on importers by either side...All merchants...shall have the liberty to manage their own affairs themselves, or to commit them to the management of whomsoever they please.”⁸⁶

By the 1840's, right before guano began being exploited on a large scale, the greatest part of Peruvian foreign business was in the hands of foreigners with their headquarters predominantly in Lima. They were mostly British, but there was a sizeable number of French firms present, as well. On a much smaller scale, a few German, Italian, and North American houses could be found.⁸⁷ Peru was virtually bankrupt by the start of the guano trade. The country was unable to pay back foreign creditors. Their financial difficulties were greatly aggravated by the costly warfare that various military regimes frequently engaged in with neighboring countries. Between 1828 and 1841, Peru fought a series of battles with Colombia, Chile, Argentina, and Bolivia. The country was spending large amounts of money it really did not have on wars. With their mineral production in a steady decline and no proper banking system in the country, Peru was financially dependent on foreign merchants and bankers.⁸⁸ The country's economy soon changed

⁸⁶ Hollett, 96.

⁸⁷ Levin, 43.

⁸⁸ Hollett, 76.

when a Peruvian businessman approached the government about the international sale of guano.

CHAPTER 2: THE BEGINNING OF THE TRADE:

A Brief History of Guano, the Start of the Guano Trade, Gibbs Enters the Trade, and the Threat of African Competition

A Brief History of Guano

Today, native English speakers know what guano is because the term was made famous by Jim Carrey's popular portrayal as the quirky pet detective in the 1995 film *Ace Ventura: When Nature Calls*. The term was used in the movie to refer to bat droppings, but it was originally a name for the excrement of seabirds. The word 'guano' is derived from the Quechua word 'wanu,' a "malodorous commodity" which the ancients held in high regard.⁸⁹

Peruvian guano was at one point considered the most valuable fertilizer in the entire world, and for good reason: it was the most valuable in nutrients for plant growth. The reason why Peruvian guano has always been better than guano from anywhere else in the world is because of Peru's unique environment on the West Coast. There is almost no rainfall. In fact, according to the *Geology and Origin of the Chilean Nitrate Deposits*, the annual rainfall on the West Coast could be as infrequent as less than a millimeter of rain ever five to twenty years, which means the nutrients never get washed away and literally bake in the sun so its most valuable components are "imprisoned for an indefinite period

⁸⁹ Cushman, XIII, 3.

of time.”⁹⁰ About ninety miles from Lima lay a cluster of islands called the Chincha Islands, and these islands once had the greatest concentration of guano in the entire world. The Chincha Islands are made up of three islands, sometimes referred to as the North, Middle, and South Islands. The North Island was by far the biggest.⁹¹ These islands were not the only guano islands off the coast of Peru, but they were the biggest and had the most guano.

The environment contained immense populations of the birds’ favorite foods, like plankton, anchovies, and herring.⁹² These guano-producing birds, “innocent agents” in what would soon become a global trade, were mostly one species of pelican, two types of gannets, and the White-Breasted cormorant that was nicknamed the ‘guanay.’⁹³ These birds were “strictly creatures of the Humboldt Current” off the coast of Peru. With so much food around and their nests so close together on the islands, a lot of guano was deposited in just a short amount of time.⁹⁴ Considering that the guano was hardly touched after the time of the Inca, there was a lot of wealth in the form of bird droppings off the coast of Peru. By 1870, the birds off the Peruvian coast were hailed as “the most valuable birds in the world.”⁹⁵

⁹⁰ George E. Ericksen, *Geology and Origin of the Chilean Nitrate Deposits*, *Geological Survey Professional Paper 1188*, (Washington, D.C.: United States Government Printing Office, 1981), 8. The nitrate deposits belonged to Peru during the time of the guano trade.

⁹¹ Hollett, 24, 76.

⁹² Levin, 28.

⁹³ Murphy, 45, 65. ‘Guanay’ comes from the Quechua word for ‘producer of guano.’

⁹⁴ Duffield, 91.

⁹⁵ Cushman, 169. Murphy, 73.

Animal manure may not be a topic to bring up in “polite conversation,” but it has long been tremendously important as a fertilizer since the time of Paleolithic planters as early as 10,000 B.C.⁹⁶ Along with excrement, other popular fertilizers included bones, humus, chalk, and wood ash.⁹⁷ Bones, for example, were a very common type of fertilizer before the widespread use of guano. They were found to be rich in phosphates, but low in nitrogen. Like other fertilizers, bones were slower-acting and less soluble. They could only be applied to a small number of crops. The Inca used guano as a fertilizer, although physical evidence suggests the Inca were not the first people to use guano from the islands off the coast of Peru because of surviving relics found on and around the islands. Archaeologists believe the earliest human exploitation of guano deposits off the coast may have occurred during the time of the Mochica people between the first and fifth centuries A.D. It is difficult to tell if all groups of people who lived between the Mochica and Inca used guano and to what extent, but surviving accounts from the Inca indicate they were well aware of the properties of guano. They used it extensively as a fertilizer, and valued it immensely for the prosperity it brought to them.⁹⁸

The Inca were so conservative with their guano that it was punishable by death for a person to journey to the guano islands during mating season or to disturb the birds in

⁹⁶ Cushman, 8.

⁹⁷ Skaggs, 1.

⁹⁸ Levin, 29. W.M. Mathew, ‘Peru and the British Guano Market, 1840-1870,’ *The Economic History Review*, Vol. 23, No. 1 PP. 112-128, (Economic History Society, 1970), 112.

any way.⁹⁹ They also built warehouses to store the guano in case of shortage, and developed a system where certain parts of the islands were allocated to province. Each province would be given a certain amount of guano that they would distribute amongst all the farmers in the province. After the arrival of the conquistadores under Francisco Pizarro in the 1530's, agriculture quickly went into a decline as the Spanish focus revolved around gold and silver exports.¹⁰⁰ After the Inca, guano was used much less. Although Peruvian farmers sometimes used it, for the most part the guano deposits simply sat there, getting higher and higher as more droppings accumulated until the start of the international guano trade in the early 1840's.

Guano was first introduced into European farming when a German scientist named Baron Friedrich Henrich Alexander von Humboldt traveled to Peru. He witnessed a few Peruvian farmers using guano on their lands, and thought maybe this was the secret to the plentiful, beautiful landscapes he had read about from the time of the Inca. He sent some samples back to France in 1803.¹⁰¹ No conclusive evidence was ever presented about guano as a fertilizer, partly because there was still a lack of a drive to study guano in connection with agriculture, but other scientists followed Humboldt's lead.¹⁰² In 1804, a Swiss scientist, Nicholas Theodore de Saussure, argued plants simultaneously took carbon, oxygen, and nitrogen from the air, and minerals like calcium, phosphorus,

⁹⁹ C.L. Bartlett, Agent of the Peruvian Government, *Guano: A Treatise on the History, Economy as a Manure, and Modes of Applying Peruvian Guano in the culture of the Various Crops of the farm and the Garden*, (Boston: Steam Press of C.C.P. Moody, 1860), 4.

¹⁰⁰ Hollett, 73, 80.

¹⁰¹ Cushman, 26. Other sources, including Levin, date back to 1802.

¹⁰² Hollett, 82.

magnesium, and potassium from the soil. He published his findings, arguing plants needed all these elements to grow. The amount of any given element to plant life was not the important consideration, but rather “that a trace of one substance might be sufficient while larger quantities of other substances were needed.”¹⁰³ This publication was well received but not yet appreciated. The prevailing theory at the time argued instead that the fertility of plants came almost entirely from organic matter in the soil.¹⁰⁴ Research done after de Saussure’s time later showed the importance of his experiments, and his argument became relevant again as scientists strove to “reconcile conflicting views.”¹⁰⁵

The chemical composition of guano was tested to understand why it was such a better fertilizer compared to other methods of fertilization. Not only was guano soluble and fast-acting, but it was found to have higher concentrations of nitrogen and phosphate. Nitrogen, especially, is an important building block in chlorophyll, “which creates nearly all of the biological energy that derives life on earth.”¹⁰⁶ In 1813, an English professor named Sir Humphry Davy published a series of lectures titled *Elements of Agricultural Chemistry* in which he praised guano. He noted it was high in nitrogen and phosphorus, two of the three essential plant foods, and from its composition he found it “to be a very powerful manure.” Nitrogenous manures, like guano, were an answer to a farmer’s prayers, Davy proclaimed, because “the manures from animal substances, in general,

¹⁰³ Helen Hart, ‘Nicolas Théodore de Saussure,’ *Plant Physiology, Vol. 5, No. 3, PP. 425-429*, (American Society of Plant Biologists, 1930), 427.

¹⁰⁴ Skaggs, 2.

¹⁰⁵ Foster, Clark, and York, 353.

¹⁰⁶ Cushman, 10.

require no chemical preparation to fit them for the soil.” It was easy to apply, and quickly “produced a powerful but transient effect on grass.”¹⁰⁷

Right at the brink of the beginning of the international guano trade, guano was being praised in Europe. It was “more soluble, enabling it to push young plants ahead rapidly in the early, often crucial stages of their growth. It also performed effectively on heavy as well as light soils.”¹⁰⁸In 1841, a professor of chemistry at Durham named James Johnston agreed with other scientists that “the greater part of the ingredients which are necessary to the growth of every variety of crop” could be found in guano, and the introduction of it into crops would “prove a great national service.”¹⁰⁹In the same year Dr. Johnston concluded guano was without a doubt the strongest and most valuable fertilizer to be introduced to European crops, *The Liverpool Times* gave a significant amount of coverage to guano and its positive effects on plant life, proclaiming guano “was likely to become a considerable article of commerce...and is said to be the most powerful and concentrated of all manures.” Furthermore, “it produces very fine crops of turnips and grasses, and is particularly suited for the light land on which these crops are usually reared.” The French Board of Agriculture and Science also reported favorably on Peruvian guano, emphasizing its heavy yields and how quickly the plants grew, allowing farmers to take it to market as soon as possible and obtain the highest possible prices for

¹⁰⁷ Sir Humphrey Davy, *Elements of Agricultural Chemistry: In a Course of Lectures for the Board of Agriculture Delivered Between 1802 and 1812*, (London: 1839), Clemson Special Collections Library, 194, 196, 202.

¹⁰⁸ Mathew, ‘Peru and the British Guano Market, 1840-1870, 112.

¹⁰⁹ Ibid., 113. James Johnston, ‘On Guano,’ *Journal of the Royal Agricultural Society of England*, Vol. 11, (October, 1841), 319.

it.¹¹⁰ Right as the first contracts were taking place to arrange for the international trade of Peruvian guano, it was gathering fame as the greatest fertilizer in the world.

Guano Happens: The Start of the Guano Trade

The guano trade began in 1840 when a respected and prominent Peruvian national and entrepreneur named Don Francisco Quiroz approached the government of Peru about the exclusive privilege to export guano from the Chincha Islands.¹¹¹ Quiroz was president of the Lima Chamber of Commerce in 1840, and was one of the country's few native entrepreneurs. He was more familiar than most native businessmen with the European methods of finance and commerce. While he could successfully provide a degree of "entrepreneurial impetus," it was certainly not enough to launch the industry or even supply the basic personnel. Therefore, he had to join forces with those who could.¹¹² Along with Quiroz were Carlos Barroilhet, a man of "obscure origin," a French-Peruvian named Aquiles Allier, the French firm of Dutez and Company, and the Liverpool house of William Myers and Company.¹¹³ Barroilhet can be credited with bringing everyone together. He had faith in the selling power of guano from the beginning, and believed it could be "transformed into the purest gold."¹¹⁴ He did not have

¹¹⁰ Hollett, 99.

¹¹¹ His name sometimes appears spelled as Quiros.

¹¹² Levin, 49.

¹¹³ Hollett, 87. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 22.

¹¹⁴ *Ibid.*, 24.

the money to invest in it, nor did he have the selling contacts to profit off the sale of guano so he turned to an English merchant who lived in Chile named Horace Bland.

Bland was an associate of William Myers, the owner and main figure in the Liverpool firm of William Myers and Company. Along with Barroilhet and the French-Peruvian Allier, Bland began discussing with Myers the potential of selling guano in Britain. Samples of Peruvian guano were passed on to Myers, who was a farmer as well as a businessman. He, along with others, used the samples of Peruvian guano, and the results were very encouraging. Guano was “more powerful than barnyard manure,” and Myers offered his management skills and financial support to Allier and Barroilhet.¹¹⁵ Myers was optimistic about the potential profitability of guano in Britain, and confidently guessed he could sell it for £24 per ton. He ended up selling it for £18 a ton, roughly the equivalent of \$90.00. Once the intermediate expenses were accounted for, like insurance, storage, loading, and freight, Myers and the other contractors were left with a very “handsome profit of £12 per ton.”¹¹⁶

From the beginning, the trade was almost entirely in the hands of foreigners, but on paper it was in the hands of a Peruvian. If local businessmen knew that foreign merchants had been granted concession for the export of guano from the deposits, it would have aroused too much public hostility for the trade to continue.¹¹⁷ Therefore, Quiroz served as the “respectable Peruvian frontman” who was crucial to the trade since

¹¹⁵ Ibid., 24-25.

¹¹⁶ Skaggs, 6. The intermediate expenses totaled roughly £6.

¹¹⁷ Hollett, 88.

the arrangements with the government were made primarily in his name even though other merchants participated with him. The first contract was signed on November 10, 1840. In this contract, the merchants could sell guano from any of the islands in any market for a period of 6 years. There were no limits as to how much guano had to be exported. The merchants were required to pay 40,000 pesos at once and another 10,000 at the end of the first and second years. Of the immediate 40,000 pesos, only, 1,500 were paid in cash and the rest was in debt certificates.¹¹⁸ Guano sold on a very wide range in the first year of the trade, anywhere between £18 and £24 per ton. Most importantly, the government only received 5% after costs.¹¹⁹ The conditions of the first contract clearly favored the merchants. Considering how much in commission the merchants made off selling guano in any markets they wanted after paying only 40,000 pesos immediately, the merchants clearly dominated the contract. This indicates the government was almost completely oblivious to the potential profitability of guano in Europe. However, they were also not informed about Myers' experiments and the positive reception of guano by European farmers, so they probably had no reason to believe it was on the brink of becoming the most sought-after fertilizer in all of Europe.¹²⁰

Although the contract was signed in November of 1840, the first commercial consignment of guano did not go to Europe until March of 1841, when the vessel

¹¹⁸ Levin, 51.

¹¹⁹ Hollett, 88-89.

¹²⁰ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 26-27.

Bonanza landed in England. The smell reportedly sent people “running to the hills.”¹²¹ Guano was still not yet on the radar as a fertilizer, but the guano from the first shipment sold remarkably well. The response in Britain was favorable, and proved that a large, willing market existed that the Peruvian government did not know was there until November of 1841, a full year after the signing of the first contract, when a British ship docked in Callao. The ship, *Dyron*, brought word that guano was selling at the high price of £24 to £28 per ton overseas. The contract with the merchants was immediately annulled. Belford Wilson, the British chargé d’affaires, wrote to Lord Palmerston in December, after the annulment, to say that the government was unaware of guano’s value, and the contract had been annulled so that Peru could get the maximum possible sales from guano.¹²²

The second contract, then, made sure that the government got more in return for guano. Coincidentally, on the day of the signing of the second contract in 1841, Peru declared war on Bolivia. Belford Wilson wrote the government had obviously seen the advantage of scrapping the first contract and writing the second contract with the knowledge of how well guano sold in Europe “to fund a war against a neighboring Republic.” Upon the cancellation of the first contract, new bids were called for, but only one was received. It was a bid from the same members, now the party of Quiros Allier & Company. Gibbs had been approached about partaking in the trade by a Chilean merchant in Lima named Pedro de Candamo, who was consulted by the government about finding

¹²¹ Frederick B. Pike, *The Modern History of Peru*, (New York: Frederick A. Praeger Inc., Publishers, 1967), 97.

¹²² Levin, 52-53.

parties who could offer more money. Gibbs, however, said no, since they were not confident enough in how well guano could sell.¹²³

In the second contract, the same parties agreed to advance the government 287,000 pesos, roughly equivalent to £57,000, within 5 months against future profits. Furthermore, the government received about two-thirds of the total proceeds from the sales, an improvement on Peru's part and a clear indication of their quickly growing dominance in the trade.¹²⁴ An advance loan this large could not have been made without foreign merchants, who had to provide the funds. This contract lasted very briefly, and was quickly annulled in favor of a third contract that would earn the government even more revenue and give them more power in the negotiations. The guano reserves were nationalized shortly after the signing of the second contract, officially making the guano the property of the Peruvian government.¹²⁵

Gibbs Enters the Guano Trade

The third contract was signed in February of 1842, and this time, Gibbs was now party to it. The contract was between the government of Peru, the Lima branch of Gibbs Crawley & Co., the Lima branch of a French company Puymérol Poumarroux & Co., Myers & Co., and Quiros Allier & Co. They were allowed to export anywhere for 5

¹²³ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 30-32.

¹²⁴ Levin, 53.

¹²⁵ Skaggs, 7. Platt, 345-357.

years, but had to give the government 200,000 pesos within 3 months of the contract being signed. A minimum of 120,000 tons of guano had to be disposed of by the end of their 5-year period. Day-to-day entrepreneurial functions were left up to them, as well. The terms of the third contract differed very much from the first contract in that the government was now the strong party. They now dictated the terms and conditions of the contracts, and were clearly taking in bigger loans from the contractors. Furthermore, if the merchants did not agree to the contract's terms, the government could simply annul it and start over. This clearly shows the extent of their authority.¹²⁶

The Peruvian government operated under consignment just like many other nations. This was common in South America, and in international trade. Consignment contracts were awarded to exclusive country sales agents. The contractors paid large cash advances to the government, and arranged for the intermediate processes to take place, like loading, storage, and final sales. In return, they took a commission for intermediate costs and from the total sales proceeds. The foreign guano contractors, like many other commission agents, made their profits on a commission basis, which meant they received the guano and paid the government the proceeds due after deducting their costs and commissions. Consignment, used previously by the Spanish, was normal in international trading. The two characteristics of the guano trade that made it stand out from other trades in the nineteenth century was that Peru took their consignment one step further by introducing the monopoly-contract system, and the government owned the guano. This

¹²⁶ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 37-38.

was not common in South America during the time, and because of this the contractors were frequently in contact with the government.¹²⁷

The granting of monopolies was also consistent with Peruvian tradition, and monopolies were granted liberally. It was a business method left over from Spanish rule. The Spanish used monopolies because they were a reliable source of income. Monopolies were considered perfectly normal, but there was a widespread South American reluctance to grant them to foreigners, which is why Don Francisco Quiroz was an important figure at the start of the guano trade.¹²⁸ Peru's usage of the monopoly-contract system meant that exclusive selling rights were awarded to contractors in certain markets, so the government could charge the highest possible price in each market since they did not have to worry about losing sales to cheaper competition. The monopoly-contract system of export was also used by the government to shape the contracts so that "its interests were guarded and advanced above all others."¹²⁹

Given the decline of the company to interact with the guano trade before the signing of the second contract, and the overall reluctance of entering the trade with Peru, it seems odd that the London house did not do more to deter the Lima branch from getting into the trade. Yet the distance between the two meant Lima was relatively independent of the London concern, and London probably failed to see the situation the

¹²⁷ Levin, 56-64.

¹²⁸ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 45.

¹²⁹ *Ibid.*, 47-48. However, at the end of the guano trade, the high prices forced people to find substitutes and alternative sources at a lower price. Until these artificial substitutes were in high demand, however, the government enjoyed the advantages of the monopoly-contract system

same way Lima did. Lima was eager to enter the trade, and London probably did not see this. On matters of “long-term policy,” the distance was not much of an issue for Lima and London, but the guano correspondences required fast responses and negotiations to be confirmed or denied in days, so there was not really a chance for consultation with London anyways.¹³⁰

The Lima branch of Gibbs’ decision to enter the trade in Peru at a time when guano was overall unknown in Europe was received by London with uncertainty. William Gibbs considered entrance into the trade an act “of insanity,” and the manager expressed regrets about their entrance into the trade not long after the contract was concluded, saying he worried about the consequences of their decision.¹³¹ These concerns were completely justified. Guano was a newer fertilizer, untested by some farmers. It was not yet popular enough. Regardless of all the praise chemists, journalists, and agriculturalists published about it, farmers were only just learning how best to apply it and how it compared with other fertilizers. Furthermore, Gibbs was very cautious. They operated through “safer forms of mercantile enterprise,” and did not take unnecessary risks. They had certainly invested a lot in guano by sending very heavy amounts of money to a country with a bad history of paying back debts on a commodity that was still new.¹³²

¹³⁰ Ibid., 123.

¹³¹ Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons, 1744-1953*, Reel 8 Letter WG to GHG 1842.

¹³² Maude, 27.

Almost from the beginning, the two English consignees, Myers and Gibbs, argued over prices. It was not until the 1850's that the government took a more deliberate role in dictating prices. However, during the 1840's, price changes had to be approved by the Peruvian government, which still indicates the level of control the government had. Myers was always aiming for higher prices while Gibbs preferred more moderate prices. Gibbs argued that prices that were too high did not promote the growth of the market, and therefore aimed for lower prices than Gibbs. The House of Gibbs believed it was better to sell more guano at a more realistic price, even if the profit in the end was smaller. Myers, on the other hand, was more of a gambling man while Gibbs preferred patience and necessary sacrifices. In 1842, the price of guano was initially wide, ranging from £10 to £20 per ton, but by 1843 Gibbs and Myers agreed on a fixed minimum of £12. In January, they again reached an agreement of £10 per ton, at Gibbs' request. While Myers complained of the need to go higher, Gibbs argued for "steady, large and increasing annual sales."¹³³ William Gibbs wrote in 1842 that "To spread want throughout the country, we must spread the manure even at a slight sacrifice; and to do this we must in a manner force dealers and consumers to buy."¹³⁴ Their agreement for £10 per ton lasted until 1846, when it was lowered to £8 to £9, and then brought back up the following year to £10.¹³⁵

¹³³ Platt, 355-357.

¹³⁴ Ibid., 355-357. Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons, 1744-1953*, Reel 8, letter WG to GHG.

¹³⁵ Platt, 358.

In the beginning, the government did not have much power over the contractors. The conditions of the very first contract favored the merchants, but only a few years later it was clear the government was in total control. The merchants were at their mercy. For example, the contractors were forced to ask the government for an extension of 3 years to export the specified amount of guano. This was granted to them by the government, who had the power to cancel their contract at any time.

By 1843, sales had drastically increased since the beginning of the trade, and William Gibbs happily recorded that guano was now the favorite manure in Europe. In order to boost sales, however, the contractors had to promote Peruvian guano overseas to increase interest and sales. Gibbs and Myers both published advertisements in pamphlets, newspapers, and journals.¹³⁶ As much friction that existed between Myers and Gibbs, they published together *Peruvian and Bolivian Guano: Its Nature, Properties, and Results* in 1844. This publication contained different testimonies of people who used guano and received positive results. For example, Thomas Newman wrote: “The guano which I received from you last spring I used on various fields, and the result, I am happy to say, has been perfectly satisfactory.” The publication also warned that the public “should not be led to believe...that all kinds are alike.” They wrote about inferior guano that could be found on the market, and praised Peruvian guano for its price, portability,

¹³⁶ They also published extensively in the *Gardiner's Chronicler and New Horticulturalist*, Volume 7 in 1847 about the properties of Peruvian guano.

and versatility that “adapted more or less to every quality of land, and to almost every vegetable production.”¹³⁷

The Threat of African Competition

As much influence as Gibbs wielded in the trade, they, like all the other export houses, were not immune to competition in the world market. In 1843, shortly after the arrival of Gibbs in the guano trade, the contractors were faced with an alarming source of competition.¹³⁸ Gibbs’ business rival, Andrew Livingstone of Liverpool, dropped several shiploads of guano onto the British market from an island called Ichaboe off the coast of Africa. Ichaboe, a tiny rock, was covered in at least 25 feet of guano, an estimate of about 200,000 tons.¹³⁹ African guano, which mostly came from the two islands of Possession and Ichaboe, was certainly less valuable than Peru’s because of the climate. The rainfall the African islands received lowered the quantity of nitrogen. Even though Peruvian guano was the far more valuable guano, the guano from Africa was cheaper, and it “threw into disarray the price calculations” of the contractors in Peru.¹⁴⁰ It sold at the average price of £7 per ton, sometimes as low as £5 per ton, while Peruvian guano was

¹³⁷ Antony Gibbs & Sons including Myers’ Contributions, *Peruvian and Bolivian Guano: Its Nature, Properties, and Results: with an Account of Authentic Experiments Made with it in Great Britain, France, and America: Together with instructions for Using it*, (London: S. Sands, 1844), 4-5, 7-8.

¹³⁸ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 55-57.

¹³⁹ Skaggs, 8.

¹⁴⁰ Hollett, 112, 142.

around £10 per ton.¹⁴¹ Gibbs was adamant about holding the price of Peruvian guano in the midst of African competition. William Gibbs was headstrong that they must be “firm as rock” and hold the price at £10. He did not want to go lower for fear that after the threat of African guano ended, the contractors would have a difficult time pulling the price back up to a more suitable number.¹⁴² The Lima manager agreed, and reported to London that a moderate price had to be maintained throughout. They had to be steadfast to get the point through to the government and their fellow contractors that they would not lower the price. By 1844, “African mania” was spreading, much to the concern of Gibbs. In August of that year, over 200 ships were seen waiting to load guano at the African island of Ichaboe. By December, there were more than 400 ships in the congested island waters. However, it was shortly after this time that reports began circulating around business circles concerning the impending exhaustion of the African guano.

African guano was a short-lived “formidable” threat to Peruvian guano.¹⁴³ The peak of African guano came in 1845, when British imports reached 254,527 tons. By the end of that year, however, the islands were “more or less cleared.” The other, smaller African islands, although commercially insignificant, were quickly used up. By the end of 1845, the African trade was essentially over. However brief the competitive period may have been, it severely checked “sales of Peruvian for a year or two.” In the long-run, the position of Peruvian fertilizer, the more potent of the two, was “undoubtedly

¹⁴¹ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 61-64.

¹⁴² *Ibid.*, 64-66. Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons 1744-1953*, Reel 8 letter to HG.

¹⁴³ *Ibid.*, 1846 letter WG.

strengthened.” Purchasers turned back to Peru’s guano once the African supply was no longer available, and although they preferred African guano’s low prices, farmers were overall much happier with the quality of the plants that Peruvian guano grew.¹⁴⁴

The End of the Decade

By 1847, Myers decided he was leaving the trade when the contract expired. He had been considering leaving for some time, but the constant bickering with Gibbs over guano prices and the fear of ruin from African competition confirmed his decision.¹⁴⁵ Unlike Gibbs, Myers constantly wanted to go lower on prices while Gibbs rejected lowering prices. They saw it as a scheme to get richer faster that ultimately proved disastrous in the end. At times over the years, Gibbs became exhausted with the business, too. The Lima manager reportedly complained about the entire guano market, and in 1845 Gibbs angrily wrote that they wanted to be free from the “risky business.”¹⁴⁶ Regardless of their occasional grievances during the first decade of the guano trade, by the end of the 1840’s they were more positive about the future of their business, as the market looked more secure and they would have the business mainly to themselves.

In December of 1847, Gibbs secured a contract in which they were the sole British importers. They were required to export 100,000 tons of guano between June of

¹⁴⁴ Mathew, ‘Peru and the British Guano Markets, 1840-1870,’ 134.

¹⁴⁵ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 77-78.

¹⁴⁶ Ibid., 77-78 Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons 1744-1953*, Reel 9 1846 letter.

1848 and December of 1849. With Myers no longer part of the contract, Quiroz Allier & Company left the trade at the end of 1847. The men who started the trade were now no longer a part of it. The Peruvian government had confidence in the House of Gibbs, and they had proven themselves to be satisfactory businessmen who could be counted on for their sizeable loans to Peru. Their price policies were realistic, and they successfully had proven their case for a steady, fixed price. The House did not waver in these policies, and actively sought to maintain a firm price policy because buyers had come to expect consistency in price. If they suddenly altered the price, either too high or too low, it was bound to lead to confusion, anger those who submitted payment before the change in price, and “compromise their good will. If the price was to be fixed, though, it had to be set at a moderate and competitive level.”¹⁴⁷ Yet it is still worth noting that although they had a significant amount of sway in setting prices, their prices were always approved by the Peruvian government. Their managers had done very well advertising guano overseas, and they were now experienced in the trade. They had an extensive contact list that included shippers and dealers.

As the 1840's ended, Peruvian guano reigned superior throughout the world as the most valuable fertilizer. There was almost no competition. After Peru, the most important sources for guano were found in Chile, West Africa, and Patagonia, from which Britain imported 4,311 tons, 2,345 tons, and 1,945 tons, respectively, in 1849.¹⁴⁸ That same year, British imports from Peru totaled over 73,000 tons. Gibbs, now alone in the trade, were

¹⁴⁷ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 82-84, 86-91.

¹⁴⁸ Levin, 87.

looking forward to the upcoming decade, and had overall had a very successful decade in Peru.

CHAPTER 3: THE HEIGHT OF THE GUANO TRADE:

Gibbs in the Guano Trade During the 1850's, Guano Labor, Accusations Against Gibbs, and the Relationship Between Gibbs and The Peruvian Government

Gibbs and Guano in the 1850's

In December of 1847, Gibbs was almost alone in the Peruvian guano trade. They alone controlled the British markets. They had every market in Europe except France since it was in the hands of Michel Montané et Compagne in Paris.¹⁴⁹ In 1853, they received a 6-year extension on their 1850 contract, which ended in 1861. This 1850 contract excluded Gibbs from France, the United States, and the Spanish market. They gained the West Indies and Australia in 1854. In 1858, after Peru became annoyed with how the French consignees handled business, Gibbs received France and French colonial markets around the same time they received the Spanish markets.¹⁵⁰ By the end of the decade, the only important areas out of their control were the United States, the Caribbean Asia, and Central America. These markets were all mostly controlled by Peruvian contractors. Gibbs was happy to have these markets, but they did not ask for them. Rather, the Peruvian government gave it to them. The initiative came from the government rather than the merchants, an indication of the level of control the government executed over the merchants. They had developed their reputation for

¹⁴⁹ Skaggs, 7.

¹⁵⁰ Platt, 352. They received the Spanish market although there was never officially a written contract for it.

moderate prices, which had been a problem for them when they were in the trade with fellow Englishman Myers. Gibbs was never willing to jeopardize its reputation for temporary gain, and were adamant about maintaining their price policies. As the 1850's progressed, the government became more involved with the pricing of guano. Rather than simply approving it, they began arguing for a higher price since they were the owners of a "wasting resource." They wanted to get as much as they possibly could before their sources were depleted.¹⁵¹

In 1853, Britain had become extremely concerned about the supply of guano left at the Chincha Islands. Admiral Fairfax Moresby was sent to dispel rumors about the dwindling supply of guano and get the truth about how much more could be taken. He estimated that the guano would last 8 or 9 more years.¹⁵² He observed how many ships took how much guano in a certain amount of time, and calculated that about 8,600,000 tons of guano remained at the three Chincha Islands. Three weeks after his report was published, an agricultural expert from Britain named James Caird challenged Moresby's findings. He claims these estimations were conducted too quickly to meet a publication deadline, and they were supposed to be "paper friendly to the guano monopoly." He then claimed France had also sent representatives to try to estimate how much guano was left, and their numbers were much lower: 12,000,000 tons left on the islands. On top of this, the Peruvian government had made their own guesses, which was about 26,000,000 tons left. Caird ignored the Peruvian estimate, and instead took the average of the French and

¹⁵¹ Vizcarra, 51.

¹⁵² Hollett, 138.

English estimates to conclude that 10,300,000 tons of guano remained.¹⁵³ Caird believed the other, smaller islands in Peru that contained guano brought the total closer to 18,800,000 tons. While Moresby believed guano would not last more than a decade, Caird believed it would last several decades. This proved to be a gross overestimate, and Moresby's was an underestimate.

The 1850's was a prosperous, busy decade for Gibbs and the guano trade. During this decade, more than half the guano exports went to Britain. British farmers were quicker than American farmers to apply Peruvian guano to their fields, yet America was also a huge market for guano. A British officer reported in the middle of the decade that there were 100 ships flying 11 different flags in Peruvian waters, simultaneously loading guano. There were 44 American ships and 40 British ships representing the two countries which provided the biggest markets for Peruvian guano. The rest of the ships represented the countries of Peru, Armenia, Sweden, Russia, France, Norway, Italy, the Netherlands, and Belgium. Beyond these ships, more could be found out at sea, waiting their turn to load.¹⁵⁴ Other travelers witnessed similar events, where ships of various countries were sitting out in the ocean for weeks at a time, waiting to load.¹⁵⁵

During the 1850's, high prices were a worrying issue for consumers of guano, and these high prices were instigated by the Peruvian government. While most historians agree that the house of Gibbs was important to the guano trade, they sometimes disagree

¹⁵³ Ibid., 139-141.

¹⁵⁴ Foster, Clark, and York, 357.

¹⁵⁵ Duffield, 82.

on whose fault it really was that the trade collapsed. These high prices ultimately led to farmers looking for other alternatives, which was a cause for the decline in the trade. The government constantly wanted higher prices on guano to obtain the highest possible gains. One newspaper contained the complaint of an angry customer who, in 1857, bought 30 tons of guano each for £13 per ton. The season before, they had purchased the same amount for £11 per ton.¹⁵⁶ Yet despite these high prices, people continued to buy guano. Guano's reputation as one of the most powerful and economical manures on the market was due to the fact that "when properly applied, it has seldom or never failed to produce the most satisfactory crops, and if instances of failures have occurred, they may be traced directly, either to some other than Peruvian guano, or to a...lack of judgment in the application."¹⁵⁷ Farmers in Britain proved they wanted the guano, and would spend the necessary money to get it, even if they were going to complain a little. Despite prices being higher, the 1850's was still the best decade of the guano trade. Sales were at their highest, and both sales and prices reached their peak in 1856. In that year, Gibbs alone sold 211,647 tons of guano in Britain. By December of 1856, the price of guano per ton was £13. It stayed this high until the following summer.¹⁵⁸

Farmers got most annoyed over price rises when the merchants gave them a price and the farmers placed their orders "on the faith of this agreement." However, when the

¹⁵⁶ Hollett, 114.

¹⁵⁷ Bartlett, 3.

¹⁵⁸ 'Fenn's Compendium on the English and Foreign Funds, Debts, and Revenues of All Nations; Banks, Railroads, Mines, and the Principal Joint Stock Companies: Forming an Epitome of the Various Objects of Investment and Speculation,' *Volume 8*, (London: Effingham Wilson, Royal Exchange, 1863), 293. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 157.

merchants were told they would not have the guano at the time it was promised, and then the merchants told the farmers they could not deliver the guano promised, it greatly upset the farmers. The farmers liked to buy guano at certain times of the year depending on the crops. They complained that if this was “the true representation of the case, we must say that the conduct of the agents affords ground for serious complaint.” Although farmers were not entirely happy about paying so much for the guano, the real issue to them was that a promise had been made to them by the merchants that they now could not deliver on. If there had not been a promise made “of delivering it at a lower price, we have no reason to complain of an advance in it.”¹⁵⁹

People also complained about the delay due to the congested waters off the islands, where ships waited sometimes months to get guano. It could then take several days to load. Ships were anchored for so long that captains and their crew got so bored they frequently went fishing.¹⁶⁰ The trade was clogged “with obstructions from the first chartering of the ship to the final delivery of the cargo.” Problems with irregularities in supply were more frequent in the 1850’s, usually due to conditions loading at the islands. In the *Farmer’s Magazine*, farmers complained about the problems with supply. One of the most “respectable manure-dealers was, for the first time...directly refused. They could not even promise him any further supply. When people have gradually accustomed

¹⁵⁹ ‘Agricultural Summary for the Quarter,’ *The Journal of Agriculture, July 1855-March 1857*, (London: William Blackwood and Sons, 1857), 677.

¹⁶⁰ W.M. Mathew, ‘A Primitive Export Sector: Guano Production in Mid-Nineteenth-Century Peru,’ *Journal of Latin American Studies*, Vol. 9, No. 1, PP. 35-57, (Cambridge University Press, 1977), 49.

themselves to the matter-of-course use of anything, the unexpected want of it must be severely felt.”¹⁶¹

Guano Labor

Under the contract with the government, the export contractors were responsible for arranging the supply of labor and equipment to get guano off the islands. They then deducted the charges from the total proceeds. The contract stipulated that the equipment, brought in from the contractors, would become the government’s property after the contract ended. Like many foreign merchants during the nineteenth century, Gibbs were removed from the guano extraction process. They had very little involvement in the physical loading and digging of guano at the islands. In the early 1840’s, much of the loading process from the Chincha Islands was overseen by Barroilhet and the members of the French firm of Dutez. By the end of the decade, most of the production business had been handed over to subcontractors, first Cipriano Román then Domingo Elías and Andrés Alvarez Calderón.¹⁶² In 1849, the Peruvian government drew up separate contracts with loaders, and put Domingo Elías in charge. He was a wealthy owner of haciendas, a man whose wealth was “chiefly in land and slaves” on the mainland not far from the guano islands.¹⁶³ Elías held “high office, was once indeed in charge of the executive for a

¹⁶¹ ‘The Guano Crisis,’ *The Farmer’s Magazine*, 11th Volume, 3rd Series, (London: Rogerson and Tuxford, 1857), 266.

¹⁶² Levin, 86. Mathew, ‘A Primitive Export Sector: Guano Production in Mid-Nineteenth-Century Peru,’ 35-37.

¹⁶³ *Ibid.*, 37. George Washington Peck, *Melbourne and the Chincha Islands: With Sketches of Lima, and a Voyage Round the World*, (New York City: R. Craighead, 1854), 264.

few weeks...and is one of the leading men of Peru.”¹⁶⁴ He was also a driving force behind the immigration law that imported foreign colonists because of a problem of labor shortage.

Unlike most other commodities, guano required primitive technology, literally shovels and bags at first. No processing was required, and there were no large costs to transport it since it was already on an island where ships were just waiting offshore. Each worker was required to dig and wheel a certain amount of guano to the ships each day, usually about five tons per day.¹⁶⁵ It usually took about a month or more to load up only one ship with guano.¹⁶⁶ The guano was so hard and compacted that it sometimes had to be blasted apart with gunpowder, the sane and stones were separated, and then the guano went to the ships. A traveler to Peru wrote several decades after the peak of the guano age that “No hell has ever been conceived...that can be equaled to the fierceness of its heat, the horror of its stink, and the damnation of those compelled to labor there, to a deposit of Peruvian guano when being shoveled into ships.”¹⁶⁷

Those who did the physical labor of digging trenches and chiseling out guano all day long were almost never there by choice. At first, convicts and army deserters were recruited to work the islands until the introduction of the Chinese coolie system in 1849. Since slaves were tied up on plantations and the “city proletariat” and “indigenous

¹⁶⁴ Levin, 89.

¹⁶⁵ Peck, 208.

¹⁶⁶ Vizcarra, 367.

¹⁶⁷ Duffield, 94.

mountain groups” could not be expected to come running for much work, convicts and those who deserted the arm were forced to carry out most of the work.¹⁶⁸ Between 1849 and 1875, as many as 90,000 coolies were brought in from China to work, but almost 10,000 died en route. Most never returned home. Though the coolies were not legally slaves and freely entered into the arrangements, they were more like indentured servants. Whatever their contracts stated, they were in effect “absolutely slaves...without any title, or rights, or conceded customs-mere over-worked beasts of burden.”¹⁶⁹ However, the arrangements into which they entered were more often than not deceitful, and many left for Peru in a state of total ignorance about what kind of work they would be doing or where they would end up. They were brought to the country under false pretenses, under what they are told are five-year contracts in which they would be working in gold mines.¹⁷⁰ Once they got to Peru they were split up, with most being sent to work on plantations or railroads. Others went to work on the guano islands alongside army deserters, convicts, some hired labor, and a handful of slaves.

The suicide rate of Chinese workers was high. Some threw themselves overboard before they reached South America. Many others threw themselves off cliffs, “smoked a little too much opium, or were shot, or all these causes were put together.”¹⁷¹ Anyone who tried to escape was executed. According to one bystander, one worker accidentally

¹⁶⁸ Levin, 35-37.

¹⁶⁹ Peck, 206.

¹⁷⁰ Levin, 86-88. Mathew, ‘A Primitive Export Sector: Guano Production in Mid-Nineteenth-Century Peru,’ 40-43. Peck, 206.

¹⁷¹ Duffield, 43.

broke a piece of equipment, and rather than face his horrible punishment, he jumped off the cliff. They lived in filthy sheds, were fed only 2 daily meals, and slept on grass mats for beds, “without a ray of hope that their condition will be ever bettered...the shadows of night provide him with nothing but dreams of the tormenting routine which awaits him to-morrow...he has not even the melancholy comfort that he will be decently buried when he dies.”¹⁷² They worked more than 20 hours a day normally, 6 days a week. Workers received 3 reales, 2 of these withheld for food.¹⁷³ American traveler, George W. Peck, wrote in 1854 that the system of labor maintained on the Chincha Islands seemed to him to be “a kind of human abattoir, a slaughter-house of men; and I feel a relief in being away from them, as one feels who has escaped out of some gloomy dream.”¹⁷⁴ When Gibbs was briefly put in charge, conditions got slightly better for the workers. A hospital was established in the first half of the decade with a British doctor in charge.¹⁷⁵

Accusations Against Gibbs

Despite the complaints that appeared about the entirety of the guano trade during the 1850's, none were louder than the complaints about Gibbs. During their years in the guano trade, the House of Gibbs was “handsomely abused, while they were consignees...by the Peruvian journalists and pamphleteers for selfishly selling too cheap,

¹⁷² Ibid., 45.

¹⁷³ A reale is equal to about a third of a peso. Skaggs, 159-160.

¹⁷⁴ Peck, 204.

¹⁷⁵ Mathew, ‘A Primitive Export Sector: Guano Production in Mid-Nineteenth-Century Peru,’ 44.

and at the same time by the English papers for selfishly selling too dear.”¹⁷⁶ In 1849, Sir Robert Peel wrote to the foreign secretary Lord Palmerston that the Gibbs monopoly on guano did not serve the interests of anyone except for Gibbs. He further advised the entire monopoly-consignment export system be abolished. A decade later, Luis Mesones agreed with him, citing the system as corrupt and “vicious.”¹⁷⁷

Carlos Barroilhet, one of the original contractors in the trade, was one of the more vocal critics of Gibbs in the 1850’s. In the late 1840’s, when he was officially out of the guano trade he had helped start, Barroilhet angrily began writing about the mismanagement of the trade. He argued that guano offered great opportunities than anyone in Peru had initially realized, and the country’s “natural monopoly of guano ought to be exploited to the full through a more ambitious pricing policy and the returns would be sufficient to ensure a speedy clearance of the foreign debt. The Gibbs house, however, was standing in the way.” He further argued their involvement had been a “complete disaster, a public calamity.” His criticisms were more emotionally charged, and it is possible he was trying to find his way back into the trade. He managed to argue his case with Congress, but it fell on unsympathetic ears. In fact, many congressmen defended Gibbs against Barroilhet’s accusations.¹⁷⁸

President Castilla was also very unsympathetic, but since Barroilhet included Castilla in his accusations, in September of 1857 the Convención Nacional held a debate

¹⁷⁶ Maude, 28.

¹⁷⁷ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 5.

¹⁷⁸ *Ibid.*, 199-203.

based on his charges. The resolution was to send commissioners to France, Britain, and the United States to see if guano had been sold at unnecessarily low prices, and to see if the contractors were operating according to the terms of their respective contracts. Manuel Basagoitia was sent to the House of Gibbs in London, a move which was apparently anticipated by Gibbs. They do not appear to have been bothered by his visit, and in 1858 the government published a resolution stating they had found “no charges of misconduct...sustained against Gibbs.” This did not slow the attacks on them, however. They were still accused of fraudulent behavior, mostly an extension of Barroilhet’s criticism that Gibbs purposely kept prices too low to receive higher commissions and that they received more than they deserved for the services they performed. These arguments came from other native Peruvian writers like Luis Mesones and José Ulloa, who believed Gibbs made too much money in commissions and had been cleared erroneously by Basagoitia.¹⁷⁹

A few historians believe Gibbs took advantage of the system to earn a higher profit. Jonathan Levin argues that Gibbs sold at excessively low prices, and argues in *The Export Economies: Their Pattern of Development in Historical Perspective (1960)* that Gibbs purposely kept intermediate costs like shipping and loading higher than necessary to earn more. They earned on a commission basis, and that commission came from the gross proceeds. Therefore, the higher the total proceeds, the higher their share. Levin further argues that while the government tried to set the highest possible prices per ton on guano, Gibbs tried to keep prices down, against because their commission came from

¹⁷⁹ Platt, 339-340.

gross sales. If the total sales “could be increased by lowering the price per ton...their interest lay in selling at a low price.” Therefore, if Levin’s argument is correct, then the higher intermediate costs and deliberate attempt to lower prices meant the government suffered losses while Gibbs earned more.¹⁸⁰

Research conducted by historians in the following decades, including W.M. Mathew, argue against this, citing these claims by Levin as “largely mythical.” Mathew says that, if anything, “the consignees can be more easily faulted for keeping prices too high than for effecting unnecessary reductions.”¹⁸¹ There was never a persistent fall in prices, as Levin argues. The price varied tremendously per ton in the first two years of the guano trade, fetching anywhere from £14 to £28 per ton until the government got more involved with prices. From 1843 to 1847, guano sold at £10 per ton. There was a brief period in 1846 when the contractors lowered it to £8 or £9 per ton at Myers’ request. It was brought back up in 1847 to £10 per ton.¹⁸² By now the government was actively dictating prices to the contractors. It sold anywhere from £9 to £10 per ton in the early 1850’s.¹⁸³ The price then slowly climbed from £10 to £11 to £12, and then in 1856 it was raised to £13 per ton.¹⁸⁴ The price was reduced to £12, where it stayed for the remainder

¹⁸⁰ Levin, 86-72.

¹⁸¹ Platt, 341. Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 71, 74.

¹⁸² ‘Fenn’s Compendium,’ 295.

¹⁸³ In some cities, like London, each ton of guano coast a little more than most other places.

¹⁸⁴ ‘Fenn’s Compendium,’ 293.

of Gibbs' involvement in the trade.¹⁸⁵ Therefore, there was never a fall in prices but rather prices were higher at the government's insistence.

Gibbs argued against excessive reductions, and instead chose to sell at a steady price.¹⁸⁶ They wanted price rises rather than reductions in the spring of both 1853 and 1854, 1858, and in the early 1860's before their departure from the trade.¹⁸⁷ Gibbs knew that a reduction in price did not promise demand. Buyers who noticed a reduction in price were often tempted to hold off on purchases, hoping that the price may be further reduced. The risk of angering people who bought guano before the effect of a price fall was also a reason not to tangle with prices.¹⁸⁸ Furthermore, the government wanted the highest possible prices per ton of guano, and Gibbs obviously wanted to please the government so they could stay in the trade. They would not jeopardize their position in guano by deliberately going lower when the government obviously wanted higher prices.¹⁸⁹

Many of the guano vessels sailing for Britain docked at London, but other popular ports included Leith, Aberdeen, Glasgow, Dublin, Plymouth, Liverpool, Hull, and Bristol. When guano vessels docked, the guano was weighed by Customs House officials and certificates were given to the consignees. These were sent back to the Lima

¹⁸⁵ Platt, 358.

¹⁸⁶ Henry Hucks Gibbs, *The Gibbs Archive: The Papers of Antony Gibbs & Sons, 1744-1953*, Reel 9, Letter from HG; also in letter from WG to HG, 1856.

¹⁸⁷ *Ibid.*, Reel 10, Letter from WG to HHG.

¹⁸⁸ Platt, 360.

¹⁸⁹ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 227-228.

administration along with details of the sales. Guano was then stored in a warehouse until it was further distributed.¹⁹⁰ The London house updated the Peruvian government usually every 15 days. Peru claimed the returns, of which half were set aside for British bondholders. From the gross proceeds, Gibbs took their cut for intermediate costs, and Peru got the remainder.¹⁹¹

Gibbs can be blamed for unevenly distributing the guano to raise profit. Most of the guano went to London, but was not used as much as it was in other places. Guano was popular in the north for example, and so there was another charge for transporting the guano from London to other houses where it was then sold, earning Gibbs a small extra profit that added up. They were also guilty of stock-piling guano in the last year of their contract when they decided they would probably not be getting another one.¹⁹² Not only did this complicate the transfer of control, but it gave Gibbs guano to continue to sell after their contract was over. They also charged excessively for bags for the guano, a charge they felt they were entitled to make.¹⁹³ They did earn a little extra profit in these ways, and they received about 2% just for residing over the business, as well, thereby earning “an unfair reward” which most people felt they did not deserve.¹⁹⁴ Yet despite this extra profit they earned, there is no evidence Gibbs purposely kept the government

¹⁹⁰ Gibbs usually had their buyers made their own arrangements to pick up the guano and payments were made with cash or ‘cheque.’

¹⁹¹ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 226-230.

¹⁹² This can be blamed on Henry Hucks Gibbs. However, both the Lima manager and William Gibbs made him admit he was wrong.

¹⁹³ Platt, 368-369.

¹⁹⁴ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 231.

poor or exercised an unbalanced amount of power in the guano trade. The government needed Gibbs, and Castilla reportedly said in 1849 the only reason Gibbs was in the trade at all was because he wanted to “see Peru’s credit established on a firm basis.” The established House of Gibbs was his way to do that.¹⁹⁵

Their monopoly was challenged at time even by non-Peruvian nationals. Farmers back in Britain started complaining loudly in the 1850’s about the monopoly. When problems with supply became more frequent, an issue that usually resulted from delays in the loading process, farmers wrote to the Royal Agricultural Society of England about getting guano from anywhere else. If guano could be secured from somewhere else, then “the principle of monopoly is broken through when once we can establish an opposition to it.”¹⁹⁶

The Relationship Between Gibbs and the Peruvian Government

In the unique relationship that existed between the British contractors in the house of Gibbs and Peru’s government, it is clear the government was the stronger party who received the “lion’s share of any ensuing profits.” The two had a mutually convenient relationship: the government needed Gibbs for their money, and Gibbs needed Peru for the guano to make profit. Their cozy relationship was pivotal to the entire trade, and this relationship was very unique compared to merchants in other trades in other countries.

¹⁹⁵ Ibid., 232-233.

¹⁹⁶ ‘The Guano Crisis,’ 266.

Gibbs was one of the most powerful mercantile houses backed by resources in London. Peru was a disunited country without much money. They benefitted each other.

The government was clearly in control, and since they employed Gibbs, they could also dismiss them whenever they wanted. Gibbs, therefore, wanted to keep the government happy. They did not sell guano at excessively low prices, since this would contradict the desires of their employers, the Peruvian government. They also wanted to achieve a high level of returns as well since this was how they were repaid for the large loans they advanced the government. There was a lack of real security for the merchants. The government could cancel the contracts whenever they wanted, which they sometimes did. In 1845, when Román Castilla's government wanted another loan, they threatened to break their contracts with Gibbs and give their business to someone else if they did not get the loan they wanted. Gibbs had to pay the 300,000 pesos the government wanted to stay in the trade because they knew the government's threats were real. The government needed cash, and if Gibbs did not give them what they desired, then the firm could easily be replaced. They knew how easily disposable they were.¹⁹⁷

The government was also the dominant party in issue on prices. In the 1840's, the government approved the prices but they were mostly initiated by the merchants. In the 1850's the government was totally in control. They listened to Gibbs when they advised for or against a certain change in price, but in the end, it was the solely the decision of the government. They took clear charge of the price policy, and the contractors had to abide by what they said to keep them happy.

¹⁹⁷ Ibid., 228. Platt, 348-349.

EPILOGUE

By the 1900's, most of the large mercantile houses that had been critical to trade in South America were extinct. Only a few small houses were still strong and profitable, including Gibbs. As the twentieth century progressed, they all became less important. There were four other large mercantile houses that survived into the twentieth century on the West Coast. Like Gibbs, they built extensive businesses that usually operated in more than one country. Balfour Williamson conducted business in both Peru and Chile, like Gibbs, and also took equity stakes in railroad, water, and nitrate companies.¹⁹⁸ Duncan Fox had similar investing interests with Gibbs, like copper and nitrate. W. and J. Lockett imported wines until they joined forces with a British nitrate entrepreneur, and Graham Rowe specialized in sugar production and invested in banks and railroads in Chile.¹⁹⁹

Between 1870 and 1914, the remaining British merchant house became direct investors on a large scale. They responded to “unexpected opportunities, or...the assets seized from bad debts were used to build new business streams.” They were almost all located on the West Coast, or in Argentina or Brazil, where the smaller, weaker houses had been long gone. After 1914, British houses disappeared one by one. The financial crises that occurred after the war and the Depression hurt the surviving

¹⁹⁸ Jones, 59-60.

¹⁹⁹ Ibid., 64-65.

merchants.²⁰⁰ Britain lost her position as the “world’s leading capital exporter during the First World War to the United States, while the City of London lost its pre-eminence as the world’s largest international financial centre as New York and Paris grew in importance.”²⁰¹

The End of Gibbs in Guano

Gibbs’ contract ended in December of 1861 after they received a 6-year extension in 1853. When they were awarded this extension, there was a fair amount of criticism over the way in which this had been handled, mostly because they were conducted too secretly. There was never any competitive bidding, so nobody else had the chance to compete for the contract. In May of 1860, the government publicly announced they were inviting proposals for the contracts, but made it clear they would give preference to Peruvians. At this point, the local mercantile class had grown significantly and enlarged its ability to compete for guano contracts. This group of local merchants were in a much better position than they had been almost two decades ago to take the place of Gibbs. They worked in other markets, like Central America and Cuba, and the local elite had become wealthier which facilitated entry into the trade. The mood in Peru was one of

²⁰⁰ Ibid., 88.

²⁰¹ Ibid., 84-87.

exasperation with the foreign dominance in the trade. Peruvians wanted indigenous capitalists to take over.²⁰²

Gibbs left peacefully, but amid much confusion. The government never explicitly told Gibbs they had to leave the trade. There were rumors that President Ramón Castilla did not want them to leave but could not keep them because they were the subject of criticism. Rumors even circulated there would be a revolution if Gibbs received another contract instead of it going to a Peruvian firm.²⁰³ Their position had been challenged, and there were too many complaints about their contracts and their conduct. Peru wanted to see locals in control and not Gibbs. Not surprisingly, when Gibbs left the trade the critics suddenly got quiet. It is very likely Gibbs' critics only wanted the trade out of their hands and with native Peruvians rather than wealthy foreigners.

Gibbs apparently did not care to submit another bid for a contract, but Henry Gibbs thought the government would soon realize how badly they needed them when the new contractors could not fill the shoes of Gibbs. Still, the house was not interested in remaining in the trade, mainly because Henry Gibbs thought the stipulations were becoming harsher. They were not invited to submit a bid, and the government kept their distance from them, probably because of local "sensitivities." Gibbs was not interested in remaining in the trade with so many enemies now in Lima. They planned to continue to stay in the trade for a few more years to sell off old stocks they had accumulated, but were looking at moving into other business ventures by making use of "the liquid capital

²⁰² Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 186-189.

²⁰³ *Ibid.*, 217.

guano had brought them.” In fact, they may have looked forward to leaving the trade. Henry Gibbs wrote in 1860 that “with the capital that this business will set free, other good business will no doubt come tumbling in as fast as we can welcome it.”²⁰⁴ When Gibbs’ contract ended, their territories in Europe were divided up between a number of new Peruvian contractors.

After the guano trade, Gibbs began to diversify their business after the guano trade, which brought them “expansion and substantial success.” Like several of the other surviving merchant houses in the second half of the century, Gibbs expanded into a multi-regional business group. They still participated in a wide range of commission trading, and became a major issuing house. They became interested in government bonds, from which they profited well, and they expanded their business. They supplied nitrate, copper, wool, cotton, and other commodities. In the first two decades of the twentieth century, they had a flour milling business. Gibbs was both a trader and one of the largest producers in the Peruvian nitrate trade, which later belonged to Chile after the War of Pacific when Peru lost her nitrate fields. The transition from guano to nitrates was natural, since the story of the two were intimately connected. Nitrate also served as a fertilizer as well as an explosive, and the industry was dependent on foreign capital, expertise, and enterprise. Yet nitrate developed on fundamentally different lines. Peruvian guano was a government monopoly. Unlike the guano monopoly, the nitrate trade meant Gibbs had more competition. Gibbs’ Valparaíso branch wrote to London in 1876 that Peru’s nitrate business “is by no means a monopoly and it is extremely doubtful

²⁰⁴ Ibid., 220-225.

whether it will ever become so.”²⁰⁵ Guano was owned by the government, and Gibbs only exported it because they gave the government loans in exchange for selling rights. The nitrate deposits were exploited by private capital, mostly of British or Chilean origin.²⁰⁶ Gibbs was also much more involved in the production of nitrate, whereas in guano they kept their distance. By the 1870’s, guano was but a distant memory for the House of Gibbs, and the Lima branch closed in 1880.

The Decline of Guano

One of the major reasons for the decline in the need for guano as a fertilizer was due to the rise of other fertilizers like superphosphates. Superphosphates were high in phosphate, and were mixed with either sulfuric acid or phosphoric acid. These were widely available, and were cheaper than guano. In the late 1850’s, chemists and agriculturalists began arguing that some crops, especially turnips, needed phosphatic fertilizers rather than nitrogenous fertilizers. Artificial fertilizers began to gain more importance on the market. There were also nitrogenous fertilizers that were becoming more popular by the end of the decade, including sulphate of ammonia and nitrate of soda.²⁰⁷ By the end of the First World War, mixed fertilizers were very popular on the markets, and very little guano was taken from Peru.

²⁰⁵ Greenhill and Miller, 119-121

²⁰⁶ Harold Blakemore, *British Nitrates and Chilean Politics, 1886-1896: Balmaceda and North*, (London: The Athlone Press, 1974), 16.

²⁰⁷ Mathew, ‘Peru and the British Guano Market, 1840-1870,’ 115-123.

The reason farmers began employing the use of substitutes on their crops, however, was due to the high prices placed on Peruvian guano by Peru's government. Farmers did not just want lower prices, they also wanted a better system of importing "by which current short-term irregularities of supply could be removed." They complained about the length of time it took to get guano, and complained about the Peruvian government choosing to raise prices, apparently unconcerned or completely oblivious to the farmers' anger.²⁰⁸ These prices were forcing the farmers to look elsewhere. Farmers had gotten so used to guano and had grown to love it so much for their fields that it had caused them to "neglect very much other most useful and important manures."²⁰⁹

The guano industry and constant human industrial activity caused the birds to leave the islands. What had once been a quiet, uninhabited island for birds to nest became a busy hub of activity, with a tiny village in it for 1,000 people to live in.²¹⁰ A traveler to Peru wrote that he visited the islands right before the start of the guano trade, and the Chincha Islands were the huge, quiet, peaceful home of hundreds of birds. The islands were "bold, brown heads, tall and erect, standing out of the sea like living things, reflecting the light of heaven... Now these same islands looked like creatures whose heads had been cut off... like anything in short that reminds one of death and the grave."²¹¹

²⁰⁸ Skaggs, 152. Mathew, 'Peru and the British Guano Market, 1840-1870,' 117.

²⁰⁹ 'Agricultural Summary for the Quarter,' 678.

²¹⁰ Levin, 31-33.

²¹¹ Duffield, 89.

CONCLUSION

“The House of Gibbs that made their dibs

By selling turds of foreign birds.”²¹²

Before the 1970’s, it was widely assumed that Gibbs controlled the guano trade and the government was at the mercy of the contractors. Historians like W.M. Mathew, Jonathan Levin, Rory Miller, and Frederick B. Pike began to re-examine the guano trade as interest in South America once again began to peak, mostly from the United States. These historians argued Gibbs was critical to the guano trade in the nineteenth century in Peru, but they did not control it. They were a crucial party, but not the only ones. The government was mostly in control of the trade, and they were the ones who dictated the terms and conditions that Gibbs had to follow. As the other contractors dropped out, soon Gibbs had almost the whole trade to themselves, with a few exceptions. As complaints against them mounted, they were forced to leave the trade and look elsewhere for profitable South American ventures, mostly in Chilean nitrate.

The issue was once again revisited as historians and scientists began to write about the effects of capitalism on the environment. An interest in humanitarian rights might also have contributed to recent scholarship on Peru’s guano trade, since Chinese coolies were central to the labor used for guano. John Bellamy Foster, Brett Clark, David Hollett, and Gregory T. Cushman have all contributed to the historiography on the guano

²¹² Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 230.

trade from a different stance, yet they also agree that Gibbs was critical to the guano trade. They focus less on the role of the government, and more on the labor and economics of the trade.

Merchants left Britain as the South American countries became independent from Spain, and filled the commercial trading void that had opened as a result of Spanish control dwindling down before disappearing. Of the many merchants who traveled to South America, only a few would survive. Trading proved to be a risky business when transportation and communication were slow, and sometimes the necessary capital was too much for them to handle. Of the few who survived, the house of Gibbs was one of the strongest ones. They were similar to many merchants. Gibbs conducted business in similar ways, operated as an export and import house, and had the financial backing needed in post-Spanish South America. Merchants were important to trade in South America, and Gibbs was one of the strongest, most important and prosperous houses.

Gibbs was invited to join the Peruvian guano trade, mostly because they had money for loans that other merchants did not have access to. Once they were in the guano trade, they became the most important factors. Less than a decade after the guano trade began, Gibbs were the sole British contractors and had a virtual monopoly on the commodity. Their relationship with the government, at times strained due to complaints coming from many directions, was somewhat atypical, despite the similarities Gibbs and other merchants at the time had. Many merchants worked with private companies, whereas Gibbs worked directly with Peru's government, the sole owner of guano.

The government needed Gibbs only because they could offer the most amount of money for loans in advance of guano sales. The government's reliance on loans was almost certainly the only reason the guano trade did not go to local Peruvians sooner. Peru, caught up in the cycle of borrowing and spending, was dependent on Gibbs' money, but remained the stronger party. They dictated the conditions of the contracts with Gibbs, and had the power to annul contracts. Historians do not necessarily agree on the innocence of Gibbs' conduct in the trade, but they do agree that the Peruvian government spent money "like a drunken sailor."²¹³ At the dawn of the guano age, guano was a "potential source of untold wealth, an organic bonanza that subsequently proved to be worth more than all the gold shipped back to Europe."²¹⁴ Yet after the prosperous 1850's and the subsequent decline of guano, Peru was in no better shape than it started in.

The financial history of the country showed a consistent lack of planning and "an apparently untroubled disposition to mortgage the future. There is hardly any evidence to suggest that price policies for guano were related to sober and thrifty concern for the country's long-term economic well-being."²¹⁵ The short-term budgetary difficulties Peru encountered never improved, regardless of the potential wealth guano presented to the country. The trade was intimately linked to the state of Peru's economy and all the associated financial issues that were never alleviated or even addressed. It was also linked to the merchants. Guano, the main source of revenue for the country during the

²¹³ Pike, 98.

²¹⁴ Hollett, 17.

²¹⁵ Mathew, *The House of Gibbs and the Peruvian Guano Monopoly*, 228.

nineteenth century, was dependent on the relationship between the government and the merchants, specifically the English house of Gibbs.

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