

Case Study #19

August 2020

## Money, Cattle Hides and William A Leidesdorff: California before the Gold Rush

### Introduction

The discovery of gold in January 1848, at Nueva Helvetia, John Sutter's property in the Sacramento Valley, changed the course of Californian history. By the end of March, San Francisco had emptied as its population swarmed to the gold fields that had opened up around Sutter's lumbermills and by August, the East Coast newspapers were reporting the discovery of Californian gold. In December of that year, President James K Polk confirmed the find in front of Congress and in 1849, one of America's largest migrations ever took place as hundreds of thousands of gold prospectors, the 'Forty-niners', descended on 'Gold Country'.<sup>1</sup>



Figure 1: Detail from 'The basin of the Pacific', published by Jas. Wyld, Geographer to the Queen & HRH Prince Albert, Charing Cross, East London, 1847. <http://nla.gov.au/nla.obj-230623910> (18 July 2020)

The movement that is now known as the Gold Rush catalysed the transformation of California into an economic power by the end of the 19th century. The amount of gold being mined dramatically increased the quantity of precious metal coins, or specie, in circulation in the United States (US), and caused inflation worldwide.<sup>2</sup>

The gold that flooded California at the start of 1849 was in stark contrast to the monetary world that had operated in the region up until then. Prior to the Mexican–American War of 1846–8, Alta California (often called Upper California in English-language documents) was a sparsely populated and remote province of Mexico. The region suffered from a chronic shortage of cash and an absence of financial institutions. Despite this, a number of merchants thrived and one of them owned the ranch next door to Sutter's Nueva Helvetia.

William A Leidesdorff came to the area in the early 1840s and built a successful business as a steamboat operator, hotel owner and merchant. In spite of the fact that in 1844, he had become a Mexican citizen

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and had received the grant to his ranch, Rancho Rio de los Americanos, he served as US Vice Consul to Mexico at Yerba Buena (which would later become San Francisco) and he died a rich man in 1848, just a few months after the discovery of gold on his neighbour's land.<sup>3</sup>

The emergence of banking and the flow of global money in Mexican Alta California, shortly before the Gold Rush, is perfectly illustrated by the methods of lending, trade finance, deposits and cheques and, above all, a form of currency that Leidesdorff and his fellow Californian merchants created to develop their businesses.

## Silver

California as a region may have been cash-poor in the first half of the 19th century but Mexico was not. Following the establishment of the *tornaviaje* (return route) between the Philippines and Mexico (then called New Spain) in the 16th century, Mexico City became a crucial centre of global trade. The new maritime route brought goods in the form of silks, spices and chinaware to the Spanish Empire, goods of quality far superior to that of any European equivalents. While the Spanish monarchy placed strict limits on the import of these Asian goods to maintain prices, and Elizabeth I sent Sir Francis Drake as a corsair, a kind of licenced pirate, to investigate and if possible, to harass this valuable trade, the lack of comparable goods with which to trade left the Spanish traders in a quandary – what to send to Manila (and thus the Asian market) by way of return?<sup>4</sup>

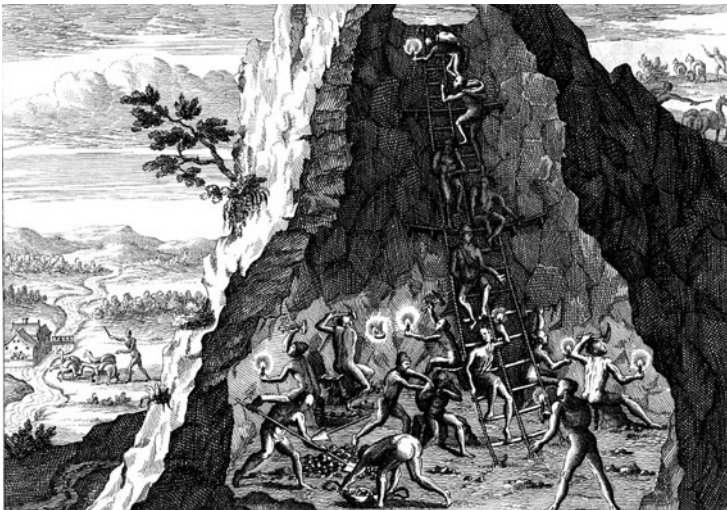


Figure 2: Mining in Potosí, an engraving by Theodor de Bry, published in *Historia Americae sive Novi Orbis*, 1596. Source: Wikipedia [https://commons.wikimedia.org/wiki/File:Theodoor\\_de\\_bry.jpg#/media/File:Theodoor\\_de\\_bry.jpg](https://commons.wikimedia.org/wiki/File:Theodoor_de_bry.jpg#/media/File:Theodoor_de_bry.jpg)

The answer was silver. In 1545, Spanish colonists had discovered the great silver mine at Potosí. This ‘mountain of silver’ quickly became the largest source of that metal in the world, and silver was what the Chinese market demanded. In 1628, Juan Niño de Tabora, governor of the Philippines, wrote to the Spanish king of the Chinese: ‘Their god is silver, and their religion the various ways that they have of gaining it.’<sup>5</sup> Priced in gold, silver was worth more in China than it was in Europe. Soon, silver was the primary cargo being shipped to Asia.<sup>6</sup>

More silver mines subsequently opened in New Spain and by the 18th century, Spanish America was producing a greater quantity of silver than in the previous two centuries combined.<sup>7</sup> An estimated 40% of Spanish America's silver production ended up in China.<sup>8</sup>

Silver mining briefly collapsed during the Mexican war of independence (1810–21) but while the enormous human and fiscal costs of the war, together with political and economic instability, continued afterwards, silver mining rebounded and the metal remained Mexico's principal export.<sup>9</sup> The wealth it brought maintained Mexico City in its capacity as the ‘city of palaces’, a nickname given to it by the Prussian scientific traveller, Alexander von Humboldt, in the early 19th century.

Mexico City was wealthy, cosmopolitan and densely populated but Alta California was not. Ships on the *tornaviaje* sailed down the Californian coast on their return from Manila but their destination was further south. In fact, California's principal port in the 19th century, the San Francisco Bay, was not discovered by Europeans until 1769. Californian tradition holds that Drake landed and repaired his ships just north of San Francisco in 1579 and that he either failed to discover the entrance to the Bay or, knowing that the land was under Spanish control, kept it a secret.

Of course, Europeans were not the only inhabitants of California. In the early 19th century, more than 200,000 Native Americans lived in California; the number would plummet to 15,000 by the end of the 1800s.<sup>10</sup> By contrast, as late as 1846, *The Californian*, the first English-language newspaper in Upper



California, estimated that its population only included 10,000 or so inhabitants of European ancestry, of whom perhaps 2,000 had come from the US.<sup>11</sup>

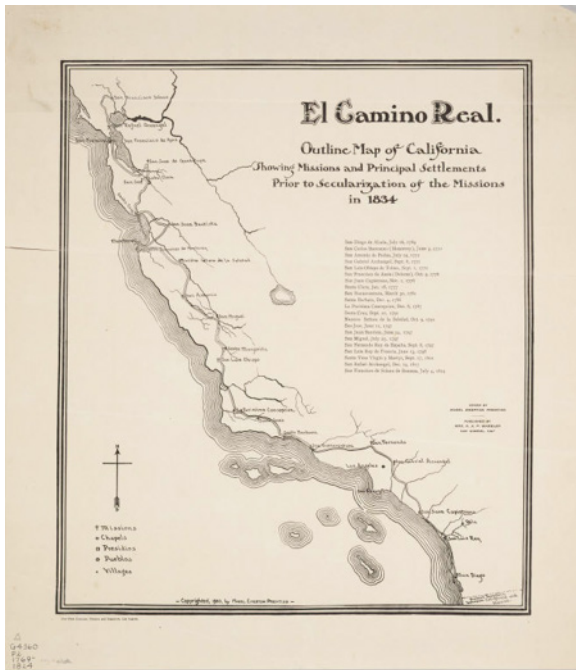


Figure 3: Prentiss, Mabel Emerton, Cartographer, 'El Camino Real. Outline Map of California showing Missions and Principal Settlements Prior to Secularisation of the Missions in 1834'. Circa 1903. UCLA, Library Special Collections, Charles E Young Research Library

Prior to Mexican independence, the most important colonial institutions in Spanish Alta California were the string of 21 Franciscan missions situated approximately a day's ride apart and extending for nearly 600 miles along El Camino Real, from San Diego in the south to Sonoma in the north. Attached to the missions were vast agricultural lands which produced a variety of agricultural products for local consumption and which were maintained largely by semi-captive Native American labourers who faced punishments such as whipping and shackling for 'crimes' that included 'desertion' and 'laziness'.<sup>12</sup>

Following independence, and fearing that Spain might use the missions to exert ongoing influence over California, the Mexican government sought to weaken the power of the missionary system. In 1833, it enacted the Secularisation Act, appropriated the mission lands and divided the properties into smaller land grants, thereby greatly expanding the old Spanish *ranchero* system. The land grants or *ranchos* were still large – typically 'eight leagues of land' or around 55 square miles (about 140km<sup>2</sup>) – and the *ranchero* system had a homesteading aspect to it. To receive a grant, a candidate had to be (or to naturalise as) a Mexican citizen and to improve the land, generally by building a house and raising livestock.

Cattle was the main livestock of choice, not so much for the meat and milk but for the hides and fat, the latter being rendered to make tallow, a cheaper alternative to spermaceti, and used to make soap and candles. The *rancheros* dramatically expanded the territory's cattle herd and as the production of hides and tallow increased, so did the frequency with which traders from distant ports arrived to trade for them. Hides and tallow from California would reach destinations such as Boston, Massachusetts; Antwerp; Lima, Peru; Canton (Guangzhou); Petropavlovsk in the Russian Far East; Fort Vancouver near the mouth of the Columbia River, now in Washington State; and Honolulu.



Figure 4: William A Leidesdorff, circa 1845, [https://en.wikipedia.org/wiki/William\\_Leidesdorff#/media/File:William\\_Leidesdorff.jpg](https://en.wikipedia.org/wiki/William_Leidesdorff#/media/File:William_Leidesdorff.jpg)

Despite this, however, California remained an agrarian country and the Mexican residents of Alta California tended to barter with hides and tallow rather than with silver or gold. In return, they received teas, coffee, sugars, spices, raisins, molasses, spirits, crockery, clothing, shoes, silks, furniture, 'and, in fact, everything that can be imagined from Chinese fireworks to English cart wheels'.<sup>13</sup> On the other hand, Native Americans in California used their own currency, meticulously carved sound shells with holes in the centre to string onto leather thongs and exchanged at a rate of a yard to one Spanish dollar.<sup>14</sup>

Settlers and Native Americans had frequent contacts in Mexican California. In the 1840s, for instance, Native Americans were the principal source of agricultural labour on the Californian *ranchos* and settlers and ranchers alike frequently referred to them as slaves.<sup>15</sup>

William A Leidesdorff was among the new Californian ranch owners in the mid-19th century and like so many of his contemporaries, he was principally interested in hides. It was trading in this particular by-product that would build up his wealth and make him one of, if not the, most successful black businessmen of the antebellum period.<sup>16</sup>

## Hides

William Leidesdorff was born in the Danish West Indies (now the US Virgin Islands) in around 1810. He was the son of a Danish sugar planter, Alexander Leidesdorff, and Anna Marie Sparks, a mixed-race woman of Carib Indian and African heritage.<sup>17</sup> After growing up on the island of St. Croix, Leidesdorff migrated to New Orleans, Louisiana, where he naturalised as a US citizen in 1834 and became a master of shipping vessels working out of the Port of New Orleans. By 1842, however, Louisiana had joined the growing number of southern states prohibiting African-American seamen.<sup>18</sup>

Leidesdorff did not remain in New Orleans to see the new law enacted. Instead, he moved to New York and from there, sailed to the Sandwich Islands (Hawai'i) where he spent much of the early 1840s trading between those islands and Yerba Buena, the village that later became San Francisco. In Yerba Buena, Leidesdorff established himself as a merchant and hotelier.

Like everyone else conducting business in California at that time, Leidesdorff suffered from the scarcity of cash and operated largely on a barter basis and through extending and receiving credit, settling up only occasionally. As records of his transactions show, he traded substantial amounts of cattle hide, one source of his wealth.

| Hides received               |    | Hides delivered                       |    |
|------------------------------|----|---------------------------------------|----|
| On board when the ship left  | 1  | Francis Mellis                        | 7  |
| Hides in St. Pedro           | 1  | St. Pedro                             | 5  |
| from Mr. Mello in Packed     | 9  | Ship Barnstable for paper             | 1  |
| Hides in Monterey            | 1  | paid Celis account                    | 65 |
| from Celis                   | 5  | Ship Barnstable for lamp & weak yarn  | 1  |
| Hides in St. Francisco       | 2  | paid Mellis for 1 lamp, tea & tobacco | 4  |
| received in St. Pedro        | 41 | Schooner J.A. for sheet blocks &c     | 1  |
| in Monterey from P. Gonzalez | 20 | paid Mellis for shoes tobacco mill    | 4  |
| del. Padre Garcia            | 4  | paid H. Mellis for 1 tea kettle       | 2  |
| Hides in Monterey            | 1  | for vinegar                           | 1  |
| St. Pedro from Father        | 20 |                                       | 91 |
| Hides in Santa Barbara       | 1  |                                       |    |
| from Mr. Branah in St. Pedro | 1  |                                       |    |
| Hides in Monterey            | 1  |                                       |    |

Figure 5: 'Quantity of Hides Received and Delivered, 1843', William A Leidesdorff Collection, 1834-57, 1928, MS1277, Box 1, Folder 11, California Historical Society, Manuscript Collection, San Francisco. Courtesy California Historical Society, San Francisco

and one hide to the 'Schooner J.A. for sheet blocks &c'. He paid H Mellis one hide for a tea kettle and a further four hides for shoes and a tobacco mill. He also paid 65 hides to the 'Celis account', presumably referring to Don Eulogio de Celis, whose name appeared in the news in 1849 following a dispute with the American military in 1847 over a sale – on credit – of 600 head of cattle to the 'California Battalion' at Los Angeles.<sup>21</sup>

Finally, and most notably of all, Leidesdorff delivered 200 hides to 'Mr. clap' against 'watsons note'.<sup>22</sup> This entry makes reference to a document that read:

Monterey, June 24, 1843  
Captain William A Leidesdorff

Sir,  
Pay to the Order of James  
Watson two hundred Hides at  
San Francisco. [200 Hides] Yr  
Obt,

A. B. Thompson<sup>23</sup>

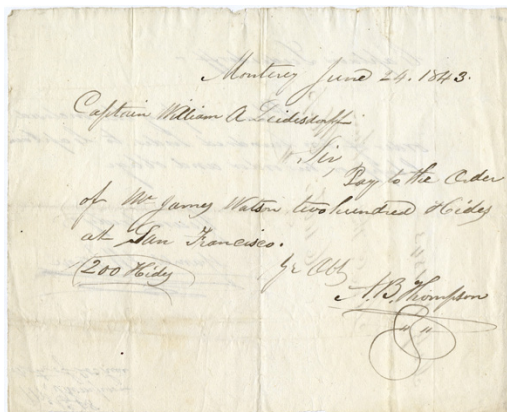


Figure 6: 'Cheque Payable in Hides', dated on face, 'Monterey, June 24, 1843', Leidesdorff Collection. Courtesy California Historical Society, San Francisco



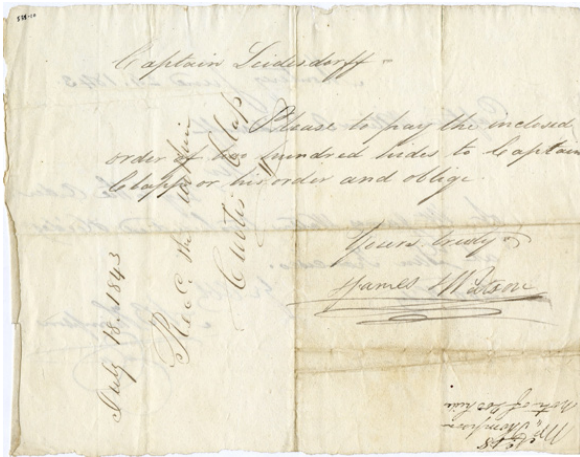


Figure 7: 'Cheque Payable in Hides', dated on the reverse, 'Monterey, June 24, 1843', Leidesdorff Collection. Courtesy California Historical Society, San Francisco

Canaca, Soary Boy, shipped Oahu the Decr 3, 1844. @ \$9. per month

|           |  |        |
|-----------|--|--------|
| Decr. 3.  | To amount advanced him                           | \$ 14. |
| " 4.      | 1 pair of Blankets                               | 8.     |
| " "       | 1 Currier's pack                                 | 2.     |
|           | The amt charged in Cash account                  | \$ 24. |
| at sea    | To 1 sack buckles                                | 1 4.   |
|           | 1 sack 4 <sup>o</sup> one to port 6 <sup>o</sup> | 1 2.   |
| March 12. | 1 sack \$2.00 and paid Steved. John 10.          | 4. 10. |
| April 2.  | cash \$1.00 Knives 6 <sup>o</sup> on Cliff pt.   | 2. 6.  |
| May 6.    | for being absent from work                       | 6.     |
| " "       | 1 pair pantaloons \$4.00 and paid John 5.        | 5.     |
| 10.       | cash \$1.00 paid Mr. Davis for loan \$12.        | 2. 2.  |
| 17.       | Tobacco Knives \$1.00 cash \$1.                  | 2.     |
| 19.       | 1 knife \$1.00 on white shirt \$4.               | 5.     |
| 28.       | 1 pair shoes \$4.00 1/2 pair of shoes \$3.       | 4. 4.  |
| June 29.  | 1 sack to be made 10 to take 10                  | 9 2.   |

Figure 8: Labourer's account for Hawai'ian sailor who shipped from O'ahu, 3 December, 1844, Leidesdorff Collection. Courtesy California Historical Society, San Francisco

the hides were whipped, salted and dried again before being folded. Finally, the hides were loaded onto ships: the men would carry the stiff, heavy hides on their heads to the beach, or would toss them down from the cliff tops.

From there, the hides were transferred by sailing barges ('droghers') to ocean-going vessels manned by sailors such as Richard Henry Dana Junior who came to California to trade. Californians and Hawai'ians, indicated in the records by the term *Kanaka*, the Hawai'ian word for man, also worked in the production of cattle hides. Those directly employed by Leidesdorff could expect their wages largely in merchandise rather than cash: shirts, caps, blankets and knives were given by Leidesdorff, who charged these items against their wages, which ranged from eight to 12 *pesos* per month.<sup>25</sup>

All over California, the cattle hide trade followed a similar procedure and the production levels were vast. In 1834, for example, 31,000 *vaqueros* tended almost 400,000 cattle.<sup>26</sup> The ins and outs of the business reached a popular audience in 1840 when Dana published his classic book, *Two Years*

This was, literally, a cheque, payable in hides. Leidesdorff honoured the cheque by delivering the hides, not to Watson, but to a Captain Clapp, to whom Watson had endorsed the note. Thompson thus used his credit balance with Leidesdorff to clear his debt to Watson, who in turn used the 200 hides in his business with Clapp. In one transaction, Leidesdorff's accounts revealed a financial network integrated into the hide economy. The drawing, endorsement and payment of Thompson's cheque affected bilateral accounts between Leidesdorff and Thompson, Thompson and Watson, and Watson and Clapp. By allowing Thompson to draw such a cheque against him, Leidesdorff was acting, in a way, as Thompson's banker – in cattle hides, not cash.

To become truly wealthy, a shrewd businessman in California needed a way of producing, not just buying and selling, cattle hides. In 1844, Leidesdorff naturalised as a Mexican citizen, which enabled him to become a *ranchero*, receiving a grant of land that he called the Rancho Rio de los Americanos. The *rancho* lay on the American River, east of Sacramento. Leidesdorff managed his land from his home in Yerba Buena where Thomas O Larkin, US Consul to Mexico at Monterey, the provincial capital of Alta California, appointed him Vice-Consul despite his Mexican citizenship. In Yerba Buena, Leidesdorff also continued his mercantile business, now with his own hides to sell.<sup>24</sup>

On the ranch, the production of hides followed the typical method. Cattle were raised, killed and skinned. The hides were then cured, cleaned and stretched before being dried in the summer sun. Workers punched holes around the edges of the hides so that each could be staked into the ground to prevent shrinking. Once dry,



Figure 9: 'Hide Droghing', illustration from *Two Years Before the Mast*. Source: [https://en.wikipedia.org/wiki/California\\_hide\\_trade#/media/File:Hide\\_Droughing.jpg](https://en.wikipedia.org/wiki/California_hide_trade#/media/File:Hide_Droughing.jpg)

*Before the Mast*, an autobiographical account of his voyage from Boston to California, on a merchant ship, in the mid-1830s. The ship, like many others, intended to obtain a cargo of cattle hides in California in exchange for a combination of cash and manufactured goods. Once in California, Dana wrote of the Californian merchants he found there: ‘They usually keep shops, in which they retail goods purchased in larger quantities from our vessels, and also send a good deal into the interior, taking hides in pay, which they again barter with our vessels.’<sup>27</sup> Dana noted wryly that a Californian might pay three or four hides for a pair of shoes made in Boston, most likely from Californian hides that had travelled round Cape Horn to New England and back again.

The use of hides as currency became so ubiquitous that traders referred to cattle hides as ‘California banknotes’.<sup>28</sup> And with *rancheros* such as Leidesdorff producing and circulating these banknotes, it was not long before the type of proto-banking services that Leidesdorff had provided Thompson became more widespread, and more complex.

## Banks

As the 1840s progressed, an increasing number of American settlers arrived in the region around San Francisco Bay. By July 1846, the US had declared war on Mexico, an American flotilla had seized Monterey and another American force had occupied the Presidio, or fort, at the Golden Gate. In that year, Alta California was effectively under the control of an American military government, even though the war continued to the south and the conclusion of the treaty formally transferring sovereignty over Upper California to the US did not occur until 1848.

| Date    | Description             | Amount | Balance |
|---------|-------------------------|--------|---------|
| March 5 | Balance brought forward |        | 1324.91 |
| July 22 | Merchandise             | 346.25 |         |
| Aug 24  | do                      | 14.00  |         |
| Oct 31  | Cash                    | 376    |         |
|         | Balance of Cash         | 125    |         |
|         | Account of Cash         | 219.25 | 1506.47 |
|         | do                      | 254    |         |
|         | do                      | 163.81 |         |
|         |                         |        | 3678.60 |

Figure 10 Dr: Debit side, ‘Mr. William A Leidesdorff in Acct Current with Henry Mellus’, October 30, 1846. Debits here are items that increase Leidesdorff’s indebtedness to Mellus; Leidesdorff Collection. Courtesy California Historical Society, San Francisco

As the Americans consolidated control, and the population of the region increased, Leidesdorff’s business became more complex. His accounts for 1846 chronicle heavy trading relationships with several of the leading San Francisco merchants of the day, including Nathan Spear, William Davis and Henry Mellus. While the merchants all clearly kept meticulous records of their accounts with one another, they only occasionally settled. Instead, they extended credit to one another, bartered and, in lieu of any other financial institutions, performed rudimentary banking services for each other.

California of 1846 was not particularly unusual in its lack of banks. In fact, in the US, the Panic of 1837 had made several states hostile to banks, to the point that Arkansas and Wisconsin had both outlawed them. Despite these laws, note-issuing institutions still appeared under such titles as the Marine and Fire Insurance and Banking Company.<sup>29</sup> Moreover, individuals and institutions provided quasi-banking services in the form of lending, taking deposits, and paying cheques.

In California, Leidesdorff both used and extended these services to and from his network. During 1846 and 1847, he owed significant balances to several of his fellow Californians. By the summer of 1847, for example, he owed Nathan Spear more than US\$2,000 for large quantities of wheat he had purchased at the start of October 1846<sup>30</sup> and he owed William Davis more than US\$500. This sum did not include the US\$121.37 and US\$281.50 that Davis paid to Thomas Larkin and Stephen Smith respectively, debited to Leidesdorff’s account. Davis also advanced Leidesdorff US\$51 at an interest rate of 2% per month. Leidesdorff’s account with Davis lasted from November 1846 until he settled the account in June 1847.<sup>31</sup>

Leidesdorff also maintained an account with Henry Mellus (Figs. 10Dr and 10Cr and transcribed in Appendix A). A ledger reflecting their business dealings during 1846 shows that in April of that year, Leidesdorff was more than US\$1,300 in debt to Mellus. Over the course of the account, Leidesdorff made ongoing payments to Mellus, mostly in hides credited at US\$2 each. With no bank loans available, these



| Current with Henry Mellus |             |   |
|---------------------------|-------------|---|
| April 1                   | 1 Seal Seal | 1 |
| 9                         | 1 Seal Seal | 1 |
| 10                        | 1 Seal Seal | 1 |
| 11                        | 1 Seal Seal | 1 |
| 12                        | 1 Seal Seal | 1 |
| 13                        | 1 Seal Seal | 1 |
| 14                        | 1 Seal Seal | 1 |
| 15                        | 1 Seal Seal | 1 |
| 16                        | 1 Seal Seal | 1 |
| 17                        | 1 Seal Seal | 1 |
| 18                        | 1 Seal Seal | 1 |
| 19                        | 1 Seal Seal | 1 |
| 20                        | 1 Seal Seal | 1 |
| 21                        | 1 Seal Seal | 1 |
| 22                        | 1 Seal Seal | 1 |
| 23                        | 1 Seal Seal | 1 |
| 24                        | 1 Seal Seal | 1 |
| 25                        | 1 Seal Seal | 1 |
| 26                        | 1 Seal Seal | 1 |
| 27                        | 1 Seal Seal | 1 |
| 28                        | 1 Seal Seal | 1 |
| 29                        | 1 Seal Seal | 1 |
| 30                        | 1 Seal Seal | 1 |
| Total 267.00              |             |   |
| Henry Mellus              |             |   |

Figure 10Cr: Credit side, 'Mr. William A Leidesdorff in Acct Current with Henry Mellus' October 30, 1846. Credits here are items that reduce Leidesdorff's indebtedness to Mellus; Leidesdorff Collection. Courtesy California Historical Society, San Francisco

men extended credit to each other, keeping meticulous accounts and even charging interest.

Leidesdorff eventually settled his account with Mellus, not with the payment of hides but with two Russian bills of exchange. Leidesdorff had received the bills in October 1846, one for US\$2,000 and one for US\$1000, probably in exchange for goods he sold to Lieutenant Rudierkoff, master of the Russian brig, *Baykal*. The *Baykal* arrived from Sitka, then a Russian port on the archipelago and now part of south-eastern Alaska, on 10 September 1846, having 'come for a cargo of wheat.'<sup>32</sup> Sitka was a Russian fur-trapping and trading post, which depended on trade for basic provisions such as wheat. Like other trading vessels from Sitka, the *Baykal* would have arrived with limited cargo to trade (the lucrative markets for fur existed elsewhere), bringing instead bills of exchange.

The goods that Leidesdorff sold to Rudierkoff are likely to have included wheat that he had bought from Spear, including an October purchase of 203 *fanegas* at a cost of US\$406.<sup>33</sup> Mellus purchased the US\$1,000 bill for cash, after applying a discount of 12.5%, and he placed the US\$2,000 bill as credit on Leidesdorff's account, having first deducted US\$946.56-1/2 for cash he had provided to Juan Paty, a trader based in O'ahu, applying a similar discount.<sup>34</sup>

Leidesdorff, Mellus, Rudierkoff and Paty were able to do such extensive business, across such vast distances, in four different countries (Mexico, Russia, Hawai'i and the US), and rely so heavily on credit because they had strong commercial, social and even political ties. The particular transactions on the Mellus ledger took place at a time when they were all physically together in Yerba Buena (San Francisco). In October 1846, Commodore Robert F Stockton made an official visit to Yerba Buena, in his role as Governor General, to assert American military control of Alta California. At a public reception on 5 October, the official reception committee included 'Foreign

Consuls – Capt. John Paty, Senior Capt. of the Hawanian [*sic*] Navy–Lieut. Commanding Rudacoff [*sic*], Russian Navy, and Lieut. Commanding Bonnett, French Navy.' General Mariano Vallejo, who had held senior posts in the Mexican government, also 'took [his] appropriate place in the line.' Leidesdorff hosted the official banquet at his home.<sup>35</sup>

If Mellus was willing to discount the Russian bills of exchange, he must have had confidence that they represented realisable value. Exactly how Mellus collected on the bills is uncertain but the most likely answer comes back to cattle hides. Mellus's partner, William D M Howard, was actively engaged in the business of shipping hides to the US. He had just earned a handsome commission by organising a voyage that shipped 30,500 salted bullock hides from San Diego to Boston, and he was in the process of organising another.<sup>36</sup> Mellus probably forwarded the Russian bills to his and Howard's bankers in Boston or New York, where they were duly discounted and either traded in the money market there or sent on for final payment.

As well as benefitting from the financial services provided by other merchants such as Mellus, Leidesdorff performed similar services for other Californians and one of his most important commercial relationships was with Stephen Smith, a supplier of lumber based in Bodega, 50 miles north of San Francisco, along the Pacific coast. Leidesdorff acted on Smith's behalf in San Francisco, brokering his orders and paying for Smith's shipments by crediting an account he held for Smith. He also allowed Smith to write cheques against his account. One example, written on a plain strip of paper, read:





Despite these anti-banking provisions, however, banks and similar institutions proliferated. The Legislature never enacted the mandated blanket prohibition on banking but it did prohibit corporations from conducting banking business. Many individuals and private partnerships – including Leidesdorff's old colleague, Henry Mellus – established gold dealerships during the Gold Rush which provided drafts or bills of exchange in return for gold dust. The earliest dealers could sometimes purchase gold dust at US\$8 an ounce<sup>40</sup> but by 1850, prices of around US\$16 were more typical.<sup>41</sup> For most of the 19th century, Congress defined the US dollar in terms of gold, at a ratio of approximately US\$20.67 per ounce. Although gold dust varied in its actual gold content, it was often proved to contain around US\$17.70 worth of gold per ounce of dust.<sup>42</sup> The difference reflected the cost of shipping the gold to the Mint in Philadelphia and the costs and losses involved in assaying, refining and minting.

From 1849 onwards, dedicated banks sprang up alongside the gold dealers. Most of the bankers were young partners sent to California by established bankers in the east, who had capital, connections and, crucially, correspondent or bilateral banking relationships. As their numbers grew, so did competition for the gold dust and by 1851, gold dust generally commanded US\$17 per ounce in San Francisco.<sup>43</sup> Many bankers established networks of up-country agents to buy dust closer to the source, presumably at better prices, but still more bankers entered the market. In 1852, Wells, Fargo & Co incorporated as a joint-stock company in New York and sent two agents, Samuel Carter and Reuben Washburn, to set up a bank in California (Henry Wells and William Fargo, whose main business was in the east, only visited California occasionally). Carter and Washburn opened their bank's doors in San Francisco in July 1852 and offered both express and banking services, in spite of the statute prohibiting corporations from doing banking business.<sup>44</sup> Wells, Fargo did not become prominent in California, however, until Page, Bacon & Co, the largest early bank in San Francisco, collapsed in 1855, bringing Adams & Co, the leading express carrier in California, down with it. By the end of that year, Wells, Fargo & Co had offices in San Francisco, Sacramento, Stockton, and Portland, Oregon Territory.<sup>45</sup>

Leidesdorff did not live to see the changes caused by the discovery of gold. By 1848, he was a leading citizen of Yerba Buena and had a seat on the *ayuntamiento* or town council; he even held the post of Treasurer but in May 1848, he contracted what the newspapers called a 'fever' and on eighteenth day of that month, he died, aged 38, at most.<sup>46</sup>

While he had enjoyed large property and business interests, Leidesdorff had never married and died childless and intestate. Captain Joseph L Folsom, a veteran of the Mexican–American war, took charge of the estate while an administrator was sought and having discovered that Leidesdorff's next of kin was his mother, Anne Marie Sparks, and that she was still in St. Croix, travelled to the island to negotiate and finalise the purchase of the Rancho Rio de los Americanos for himself. The transaction was controversial at the time, as Folsom only offered Sparks US\$75,000, despite the land being valued at US\$1,500,000.<sup>47</sup> Today, the principal town that stands within the boundaries of the original rancho is a suburb of Sacramento called Folsom.

Folsom died in 1855 and like Leidesdorff, he was in his late thirties and his end came shortly before an event that increased the value of the land on which the rancho stood. For Leidesdorff, it had been the discovery of gold. In Folsom's case, he passed away just before the completion of the first railroad in California, a 22-mile stretch of the Sacramento Valley Railroad that ran from downtown Sacramento to a point on the American River. The depot was near the city of Folsom.

Today, California has the largest population and economy of all the States of the Union and, if ranked among nations, the fifth largest economy in the world.<sup>48</sup> Dairy, produce and wine, not hides, are among the leading products of California's large agricultural sector and trade, particularly maritime trade with the Pacific World, remains important to the Californian economy, with the Port of Los Angeles handling 20% of all cargo entering the US.<sup>49</sup> Gold mining continued in California until 1968, when the last gold dredge at Hammonton ceased operations. In that same year, the US Treasury suspended purchases of newly mined gold.

Gold never completely solved California's money woes. In 2009, CNN ran the headline: 'Cash-poor California turns to IOUs'.<sup>50</sup> With a substantial fiscal crisis underway, the state had printed some 28,750 IOUs worth more than US\$50 million, mainly for personal income tax refunds and small business contractors, that could be redeemed at face value plus 3.75% interest by 2 October, 2009. Bank of America, Chase, Citi, Wells Fargo and at least 25 credit unions all agreed to accept the paper.<sup>51</sup> A new 'California banknote' had been made.

Appendix A: Transcription of Leidesdorff's account with Henry Mellus

| Dr.  |                               | Mr. William A Leidesdorff in Acct Current with Henry Mellus |                   |         |                        | Cr.   |                   |
|--|-------------------------------|---|-------------------|---------|------------------------|-------|-------------------|
| 1846   |                               |   |                   | 1846    |                        |       |                   |
| April 26   | To Balance brot from Ledger B | "   | 1344.71½          | April 1 | By 1 Cord Wood         | 8.    |                   |
|  | 6 rs Velvet @ 175             | 10.50   |                   | 9       | 1 Bullock              | 8.    |                   |
| July 24  | Amount Bill Merchandize       | 366.22  |                   | 13      | to Apr. 30 3 do        | 8.    | 24.               |
| Aug 29   | 42 lbs Lead @ 25              | 10.50   |                   | 26      | 15 Hides               | 2.    | 30.               |
| Octo 21  | Cash                          | 875.  |                   | June 8  | 1 bag Tallow 31 @ 150  | 46.50 |                   |
|  | Discount for Cash             | 125.  |                   |         | 1 lb. Salmon           | 15.   |                   |
|  | Cash to Paty                  | 119.25  | 1506.47           |         | ¼ Beef                 | 1.50  |                   |
|  | do                            |   | 724.              | July 3  | 6 Hides /Padre/        | 2.    | 12.               |
|  | Discount for do               |   | 103.31½           | 11      | 40 do                  | 2.    | 80.               |
|  |                               |   |                   | 14      | 1 Sheep                |       | 2.                |
|  |                               |   |                   | Aug 9   | 1 do                   |       | 2.                |
|  |                               |   |                   | 19      | Horse Hire             |       | 10.               |
|  |                               |   |                   | 24      | 5 Hides Leese          | 2.    | 10.               |
|  |                               |   |                   | 27      | 32 do                  | 2.    | 64.               |
|  |                               |   |                   |         | Amt of Livermore       |       | 114.              |
|  |                               |   |                   | Sep 25  | 1 Bullock              |       | 8.                |
|  |                               |   |                   |         | 2 qrs. Beef            | 150   | 3.                |
|  |                               |   |                   | Octo 15 | 52 Hides               | 2.    | 104.              |
|  |                               |   |                   | 22      | Russian Bill           |       | 2000.             |
|  |                               |   |                   | 24      | 35 Hides               | 2     | 70.               |
|  |                               |   |                   | 26      | 18 do                  | 2     | 36.               |
|  |                               |   |                   |         | 5 qrs. Beef            | 150   | 7.50              |
|  |                               |   |                   |         | Sheep                  |       | 1.                |
|  |                               |   |                   |         | 1 Padlock              |       | 1.                |
|  |                               |   |                   |         | 1 Bbl Pitch            |       | 9.                |
|  |                               |   |                   |         | Amt. To Mellus Blanket | 12.   | 66.50             |
|  |                               |   |                   |         | Russian Bill           |       | 1000.             |
|  |                               |   | <u>\$ 3678.50</u> |         |                        |       | <u>\$ 3678.50</u> |
| Ex. O.E.<br>Yerba Buena Octo 30 1846<br>/s/ Henry Mellus |                               |   |                   |         |                        |       |                   |



## Appendix B: Leidesdorff's California



### Endnotes

<sup>1</sup> Norwich University Online, 'Historical Impact of the California Gold Rush', <https://online.norwich.edu/academic-programs/resources/historical-impact-of-the-california-gold-rush> (accessed 19 Dec, 2019). The term 'Forty-niners' was in general use in California by 1853. It distinguished those that had emigrated to California during the early days of the Gold Rush (in '49) from later arrivals.

<sup>2</sup> Ibid; Gerald D Nash, 'A Veritable Revolution: The Global Economic Significance of the California Gold Rush', *California History*, vol 77, no 4 (Winter, 1998–99), 287.

<sup>3</sup> W S Savage, 'The Influence of William Alexander Leidesdorff on the History of California', *The Journal of Negro History*, vol 38, no 3 (July, 1953), 322–32.

<sup>4</sup> Peter Gordon and Juan José Morales, *The Silver Way: China, Spanish America and the birth of globalisation, 1565–1815* (2017), 31, 39, 46.

<sup>5</sup> Ibid, 52.

<sup>6</sup> Ibid, 48–9, 54–5.

<sup>7</sup> Ibid, 60.

<sup>8</sup> Richard Salvucci, 'The Economic History of Mexico', accessed online at <https://eh.net/encyclopedia/the-economic-history-of-mexico/> (accessed 19 Dec, 2019).

<sup>9</sup> Ibid.

<sup>10</sup> Barry M Pritzker, *A Native American Encyclopedia: History, Culture, and Peoples* (Oxford, 2000). The use of the term 'Native Americans', rather than the erroneous 'Indians', as a designation for the indigenous peoples of North America has only become prevalent in recent decades. In the mid-19<sup>th</sup> century, native-born US citizens of European ancestry, particularly Protestants belonging to anti-immigration political parties, called themselves 'Native Americans'.

<sup>11</sup> 'Califolnia [sic] – No. 1.' *The Californian*, 22 August, 1846. This was Volume 1, No 2. The publisher complained in print that he was working with a typeset and press that the Spanish-language paper from which he obtained his equipment had left in disarray and disrepair. The paper often rendered the letter 'W' as 'VV', reflecting the type they had available. These and other California newspaper citations are from digitised images of California newspapers at the California

Digital Newspaper Collection of UC Riverside, <https://cdnc.ucr.edu>.

<sup>12</sup> Benjamin Madley, *An American Genocide: The United States and the California Indian Catastrophe* (New Haven, 2016), 29.

<sup>13</sup> Richard Henry Dana Jr, *Two Years Before the Mast* (1840).

<sup>14</sup> Larry Scheweikart and Lynne Pierson Doti, 'From Hard Money to Branch Banking: California Banking in the Gold-Rush Economy,' *California History*, vol 77, no 4 (Winter, 1998–99), 211.

<sup>15</sup> *Ibid*, Madley, 38.

<sup>16</sup> Juliet E K Walker, 'Racism, Slavery, and Free Enterprise: Black Entrepreneurship in the United States before the Civil War,' *The Business History Review*, vol 60, no 3 (Autumn, 1986), 343–82.

<sup>17</sup> W A Savage, 'The Influence of William Alexander Leidesdorff on the History of California,' *The Journal of Negro History*, vol 38, no 3 (July, 1953), 322–32.

<sup>18</sup> Michael Schoepner, 'Peculiar Quarantines: The Seamen Acts and Regulatory Authority in the Antebellum South,' *Law and History Review*, vol 31, no 3 (August, 2013), 559–86.

<sup>19</sup> William A Leidesdorff Collection, 1834–57, 1928, MS1277, California Historical Society, Manuscript Collection, San Francisco. Specific items cited are from Box 1, Folder 11, 'Miscellaneous accounts and other business records, 1834, 1843–1847'.

<sup>20</sup> *Ibid*, 'Quantity of Hides Received and Delivered, 1843'.

<sup>21</sup> 'Col. Mason and Col. Benton', *Weekly Alta California*, 10 May, 1849.

<sup>22</sup> 'Quantity of Hides Received and Delivered, 1843', Leidesdorff Collection.

<sup>23</sup> *Ibid*, cheque drawn by Thompson on Leidesdorff, 24 June, 1843.

<sup>24</sup> *Ibid*, Savage, 322–32.

<sup>25</sup> 'Canaca Jonny Boy. shipped Oahu the Decbr. 3d. 1844' Labourers Account, Account book, Leidesdorff Collection.

<sup>26</sup> John Ryan Fischer, *Cattle Colonialism: An Environmental History of the Conquest of California and Hawai'i* (Chapel Hill, 2015), 130.

<sup>27</sup> Dana, *Two Years Before the Mast*.

<sup>28</sup> *Ibid*, 9.

<sup>29</sup> Scheweikart and Doti, 'From Hard Money to Branch Banking,' 209–32.

<sup>30</sup> 'Wm A Leidesdorff To N. Spear,' account covering the period 24 March, 1845 to 21 August, 1847, Leidesdorff Collection.

<sup>31</sup> *Ibid*, 'W. A. Leidesdorff To W. H. Davis,' Ledger, June 26, 1847.

<sup>32</sup> 'MARINE INTELLIGENCE', *The Californian*, 12 September, 1846.

<sup>33</sup> 'Wm. A Leidesdorff to N. Spear,' entry for 2 October, 1846. A *fanega* was a Spanish dry volume measure. Frank Soulé, John H. Gihon, and James Nisbet, in *The Annals of San Francisco* (New York: D. Appleton & Co.) 1855, equated a *fanega* as reckoned in California to 2–1/2 English bushels, a volume of about 91 litres.

<sup>34</sup> 'Mr. William A Leidesdorff in Acct Current with Henry Mellus', Ledger, 30 October, 1846, Leidesdorff Collection.

<sup>35</sup> 'PUBLIC RECEPTION of Commodore Robert F. Stockton', *The Californian*, 24 October, 1846.

<sup>36</sup> For example, copy of letter from W D M Howard to B T Reed, dated [per] 'Vandalia, San Diego, 25<sup>th</sup> Jany 1846'.

William D M Howard Papers, Vault MS30, Box 2, Folder 3, California Historical Society.

<sup>37</sup> Cheque on Leidesdorff, drawn by Stephen Smith, Leidesdorff Collection.

<sup>38</sup> Scheweikart and Doti, 'From Hard Money to Branch Banking', 209–32.

<sup>39</sup> *Ibid*. Also, California 1849 Constitution, Article IV, Secs 34 and 35, <https://www.sos.ca.gov/archives/collections/constitutions/1849/>

<sup>40</sup> *Ibid*, Scheweikart and Doti.

<sup>41</sup> Letter from James King of William to George Peabody, 28 February, 1850. George Peabody papers, MSS 181, Box 29, Folder 8, Phillips Library of the Peabody Essex Museum, Rowley, Massachusetts. The singularly-named James King of William was a young banker in Gold Rush San Francisco. He later became a crusading newspaper editor, and his murder in May 1856 was the proximate cause of the organisation of the 1856 Committee of Vigilance in San Francisco.

<sup>42</sup> For example, Adams & Co memo to Van Guelder, agent at Coloma, signed by Van [Valkenberg], 24 August, 1854.

Adams & Co records 1852–54, BANC MSS C-G15 v2, Bancroft Library, UC Berkeley.

<sup>43</sup> James King of William to George Peabody, 31 March, 1851. George Peabody papers.

<sup>44</sup> Ruth Teiser and Catherine Harroun, 'Origin of Wells, Fargo & Company 1841–1852', *Bulletin of the Business Historical Society*, vol 22, no 3 (June, 1948), 70–83.

<sup>45</sup> *Ibid*, Scheweikart and Doti.

<sup>46</sup> 'Obituary', *California Star*, 20 May, 1848.

<sup>47</sup> *Ibid*, Savage, 322–32.

<sup>48</sup> 'California is now the world's fifth-largest economy, surpassing United Kingdom', *Los Angeles Times* (4 May, 2018), <https://www.latimes.com/business/la-fi-california-economy-gdp-20180504-story.html> (accessed 18 Dec, 2019).

<sup>49</sup> Natalie Kitroeff, 'Competitors are Eating into LA Ports' Dominance', *Los Angeles Times* (27 April, 2016), <https://www.latimes.com/business/la-fi-la-ports-competition-20160427-story.html> (accessed 18 Dec, 2019).

<sup>50</sup> Tami Luhby, 'Cash-poor California turns to IOUs', *CNN Money* (2 July, 2009), [https://money.cnn.com/2009/07/02/news/economy/California\\_IOUs/](https://money.cnn.com/2009/07/02/news/economy/California_IOUs/) (accessed 19 Dec, 2019).

<sup>51</sup> *Ibid*.