

## **4 Taxco – upswing and decline of the silversmith artisanship**

This section of the work describes in detail the development of the silver handiwork in Taxco. It presents important factors that influenced the development of this industry from the years of boom until a significant downturn. It will become clear that significant changes in the business model, sales structures and market players, the political course as well as external factors affected the silversmith business from its rise until its descent. As there are no detailed sources available to describe the situation today, this information was gathered by an empirical study, realized in Taxco. The results are presented in section 6.1 of this work, based on the influential factors, analyzed in the following historical review.

### **4.1 Historic background of the silver tradition in Taxco**

The beginning of artisanship in precious metals in the region of Taxco goes back to the prehispanic period. Then, silver mining and silver forging activities were reserved for tribute to the Aztecs as well as for creating jewelry like headdresses, pectorals and bracelets for their ruling class (Wilson-Powell, 2011). After the conquest of Mexico, the region of Taxco became a mining center under the rule of the Spanish crown. The first boom in metal extraction happened before the 17<sup>th</sup> century. However, the most important period occurred after the arrival of Don José de la Borda<sup>2</sup> in 1716. The amount of metals extracted by that time counted to the largest of the whole continent (Stromberg, 1985). Metals of different kind were extracted, whereby the extraction of silver was especially important, “accounting for eighty percent of the silver exported from Mexico to Europe and Asia by sea” (Wilson-Powell, 2011, p. 44). When the amount of extracted metals declined, Don José de la Borda left Taxco for better mining opportunities in Zacatecas, in the north of Mexico. Taxco experienced about two centuries of isolation where the principal activity was mining at low scale on an individual basis (Stromberg, 1985). The existence of silver in Taxco stimulated the tradition of silver forging at low scale using traditional and unsophisticated techniques separating the silver from other metals by using ovens of cedar wood (Castrejón, 2013). The production consisted of religious pieces for the churches and accessories for horse riding.

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<sup>2</sup> Don José de la Borda was a famous mine owner of Spanish and French origin, who came 1716 to Taxco. He found rich mines in Taxco and constructed the famous church Santa Prisca as a symbol of gratefulness (Taxco-Guerrero, 2014).

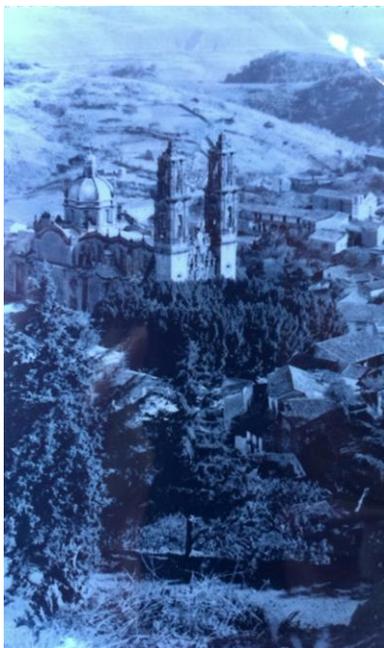
Moreover, in the nearby town Iguala existed a large tradition in producing gold jewelry (Stromberg, 1985).

#### 4.2 Spratling and the rise and fall of the big workshops

The beginnings of the famous silver forging history of Taxco came with the arrival of a North American professor and architect William Spratling in 1928. He was a man passionate about Mexico and Taxco, looking for a reason to stay (Castrejón, 2013). By that time, Taxco was a forgotten village of two thousand inhabitants.

Recognizing the latent potential of Taxco, Spratling saw his chance in creating an industry of silversmith jewelry. By using silver for jewelry production, he set a very new trend. Before that, only gold was used for this purpose, since it was of a much higher value. William Spratling opened the first silver workshop in Taxco in 1931, called *Las Delicias*, working with gold artisans from Iguala who taught young people from Taxco more sophisticated techniques of forging silver. This first workshop offered to the young people much greater opportunities than the declining mining activities (Stromberg, 1985).

**Figure 4-1: Taxco around 1930**



Source: Museo Historia y Antigüedades de Taxco, Guerrero, 2014

**Figure 4-2: Taxco today**



Source: Picture taken by the author, 2014

Spratling organized the workshop in a special way: There was a special hierarchy based on technical skills in the silver handiwork. The highest member in the hierarchy was the *patrón* or boss: William Spratling. He was in charge of producing new designs and positioning the produced jewelry in the market. Apart from the designers, the hierarchy was clearly based on technical skills. Thus, the second highest members were the *maestros* or masters. This position could only be achieved if learning all the different techniques of silver forging, specializing in one (Stromberg, 1985). The next position in the hierarchy was held by the apprentices who were taught in the art of silver forging (Castrejón, 2013). In order to become an apprentice one had to impress the workers starting at the bottom of the hierarchy as *zorrita* or office boy, cleaning up and buying materials or snacks.

This special hierarchy brought several advantages: It made it possible to teach a series of apprentices, since the silver handiwork could only be learned practically and empirically. Moreover, it promoted the most talented apprentices. Additionally, the manufacture remained competitive in the market, by using a kind of semi-industrialized production. Through the specialization in different techniques, the pieces were produced in different steps, dividing the labor. This encouraged a production at large scale. These two factors fulfil the basic criteria of industrial production. Nevertheless, it is important to note that in contrast to a typical capital intensive industrial production, the one at the silversmith workshop is labor intensive. This means that labor is the main investment, since production in the workshop consists of manual processes with many different sophisticated steps. Another difference to a typical industrial production is that instead of selling standardized products at large scale, the value of the workshop's production comes mainly from innovative, special designs and handiwork (Stromberg, 1985). In order to make production more competitive Spratling recognized that some production steps had to be industrialized, since the artisanal way was too expensive. For example, the separation of silver from other metals in the artisanal way was fifteen times more expensive than buying it at international prices. Furthermore, he introduced some machines, such as laminators in order to increase productivity, while keeping the final work artisanal (Castrejón, 2013). Thus, the system led to an increase in production, while assuring high quality standards and competitive prices. The value proposition of hand-made jewelry and special designs gave the

workshop, together with the organizational structure, a profitable business model, that allowed selling at favorable prices.

Special factors that contributed to the success of Spratling's workshop were:

- The value proposition of special designs, high quality and handiwork
- The efficient organizational structure of the workshop that guaranteed innovative designs, quality and competitive prices (Stromberg, 1985).
- Spratling fostered innovation in the workshop by introducing a yearly design contest between the silversmiths, which culminated in an annual silver fair that still exists (Wilson-Powell, 2011).
- Spratling's own capabilities as a designer and drawer and his control over the production, assured by the hierarchy and great leadership (Castrejón, 2013).
- Access to high potential markets, due to Spratling's very good connections in the intellectual society and uprising artist scene in important centers of the world, such as the United States, France and Mexico (Artificios. plata y diseño en México. 1880-2012, 2014). By inviting his friends to get to know Taxco and the silversmith handiwork, he successfully established distribution channels for direct selling while creating a trend for Mexican silver jewelry. Furthermore, he had the capacity to export to foreign markets like the US. In addition, the contact to the world artist scene provided him with a good knowledge of the preferences of his target market, which enabled him to create designs appealing to their taste (Castrejón, 2013).
- Creation of a reputation for Mexican silver jewelry through official channels and more personal collaborations (Wilson-Powell, 2011). Apart from Spratling's connections, attention by the international media and a major travel exhibition that opened at the Metropolitan Museum of Art in the United States in 1930, caused curiosity for Taxco and the silver handiwork (Diez, 2013; Wilson-Powell, 2011). Another driver of the curiosity for Taxco and Mexico was the publication of William Spratling's book "little Mexico" (Stromberg, 1985).
- Good profit margin, since the prices were defined for each piece and the margin had to be shared with no intermediaries (Stromberg, 1985).

**Figure 4-3: Silversmith workshop in the years of the beginning**



Source: Museo Historia y Antigüedades de Taxco, Guerrero, 2014

All these factors contributed to a large growth of the workshop and are the reason why William Spratling is seen as “the author who lit the fire of modern silver work” by his fellows, such as Antonio Pineda (Wilson-Powell, 2011, p. 46).

During the Great Depression, Taxco boomed (Wilson-Powell, 2011). The silversmith business profited from low silver prices, 15 Mexican pesos per kilo in 1931, and increasing tourism to Taxco (Castrejón, 2013). “Attracted by a favorable exchange rate and untouched colonial charm, it became a destination for celebrities of all stripes” (Wilson-Powell, 2011, p. 46). The visitors ranged from European royalty, movie stars and filmmakers to politicians and artists. Celebrities like the Rockefellers, Sergei Eisenstein, Maria Felix and Marlene Dietrich visited Taxco (Wilson-Powell, 2011).

In addition, the creation of touristic infrastructure contributed to the sharp rise in tourism. A new highway, connecting Mexico City with Acapulco, opened in 1931, passing through Taxco, providing it with better access to these important cities. Before that, Taxco could only be reached through a path without pavement. Furthermore, the opening of the highway stimulated the construction of full-service hotels for tourists in Taxco (Wilson-Powell, 2011). By the end of the decade, a great number of tourists came to Taxco, wishing

to buy silver jewelry. By that, Spratling had reached to establish a market in the United States for his pieces of complicated design and high quality (Stromberg, 1985). This kind of audience was admiring Mexico's success on "building an authentically national mode of art out of the turmoil of their revolution" (Wilson-Powell, 2011, p. 46). *Las Delicias* had grown extraordinarily and in the mid30s, it already accounted for 144 workers and a weekly production of 200 kilos of silver (Castrejón, 2013).

Nevertheless, in the mid30s, under the government of Lázaro Cárdenas, there was a rise in labor union organization, as mentioned in part 2.1. At that time the workshop experienced a decline in sales and the silversmiths had no work to do and therefore no income, since Spratling paid them per piece (Stromberg, 1985). They organized in a labor union and went on strike. Spratling responded by moving the workshop with half of its workers, those who had not joined the union, to the main square of Taxco where he had better access to tourism (Stromberg, 1985). Even if *Las Delicias* kept operating, the strike caused a change in the payment method of the workers and a payroll system was established, where salaries differed between different positions in the workshop, while the hierarchy did not change and Spratling kept being the *patrón* (Castrejón, 2013). It was then when some of his followers separated from *Las Delicias* and put their own workshops. Many of them even reached to outpace *Las Delicias* in terms of production and design (Stromberg, 1985). The new workshops belonged to world class names such as Antonio and Sigi Pineda, Los Castillos, de Ledesma, Borda and Hector Aguilar, amongst others. Part of their success was the adoption of the successful organizational structure of Spratling's workshop.

**Figure 4-4: Memorial of William Spratling in Taxco**



Source: Picture taken by the author, 2014

Another success factor was the recovering demand in the late 30s, when the threat of European Fascism spread and President Roosevelt fostered U.S. bonds with Mexico by a Good Neighbor Policy (Wilson-Powell, 2011). This led to an increase in US-Mexican collaboration and the workshops in Taxco experienced an enormous upswing during World War II in the 40s (Stromberg, 1985). On the one hand, they got many orders from big shops and wholesalers in the United States, since they could not get their merchandise from Europe anymore. On the other hand, the workshops benefitted from dog tag production for the US troops (Wilson-Powell, 2011).

While *Las Delicias* broke down in 1947, due to management problems by allowing foreign capital, the other workshops experienced further growth (Stromberg, 1985). This was the time of most creativity and innovation in Taxco with a continuously invention of new techniques and designs. Thereby the working context of the so called *talleres grandes* or big workshops, was the fundamental basis that let innovation flourish, since the organization provided the designers with all the needed materials and tools as well as the assistance of the silversmith masters (Stromberg, 1985).

After the Second World War had ended, the silversmiths in Taxco were preoccupied that the wholesalers and shops in the United States could return to buying from their European providers, but they did not. In 1940, there were already about 200 workshops and the income of the silversmiths was on the rise, outpacing the wages of other professions such as federal officials. Additionally, the creation of jobs was immense, stimulating Taxco's economy (Castrejón, 2013). However, in the 40s silver was rationed and became somewhat more expensive for the silversmiths. Besides, there were some cases of design copies, which threatened the business model based on design. William Spratling and others tried to convince the government to pass laws in order to protect their designs, without success (Castrejón, 2013). In addition, the Mexican government introduced three different export taxes on handcrafted silver in 1946, as part of the protectionist politics of that time that are explained in point 2.1. This caused the suspension of many orders from the United States and redirected the flourishing wholesale business with the exterior to retail selling in the local market (Wilson-Powell, 2011).

Nevertheless, Taxco's silversmiths were very successful in approaching the local and national market, and tourism to Taxco was thriving (Stromberg, 1985). Taxco especially

benefited from its great fame amongst the intellectual and high-society, whereby its location close to high-society Cuernavaca was an advantage. Many US Americans, especially artists, came to Mexico and Taxco during the McCarthy era, when many people were prosecuted and blacklisted by the anti-communism political course of the USA (Wilson-Powell, 2011). Low airfares increased this trend. Thus, despite of the restrictions on international sales, the Taxco workshops could expand their production during 1946 and 1955, due to the increasing tourism and growing sales in the local market (Stromberg, 1985). The famous silversmiths like Antonio Pineda also spent time entertaining their guests with parties and visits to their ranches. “[...] Taxco - replete with 150 silver shops – lived up to its reputation as the center of exemplary Modernist silver production [...]” (Wilson-Powell, 2011, p. 50). This sharp increase in sales to tourists, also led to an increase of silversmiths working extra shifts in their homes on their own account, reproducing the pieces they had learned to manufacture in the big workshops (Stromberg, 1985).

Unfortunately, in the mid50s the upswing was brought to a hold when, as a consequence of the development policies of President Miguel Aleman, in 1955 a new highway was opened that connected Mexico City directly with Acapulco, without passing through Taxco. Furthermore, as explained in section 2.1, the course of the government was to promote places for massive tourism such as Acapulco. Bad tongues talked about a corrupt deal, by opening that highway, and the President’s personal interests involved in promoting Acapulco. This diverted the tourism from Taxco, while its whole economy depended on the tourists. The reaction of some silver workshops was opening shops in other strategic touristic places like Mexico City. Furthermore, hotels and silver shops gave large discounts to tour guides in order to bring tourist groups to their places. The dependence on the tour guides became that high that the people of Taxco were talking about the *mafia de los guías* (Tour guide mafia).

The problem of decreasing sales was intensified in 1958 when the government opened a hospital in Taxco forcing the silver workshops to pay Social Security for all employees, even retroactively to 1956, as part of the politics of reaching a higher efficiency and coverage of the IMSS, explained in part 2.1. The combination of a weakened market and increased production costs, due to the Social Security payments conducted in an economic disaster for the workshops and many had to close or at least dismiss people. In addition, this situation led to a new labor union movement and a four months strike, which concluded in the shutdown

of many more workshops, also the biggest one, the *taller Borda* (Stromberg, 1985). The *patrones* preferred sending the workers home, letting them produce their designs from there in improvised small workshops. This was the beginning of a new type of workshop, *the taller familiar* or family workshop, a condition persisting today (Wilson-Powell, 2011).

The Castillo brothers tried to organize in a cooperative where the workers had a stake in the workshop. At first, the cooperative seemed to work and they were able to produce and sell. When suddenly the sales went down, it came out that the cooperative leader redirected the customer orders from the cooperative to his own workshop abusing of his power. Even if every member in the cooperative was supposed to be equal, the others projected to the leader the function of the new *patrón* and gave him certain autonomy and power in the decision taking, which was devastating. This phenomenon of the combination of authority and strong leadership and abuse of power, as part of Mexican culture, was explained in section 2.2 of this work. The Castillo cooperative broke (Stromberg, 1985).

#### **4.3 The family workshop - impoverishment of the artisanship -**

When the trend of duplicating designs from the former big workshops at home expanded, this set the tone for a radical transformation of the silversmith industry in Taxco. This process of transformation concluded in the year 1979. In 1974, family workshops already constituted two third of production. However, there were still about 8 to 9 large workshops with 15 to 30 workers and about 20 middle-sized workshops with 7 to 12 workers, representing the rest. In 1979 there were almost exclusively family workshops remaining (Stromberg, 1985).

This development was possible, because little capital was needed to establish a small workshop. Furthermore, many people had acquired the technical skills of forging silver in the big workshops (Stromberg, 1985). Moreover, the small workshops could produce at cheaper prices, since they copied the existing designs, which was less costly than sustaining a whole body of designers. The consequence for the silversmith industry was a loss of creativity, innovation and quality (Castrejón, 2013). More and more workshops were opening and migration from poor rural areas of the state of Guerrero to Taxco contributed to the abundance of cheap labor force. Not only *maestros*, but also everyone less skilled was opening a workshop, since there were almost no other employment opportunities around Taxco. Due to the lack of distinction in designs, they confronted fierce price competition amongst each other (Stromberg, 1985).

This was intensified by a change in the distribution system. While the profession of the silversmith was getting less profitable, trading with silver jewelry was on the rise (Castrejón, 2013). When previously the big workshops had their own shops and export activities, in order to sell directly to their customers, now the arrival of intermediaries dominated the market. The new customers of the small workshops were big wholesalers and independent shops that did not belong to any workshop and therefore did not share any risks of production. In contrast to the big workshop that had besides the profit goal a holistic few on the artisanship of a silversmith, promoting creativity, innovation and quality, the new intermediaries only were driven by profit with an interest in mass production. Thus, they were encouraging simpler designs that would appeal to a big mass market, since they were looking for a high number in sales in order to achieve rapidly return on investment. They were intensifying the price competition amongst the small family workshops, since those had no other alternative for selling their products, while the wholesalers had the capacity to distribute the merchandize to touristic places all over Mexico and even to export. In contrast, a lack of education, capacity and capital made the silversmiths dependent on the wholesalers as their clients. The fierce competition and the profit goal as the wholesalers' main interest came hand in hand with a decline in quality. The situation for the silversmiths became that bad, that prices were dictated by the market, which meant that often not even their costs were covered, and there was no or very low payment for their labor efforts. In fact, the development got that far that payment was often based on grams of silver, which means that their other costs were not covered by that price. Even if the silver accounts for the lion's share, many other costs need to be covered by the price:

- Variable costs:
  - Labor (hours of work per piece)
  - Quantity of silver and other metals used per piece
  - Quantity of workers that are employed for a special order
  - Labor of family members helping in the workshops
  - Pastes and acids to polish the pieces
- Fixed costs
  - Workers employed permanently
  - Social Security and revenue tax for employed workers

- Amortization on machinery

On the one hand, the imposition of the market prices affected the silversmiths. On the other hand, they clearly lacked administrative capacity to calculate the real prices of their products, since they did not include all cost factors, such as efforts of family members or amortization of machinery. This development led to a decapitalisation of many silver workshops, which was intensified by new payment methods like postponed checks and vouchers, dictated by the customers. Consequently, the silversmiths did not have sufficient capital to reinvest in new silver for further production. They were caught in a liquidity trap, depending on expensive credits or help from the wholesalers, who sometimes provided the silversmiths with materials in advance in order to dictate their price conditions for the whole production. It was a vicious circle where a lack of differentiation, a surplus in silver jewelry offer and the lack of alternatives, created a high dependence on the wholesalers, making the silversmith handiwork an unprofitable profession.

Instead of collaboration amongst workshops, the family workshops believed that they could earn more with their own business, mistrusting the others. Their preference was, instead of returning to be employee, to work on their own account, accumulating capital by employing others. Even though many of them would leave, copying the learned designs and techniques in their own homes. Thus, the silversmiths' efforts were solitary and all the family workshops had some characteristics in common:

- Small scale of production
- Localization of the workshop in their home
- Making use of the labor of family members

Moreover, some factors differentiate the family workshops:

- Amount of investment (for machinery, tools etc.)
- Number of family members helping and workers employed
- Grade of productivity

#### **4.4 External factors contributing to a difficult situation for the silversmiths**

In addition to the internal problems of the silversmith market in Taxco, some external factors encumbered the situation of the silversmiths. One factor was the access to their main input, the silver. In the years of politics with high state intervention, as mentioned in section 2.1,

the government still had the monopoly power on selling the silver. In Taxco there were two banks selling silver, only selling to registered workshops, presenting a good control mechanism for the government. Their monopoly power led to inefficiencies in the supply system and often supply was delayed, even if needed badly by the silversmiths.

Another important factor affecting the silversmiths was the silver price. Although since the discovery of a rich silver mine in 1976, Taxco was abundant in silver again, it had to be delivered to smelters in the north of the country for refinement. The price was defined by its daily quotation on the international market. Until 1970, there was a 25% discount for the silversmiths, as a government subsidy, which was abolished due to an uprising black market selling the cheaper silver to the United States (Stromberg, 1985). What hit the silversmiths worse than the price was its volatility that started to be higher since the 70s with a tendency towards a constant rise, as explained in chapter 2.2 (Stromberg, 1985; Macrotrends, 2014). When in the midst of 1972 the kilo did cost 550 Mexican pesos, it had risen to 1200 Mexican pesos in December. In the end of the year 73, the price was fluctuating tremendously on a daily basis, sometimes noting changes of 300 pesos in one single day. The high volatility of the prices made the silversmith business less calculable and the demand even more volatile, since silver became a less secure investment. Furthermore, it was more difficult to predict gains and losses, since the price of the production was established in advance. A special shock for the silver industry in Taxco was the silver crisis in 1979 when the silver price reached a maximum high of 36 000 Mexican pesos per kilo, as a consequence of illegal speculation, while the price before was around 5000 pesos. This crisis had enormous consequences for the silver artisans, their business stagnated and many of them had to leave Taxco, searching for occupation. Unfortunately, in Taxco there were no other options for employment. Because of the ongoing decapitalization process, the silversmiths had no capacities to absorb the shock. Nevertheless, there was the significant number of 3000 workshops remaining in 1980, in comparison with only a thousand in 1973. However, levels of production per workshop had decreased constantly since the increase in the silver price, to about 150 grams a week in 1979 in comparison to about one to two kilos in 1973. After the rise in the silver price, many workshops stopped using silver at all and changed to cheaper materials, such as copper, alpaca or brass (Stromberg, 1985).

Another external factor affecting the silversmiths of Taxco was a change in their target markets. Since the problems in the 50s, the tourism changed towards a middle-class national tourism. This target group travels with limited time and budget, which contributed to the trend of cheap mass production at low prices. The international market conditions changed mainly in the 80s. Apart from changes in the taste of the clients, the silversmiths of Taxco had to cope with uprising international competition, mainly from the United States, Japan, Italy, Spain and Germany, where silver jewelry was produced with machinery. Competition came also from Mexico City and Guadalajara as well as some countries from the Far East, such as the Philippines. Furthermore, there appeared to be a saturation of traditional ethnic Mexican designs in the market of the industrialized countries and a trend towards designs from eastern countries, such as India, Pakistan and Thailand as well as Peru and Western Africa on a lower extent (Stromberg, 1985).

Besides, further changes in the tourism sector in Mexico affected Taxco. In the 1970s, the government started to follow a more capitalistic course in order to develop the country, participating actively in the creation of new tourist resorts, as explained in chapter 2.1. The largest parts of government investment went into the touristic development of Cancun and the whole area of the state Quintana Roo, as well as Ixtapa-Zihuatanejo in Guerrero and later on to Villahermosa in Tabasco and Baja California. In addition, there were efforts of the private sector in order to develop parts of the northern coast of the Pacific Ocean. All these places were developed with direct access for massive tourism. Taxco was excluded from this political course. Moreover, it was strongly affected by a touristic boycott of the United States, caused by some declarations of the President Echeverría against Zionism. Taxco had changed from an international tourist attraction to a place for mainly national tourism, which increased in contrast to the international visits (Stromberg, 1985).

Although the volume of the silver jewelry commerce had grown constantly until 1974, in 1978 the commerce was experiencing a general drop. On the one hand, lower growth rates in the world economy, contributed to this drop. On the other hand, the competition from USA, Europe and the East took market share away from the silversmiths of Taxco. In addition, Taxco's local sales went down, since it became less competitive as a tourist destination (Stromberg, 1985).