

Merchant networks and the Brazilian gold: reappraising national abilities.

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**Leonor Freire Costa
Maria Manuela Rocha**

Lisbon – Technical University
Social Sciences Department - History

In 1737, the receiver-general of Cornwall stated that “now and for many years past the importation of Portugal gold coin hath been so great in Cornwall that very little specie of any other kind is to be with there” (Boxer, 1969: 469). In an institutional framework based upon a political economy that was essentially guided by the aim of accumulating precious metals, this flow of Portuguese gold coins to England exemplified the benefits of its balance of payments surplus with the Iberian peninsula in general and with Portugal, in particular. The question has been dealt with recurrently in the historiography on the subject and is particularly crucial for analysing the central importance of the markets of Amsterdam and London for the trading of precious metals in what, in the 18th century, was already a global market for this particular kind of goods (Neal, 1990; Flynn, 1996). As precious metals were being produced in the Iberian empires, which were protected by the systems of exclusive trade set up in order to counteract the free circulation of these same metals, the remark made by the receiver-general of Cornwall reminds the central importance of the English market. However, it also reveals the contradictions generated by the persistence of systems of colonial monopoly in the course of the making of a global economy¹.

The protection of economic spaces, an essential step for sustaining a fiscal system dependent on indirect taxation, together with the inclusion of these same spaces within a framework of international trade, gave rise to a tension that would make of illegal trade and smuggling an integral component of the growth of international trade

¹ For a survey of studies estimating precious metals flows and discussion on available data, see Barret, 1999 and Oliva, 2005.

during the Ancien Régime (Canabrava, 1944; Oliva, 2005; Pijning, 1997; Moutoukias, 1988). Although this theme has long been enshrined in the historiography of the colonial empires, it is still necessary to come down to the microanalytical level and seek out the business networks that sometimes opposed and on other occasions made profitable use of that blurred frontier between legal and illegal trade (Moutoukias, 1999).

Privileges were afforded to merchants within the context of rent seeking logics leading to negotiations between national economic groups and the State (Buchanan 1980; Ekelund and Tollison, 1997). However colonial monopolies did not remove the need for contacts with other entities that could be priority defined in cultural terms, which were the same entities that could best furnished the Iberian markets with goods to be re-exported to the colonies. So, the export and re-export circuits became the main factor behind the development of a “cross-cultural” trade that implied in the pre-modern economies what Philip Curtin has termed the “trade diaspora” (Curtin, 1984). Within this dynamics, there is room for identifying the institutions that regulated this encounter between culturally differentiated groups. It is therefore important to question the size and relevance of the networks gathering culturally heterogeneous groups and their sensitivity to issues involving trust and social capital.

This article brings together these two themes in order to consider the role of both merchant institutional framework and different forms of agency in a decisive period for the globalisation of the markets of precious metals. It considers the pattern of Iberian specialisation in which the re-exports of manufactures imported from various European centres served to maintain the trade with the colonies, although the institutional logic that granted a monopoly rent to the members of the national trading community was to be kept. The pursuit of this aim favoured the fragmentation of the flows that economically joined Europe to the South American spaces and consequently led to a separation between the groups linked to European trade, the so-called “foreigners”, and those groups that had a greater vocation for colonial trade, in other words those who enjoyed the status of being considered “native-born”. However, because of certain particularities arising from the restoration of Portugal’s autonomy from Spain in 1640, the participation of foreigners – more specifically the English – enjoyed much broader diplomatic coverage in the Portuguese case than it did in Spain. Therefore it is appropriated to question how these exceptions were exploited in the space of the South

Atlantic. Such a set of questions led to the discovery of culturally heterogeneous networks, responsible for the effective globalisation of the circuits.

As a hypothesis, it is considered that the formal barriers to the entry of foreigners in the colonial flows were effective in so far as they were reinforced by informal institutions, based on cultural or ethnic identity. Cultural and ethnic identity can reinforce the bonds of trust (Nee and Sanders, 2003). Since foreigners formed less extensive groups in host “societies” and subject to greater legal constraints when dealing with colonial South America, trust was a scarcer resource amongst them. In this article, it is questioned to what extent this cultural division required specific forms of agency.

The institutional logic underlying the colonial monopoly encouraged a conflict of interests between those groups that were protected by the colonial pact and those that found themselves legally excluded from it. Any economic system functions according to the rhythm dictated by the tension between what has been instituted and those interests that operate on the fringes of the utilities expected from such an institution. In fact, as far as trade with South America was concerned, and probably even because of the conflicts arising between the Iberian States on the River Plate, the frontiers of illegality were flexible and allowed for different levels of violation (or rather different levels of interpretation of what was effectively fraud or violation), whether in the eyes of the State or in the narrow view of the private agents involved. In this world of blurred boundaries between legality and illegality, smuggling was just one of the possible and most extreme forms of violation. In this context, it was even possible that amongst certain multicultural networks the State should find the best means for defending the colonial monopoly. The main aim of this article is to make these networks visible.

Section 1. Dealing with foreigners

In the 18th century, Lisbon and Cadiz re-established their position as the main trading centres for products originating from South America. If, during the last quarter of the 17th century, sugar from Brazil had ceased to dominate international trading circuits, thereby plunging the Portuguese Atlantic empire into an economic crisis, the outbreak of mining activity aroused the colony from this lethargy and relaunched the economy on an entirely new basis. At the same time, the diplomatic negotiations imposed by the circumstances of the war of the Spanish Succession reinforced Lisbon’s

position in international trade circuits by forcing Portugal to align with England and Holland. The signing of treaties with England in 1703 (May and December), set the seal on an old alliance and made it possible, at the beginning of the 18th century, to guarantee the entry of manufactured products through the Portuguese customs under advantageous fiscal conditions, as well as to provide a trading outlet for Portuguese wine. Thus, both the colonial economy, reinvigorated by the new “cycle of gold”, and these diplomatic negotiations succeeded in once again placing Lisbon firmly on the list of capitals that were highly attractive for the setting up of trading houses. At the same time, Portugal was placed within the orbit of English interests, as was constantly underlined by contemporary documentation drawn up by foreign observers, and as many studies of recognised importance have also sought to illustrate (Fisher, 1984; Sideri, 1978; Macedo, 1966 and 1982; Martins, 1990; Cardoso *et alii*, 2003).

Lisbon had slightly less than 200,000 inhabitants at the end of the 18th century, which, in terms of the Portuguese urban structure meant that between 6% and 7.5% of the Portuguese population lived there. This was an exceptional proportion in the European context, comparable to that of London and exceeded only by Amsterdam (Pedreira, 1995:54). Porto was another of the Portuguese cities that recorded a high rate of growth in the 18th century because of the special concessions afforded to Portuguese wine under the terms of those treaties signed in 1703. For this reason, the convoy system that governed the sailing to Brazil not only reinforced the centrality of Lisbon as the port from which the escorted fleets set sail and arrived, but it also justified the fact that many of the large trading houses, both foreign and Portuguese, integrated the two cities in the foreign trade circuits.

In the 1770s, there were 450 to 500 Portuguese merchants and roughly one hundred and fifty foreign trading houses (Pedreira, 1995: 127). Unlike their Spanish counterparts, Portuguese merchants lacked a formal institutional representation. The *Consulado* of Lisbon created during the Habsburg period (1592) was short lived. Although extinct in 1605, the tax that had been raised for its maintenance remained. So, in the 18th century Lisbon, the Portuguese merchant community might be missing the positive effects of this kind of representation in what concerned transaction costs decrease (Ibarra, 2000)².

² This particular short lived outcome of the Habsburg consular experience in Portugal has been neglected by the Portuguese historiography. The reforms of Marquis of Pombal, who created the Junta do Comércio, deserves a new appraisal considering its similar features to that Spanish institutional

The presence of foreigners was more marked in Lisbon than in Cadiz, where half of the merchants were foreign, most notably French (Pedreira, 1995: 129). But these figures provide no further information about the prosperity of their respective businesses. Furthermore, the balance of English trade in Lisbon was twice as favourable as the balance of trade with the city of Cadiz (Christelow, 1947: 17).

Although the diplomatic framework does not fully explain the structure of Portuguese foreign trade – the exportation of wine and colonial products and the importation of manufactured goods – the consequences of the War of the Spanish Succession have to be taken into consideration in assessing the importance that the English community acquired in the social space of any of the main Portuguese cities (Fisher, 1981 and 1984). The ambassador Lord Tyrawly guaranteed Newcastle in a letter written in 1752 that “a great body of his Majesty’s subjects reside at Lisbon, rich, opulent and every day increasing their fortunes and enlarging their dealings” (Lodge, 1932: 225).

With the first half of the 18th century representing a genuine “golden age” for English trade with Portugal, the organisation of this community into a factory did, however, have its origins in the 17th century. The war fought for the restoration of Portugal’s independence from Spain had resulted in the establishment of ample privileges through the treaties of 1654 and 1661, which had taken on even more wide-reaching economic overtones and perhaps acquired more important long-term implications in 1703. Despite the longstanding nature of this Portuguese-British alliance and the profuse diplomatic documentation describing the economic power of the members of the Lisbon and Porto factories, the data available for establishing the true size of this community are scarce and rather imprecise (Fisher, 1981: 24). Around the time of the earthquake in 1755, a list of English residents in Lisbon contains the names of 155 merchants and 165 people whose activity involved either services or the retail trade (innkeepers, carpenters, tailors or shoemakers). Besides these two groups, with their clearly differentiated occupations, there was mention of 13 widows of important merchants and 15 people without any occupation related to trading (Shaw, 1998: 54). It is known that not all the members of the community enjoyed the rights established in the setting up of the factory, so that the number of Englishmen in Lisbon could quite

framework. For new readings on consular issues exploring transaction costs approaches following Douglass North contributions for Economic History, Hausberger and Ibarra, 2003.

easily have gone well beyond the numbers suggested by that census. Lord Tyrawly informed London that there were 2000 subjects of His Majesty the King of Great Britain and Ireland living in Lisbon in 1732 (Boxer, 1969: 465).

Eligibility for membership of the factory depended on the quantity of goods imported and the reputation of the applicant, qualifications that mutually reinforced one another. In turn, being made a member of the factory house had symbolic meaning and broadened the spectrum of relations that were essential for business (Shaw, 1998: 63). Therefore, the factory became an important medium for the transformation of economic capital into social capital³. The ultimate aim of this increased social capital was not, however, naturalisation or the establishment of more permanent roots in the host community, for the general rule seems to have been for these merchants to return to their native land. When they returned to England, they retained the status of being members of the factory and their business links with Portugal were maintained. In effect, the group maintained its corporate structure even when in England. “The Portugal Merchants” was the name by which they were identified in England and they regularly acted together as a lobby in their representations to the Board of Trade. In turn, the relations of the English factory with the State in Portugal owed much to the skilful representations of the consul general at the Portuguese court. Also essential was the good nature of the “judge protector”, a position that was bestowed upon a Portuguese jurist who served as the institutional link between the factory and the administration of both the central power and the Lisbon customs. In the mid-18th century, even before the administration led by the Marquis of Pombal, the minister of the king Dom José I, became known in diplomatic circles for its threats to a faction within the English factory, an attempt was made to destroy the prosperity of the factory (Maxwell, 1973 and 1999). A judge protector was appointed to make difficult for the English merchants to engage in dialogue with the customs agents, since, for the first time in several decades, the appointed judge Inácio da Costa Quintela, did not combine this position with that of the magistrate (or judge) of the Lisbon customs (Shaw, 1998: 87)

There is a lack of studies dealing with the Dutch community, which was also granted the same privileges as those afforded to the English under the War of the Spanish Succession, through a treaty signed in 1704. But the French observers, who

³ As for social capital as a concept dependent on resources embedded in social networks, see Lin, 2001.

were always alert to the potentialities of the Portuguese market for providing them with identical privileges, painted a picture of Dutch trade in the first half of the 18th century that showed them to be in some difficulty in view of the competition that they faced from English manufactures. In fact, the only merchants of Dutch origin that were firmly established in the flows of colonial trade and the wine business were people who had long been settled in Portugal, such as, for example, the Van Zeller and the Pedroseem families (Schneider, 1980:133)

Although not very extensive, the French community displayed clearer internal divisions than the English community, which also experienced internal fractions that Lord Tyrawly saw as sign of different trade strategies. Amongst the French merchants only a limited rank, that of the elite, could be compared with the English in terms of the volume of trade which they enjoyed. From amongst the 34 or 35 houses that existed around the time of the earthquake in 1755, only 5 or 6 had any real importance (Labourdette, 1988: 459 and 498). The limited entrepreneurial capacity of the French citizens resident in Lisbon was in some way due to the nature of this migratory movement, which was quite different from that of the English. This fact took on a political dimension, for it was highlighted by the French diplomatic authorities as being a factor for the mediocre volume of the trade between Portugal and France. Within a framework of relations in which Portugal appeared as the supplier of precious metals, the mediocrity of the Portuguese-French trade simply meant that France was not exploiting the potentialities of that trade diaspora. As a remedy, attempts were made to encourage the emigration to Portugal of merchants with greater wealth (Labourdette, 1988: 498). In fact, contrary to the normal practice amongst the English, who came to Lisbon because in this way they could broaden the geographical scope of a business that was already established in England, most of the French residents in Portugal belonged to fairly modest social strata. They would begin their activity as workers and only after amassing some capital did they have the capacity to engage in mercantile practices, and consequently they did not reach very significant levels in their business (Labourdette, 1988: 478-490).

This characteristic of the French community also explains the ease with which they became integrated into Portuguese society. Without the financial possibilities to return to their country of origin and being relatively young emigrants, the French tended to marry Portuguese women, which was the main avenue leading towards integration. Since, under French law, children born of mixed marriages were not considered to be

French, their integration took place rapidly, in the space of only one or two generations (Labourdette, 1988: 573).

Such a pattern was different from what was the norm amongst the upper strata of this French community. The Ratton family is a good example of this, although in the second generation there was some political interest in being naturalised Portuguese. Jacome Ratton settled in Portugal shortly after the birth of his son, baptised with the same name, in 1736 in a town in the Dauphiné. Leaving his child with his grandparents in France in order that he might study there, Jacome Ratton emigrated to Portugal, following the example of his brother-in-law, by the name of Jacome Bellon, who already had a house in the Portuguese city of Porto. However, Jacome Ratton diversified the geographical scope of the business in Portugal and settled in Lisbon, where he formed a partnership with his brother-in-law, who had remained in Porto. Jacome Ratton junior arrived in Portugal through the intermediary of his uncle, who went to fetch him from France. He was then to continue the family business after his parents and his uncle and aunt had returned to France (Ratton, 1992 [1813]).

The Ratton family and their relatives, the Palyarts, were amongst the few families in the French mercantile community with a level of investment in Portugal that was comparable with that of most of the English. Both of these families caused their children to study in their country of origin and planned their return to France, reproducing a model that was highly encouraged by the French crown, since on their return it was expected that they would lay the foundations of transnational networks (Labourdette, 1988: 614) based on familial ties which could be used as protection against risk (Mathias, 1995). In fact, Jacome Ratton senior returned to France, but only after he had guaranteed the marriage of his son to Ana Isabel Clamous. This marriage was to make the son, Jacome Ratton junior, the brother-in-law of Mr. Darot, a wealthy Lisbon merchant, and the son-in-law of the French honorary consul in the city of Porto. In preventing their children from marrying Portuguese citizens, the Ratton family established a difference between the strategies of the upper stratum of the French community and those of the lower ranks.

In analysing the systems based on trade diasporas, stress should be laid on this tension between mechanisms and interests that encouraged integration and mechanisms and devices that were opposed to this, for diaspora merchants needed contact with their hosts, but they also needed to keep their distance and enough of their original culture to serve as brokers (Curtin, 1984: 11). Mention should, however, be made of the fact that

certain forms of self-segregation – particularly those resulting from the choices made in the matrimonial market – reflected the heterogeneity of the interests and strategies of the foreign communities, whilst also mirroring the hierarchies within a group of similar people. For this reason, identifying business strategies on the basis of merchant nationality conceal certain traps that will be discovered later on in this paper. Whatever the case, such mechanisms of self-segregation helped to associate the foreigners and the trade diaspora with a specific service, arising from their access to markets that most Portuguese merchants did not have access to. In turn, the logic of the colonial monopoly rent presupposed difficulties for the infiltration of these brokers into Brazil.

Thus, the distribution of European goods in the Portuguese market was guaranteed by the foreign communities, who organised their networks and agencies in such a way as to respond to demand in Portugal, which was subject to the seasonal pace of Brazilian fleets. A substantial part of imports, namely English baize cloths, were re-exported to South America and amongst the foreign communities, it was known that it was essential to afford credit to the Portuguese merchants in this system of trade. Little is known of the way in which credit practices for these colonial markets were operated in Portugal. All that is available is some qualitative information, originating from England, which tells of the importance of these lines of credit for guaranteeing the services of a clientele that would then take charge of the other part of the circuit of distribution in Brazil (Boxer, 1969: 459; Maxwell, 1973:8). If many of these goods that were then transported in the fleets were bought on credit in the markets of Lisbon and Porto and if, in the view of the English agents, trade in Lisbon did not have an opportunity cost that was higher than in Cadiz (Christelow, 1947: 4), then it is quite likely that in Portugal the organisation of business did not differ greatly from the one that was practised there, with the application of the rules of credit in the form of maritime risk, in which interest rates surpassed 30% (Garcia Baquero Gonzalez, 1988: 483 and 521-523).

The interest charged on the provision of credit was one of the forms of ensuring the profitability of the deals reserved for these foreign groups of brokers. Another of their possible sources of remuneration was the collection of commissions. Furthermore, English sources draw attention to the fact that many of those who were initially designated as factors, residing in Lisbon and only responding to the orders and instructions of their superiors residing in England, found opportunities to branch out

autonomously into other business, namely re-exporting to other parts of Europe the goods that the Portuguese imported from Brazil (Fisher, 1981:28).

Information produced by foreign communities in Portugal therefore characterises the business controlled by Portuguese merchants as being limited to the circulation and distribution of goods in the Portuguese territories in the south Atlantic. This segmentation of markets was also, at the same time, a clear expression of culturally identified barriers. In the eyes of Jacome Ratton, who once he had reached the age of 14 was brought to Portugal to continue his father's business, the Portuguese had habits that were insupportable for foreigners. For the latter, it was inevitable that Monday and Tuesday should be set aside for going to the market or for staying in their offices, for it was on those days that the exchange rates were regulated and bills of exchange were negotiated with foreign markets. On Tuesdays, until three o'clock in the afternoon, this was the period of the week for sending mail overland to northern Europe and Italy. In these urban spaces for the control and management of information, the Portuguese regularly failed to appear, for they found such hustle and bustle alien to their business since they dealt only with the demands of their trade inside Portugal itself and in the colonies (Ratton, 1992 [1813]: 213). Such specialisation resulted in the fact that few of the Portuguese merchants were conversant with double-entry bookkeeping and the three who had mastered this skill were members of rare multinational companies, formed through an association of Portuguese and foreign capital: "Bandeira e Bacigalupo"; "Ferreira e Bom"; "Emeretz e Brito" (Ratton, 1992 [1813]: 202). Beyond these, the well-known merchants with surnames such as Jorge, Palyart, Despies, Van Zeller, Crammer, Vanpraet or Clamous, undoubtedly knew the techniques of double-entry bookkeeping and were "well versed in weights, measures and foreign currency", but this fact was due to their being the children of foreign parents "who had ensured that they were educated outside the country" (Ratton, 1992 [1813]: 203). In Brazil, later on, when the Portuguese royal court established itself in Rio de Janeiro, an English visitor was surprised by the carefree style of the Portuguese merchants, who were always ready to waste time in conversation in the streets, instead of concentrating their efforts on dealing with the business of buying and selling merchandise. However, this was perhaps one of the particular advantages of the group of Portuguese merchants, for, under this system, the essence of competition in the market was to be found "in who could make the best connections" (Pijning, 1997: 214). These were contacts and knowledge that

could be of critical importance when one wished to set up an agent in those areas of Latin America that afforded access to silver.

The relevant role played in the import trade by Lisbon foreign communities is proved by custom-house documental records considering the payment of the “consulado” tax of 3% charged on the value of imported goods. It must be noticed that the colonial goods that had entered the country through the Casa da Índia, including those that originated from Brazil, were excluded from these records. An exception was made in the case of slaves that were brought to the city for domestic use.

Table I – *Consulado* tax (1751): customs-house of Lisbon

	No. of agents	%	Tax (in reis)	%
Foreigners	394	28.20	36171782	71.5
Portuguese	964	69.20	11467185	22.7
Unknown	36	2.60	2929009	5.8

The importance of the trade controlled by the foreigners is clear in the table and requires no further commentary. Above the average figure was a group of 126 importers responsible for a subtotal of 443.321.311 réis (85.6 % of taxes). Amongst this more restricted group were 33 Portuguese. The remaining 88 foreign merchants paid 88.6% of the taxes levied on imports controlled by the foreign group. The Portuguese were therefore left with business that was frequently limited to paying the taxes on black children brought to the city from Brazil or whenever there arrived in Portugal one of the slave ships that frequently came from Brazil on a voyage in ballast (without cargo on board).

The data drawn from one year at the Lisbon customs allow us next to assess the level of effective social segmentation between European and colonial flows. They immediately make it possible to identify some merchants, with the appearance of names such as Palyart, Ratton, Benjamin Branfill, a future member of the board of the Bank of England or Philip Jackson, with assets in the South Sea Company (Sutherland, 1933: 25 and 39). Although it is not surprising to note the overwhelming presence of the English community and its links with those organisations that played a critical role in the finances of the English state (for the South Sea Company, Neal, 1990: 94), it is worth underlining that the most important Portuguese agent, by the name of Alberto Borges, dealt with the importation of wool cloth and other English textiles. Along with him,

there were others, albeit in a minority, who demonstrate the capacity of some Portuguese trading houses to control the flows of imported goods. Anyway, the data point to a level of considerable concentration (a Gini index of 0.76) and a picture is drawn here of a specialisation that had in fact made those cases an exception. So, this particular foreign presence, whose importance is shown in the table I, only confirms that “trade diasporas” in the European space were an essential mechanism for sustaining colonial trade, since the networks that were built upon these diasporas supplied the Portuguese market with goods that were shipped in the fleets setting sail for Brazil.

There is no room for identifying the factors for Portuguese to adopt the position of hosts instead of themselves being hosted in European markets, as was the case throughout the 17th century. Several decades ago, Fernand Braudel suggested that the direction of these migratory flows indicated economic hierarchies. If the supra-regional trade routes were activated by orders being issued from within the import market, it is not surprising that the direction taken by this trade diaspora should be associated with the capacity to grant credit to the distribution of the imported goods.

Precious metals arrived in the proto-industrialised centres of Europe given these lines of credit and the unavoidable surplus of the balance of trade with Iberian states, whose political authorities were not unaware of this fact. The measures taken to consolidate the development of manufacturing were part of a package designed to counteract such a drainage of resources, but they are outside the scope of this paper. Above all, it is important to stress that, because it was a forbidden practice, the exportation of precious metals had its own particular rules. Contemporary observations upon this matter, namely the profusion of news in international gazettes about these clandestine flows, highlight the ambiguity of the normative universe of the economy of the Ancien Regime. Illicit flows, taking place in the fringes of what was legally permitted, had their own informal institutions, where decorum and discretion were meant to be the order of the day. The ambassador Lord Tyrawly condemned the indecorous manner in which any English ship that entered the port of Lisbon, namely cod-fishing vessels arriving from Newfoundland, sought to arrange a charter in the transport of gold coins. For the ambassador, this undisguised form of smuggling, frequently accompanied by truculent and arrogant behaviour, stained the reputation of the community: “indeed if there was no other method for us to send it home, it would be right, but we have our packets that go constantly and merchant-men that usually attend Lisbon trades, that are fully sufficient to carry our balance home”. And, “both these

have their plausible pretence of coming here, the packets with our letters, the merchantmen with our goods; besides that the officers and the sailors of these are so acquainted with the nature of the place that they know how to go about this business privately and discreetly". Even amongst the merchants of the English factory, there was a lack of appropriate discretion. The ambassador was surprised by the behaviour of certain merchants who spoke publicly of the cash that they had embarked on ships setting sail for England, "as little secrecy send it on board as they do a chest of oranges" (Boxer, 1969: 466-468). These improper displays of ostentatious behaviour gave rise to imprecise information that began to circulate in the press (Boxer, 1969: 468) and, for this reason, there may have been a surprise when, in 1769, the minister Lyttleton and the Board of Trade undertook a detailed review of the balance of Anglo-Portuguese trade for previous years and discovered that both the volume and the surplus of the English balance of trade had been regularly exaggerated in the popular mind (Christelow, 1947: 17). Even so, the trade with Lisbon remained the most promising avenue in terms of access to precious metals. Because not only was it the outlet for Brazilian gold, but it also enabled Spanish silver to arrive in the port through the networks that had been formed in the city.

Section 2. Solving agency problems

The role played by the foreign communities in satisfying the Portuguese demand for foreign goods, forging closer links between their members and their respective countries of origin, was demonstrated earlier with the analysis of the customs data. However, there is a clear need for a reappraisal of this segmentation between the European and colonial markets in view of the diplomatic framework inherited from the period of the war fought with Spain as a result of the restoration of Portugal's autonomy from 1640 onwards. The English were given permission to charter ships that formed part of the Portuguese fleets, as well as to maintain four permanent trading centres in Rio de Janeiro and Baía and to have consuls in these same places. Similar freighting concessions were also achieved by the Dutch with the treaty of 1641. But the later conflicts between the Netherlands and Portugal meant that these advantages could not be made use of (Mello, 2001). The rules of the Portuguese monopoly over colonial trade contained yet another feature that clearly distinguished it from the Spanish system: the absence of any restrictions on participation in the flows of colonial trade through the use

of the fleets sailing between Lisbon and the Brazilian ports, a guarantee that was given to foreigners of any nationality. This possibility prevented the occurrence of what was happening in the neighbouring country of Spain, where the participation of non-nationals had to be undertaken in a dissimulated fashion, through the well-known recourse to the services of cover-men, or through slower processes of naturalisation (Christelow, 1947; Garcia_Baquero Gonzalez, 1988). Such a facility has not been afforded the necessary attention on the part of Portuguese scholars, who have been concerned, above all, with demonstrating the segmentation of the trade circuits (Pedreira, 1995).

Nonetheless, one cannot overlook the importance that participation in the flows of Portuguese colonial trade had for foreigners and the possibility that was enjoyed by the English of having agents of their own nationality operating in Brazil. The keen reaction shown by the English factory when this latter privilege became under threat is a clear sign of the interest in maintaining English merchant residing in Brazil. In fact, the discovery of the gold mines and the intensification of trade caused the Portuguese crown to take successive steps towards limiting the access of foreigners to the colonial market. Included under this objective was the ban on English ships from joining the Portuguese fleets, a measure that, despite the protests, was nonetheless carried through. In keeping with the same aim, the crown ordered the expulsion of the English citizens that were resident in the colony, bringing an end to the concessions that had been awarded under the treaty of 1654 (Pijning, 1997, chapter 1). The serious protest set in motion deserves to be highlighted.

In 1716, the English merchants in Lisbon underlined the need to guarantee their agents presence in the colony because of the expected advantages from their trade, consisting on a commission (generally 10%) on the sale of products (Boxer, 1969: 462). The main reason for the vehement protest stemmed from agency problems which involved an added risk. The geographical distance between the merchant residing in the metropolis and his agent in the colony (who was responsible for taking important decisions on behalf of the principal), presupposed a close relationship of trust in the sense of minimising the risks of moral hazard that were frequently incurred by the agent. For the English merchants, the fact that their agents in the colony belonged to the same nationality and cultural context was an essential condition for ensuring that the trust between principal and agent was based on greater guarantees. As they said, “(...) we have often experienced great inconveniences by trusting our own and our friends’

effects in the hands of Portuguese Factors in the Brazils, who by reason of the distance of the place (which hinders our sueing them by law) render accounts of our effects when and how they please” (Boxer, 1969: 462-3).

Trust and reputation may be crucial cultural believes for dealing with agency problems. The risk of moral hazard was common to all merchants that had to delegate powers to others, who were necessarily afforded a considerable amount of autonomy (Ensminger, 2003). Decisions about the conditions of sale, the granting of credits and the collection of debts were constantly demanded of those in the colony who were responsible for selling goods, which in most cases were dispatched on commission (Alden, 1975; Donovan, 1990: 316-7). However hard the principal tried to exert control over his agents, the latter had plenty of opportunities to turn their stay in the colony to their own benefit. For the principal, the risk was high. Therefore the need for trust which was a scarce resource for foreigners, especially after being expelled from the colony⁴.

The French consular representatives could see the advantage of being afforded identical conditions that once the English enjoyed. The importance of having national citizens resident in the colony was stressed by the consul in 1713 and again in 1715. In this year Jacques De Vienne, a merchant who had been active in Lisbon for 7 years, was given permission to set up in business in São Salvador da Baía. Here he acted both as an agent for his brother, who had remained in Lisbon, and as the French vice-consul (Labourdette, 1988: 155-7). Although he experienced great difficulties – the authorities in the colony constantly threatened his right to stay and he ended up being expelled in 1721 – this episode illustrates the importance for foreigners of having a form of agency based on agents of the same nationality, since personal intercourse and knowledge would decrease the costs of gathering accurate information on the reputation of the agent (Greif, 1998).

However, despite their efforts, the aspirations of the foreign trading communities were not realised. The action of the Portuguese crown, which was marked during the first half of the 18th century by the systematic imposition of restrictions (without, however, calling into question the principles and privileges that had been established in the treaties), ended up achieving positive results. According to the study by Ernst Pijning, the “passive resistance” of the Portuguese central power meant that foreign

⁴ For the difference ways of solving agency problem according to cultural believes that contrasts collectivists to individualist *societal* organizations see, Greif, 1998.

merchants were obliged to negotiate with Brazil by using Portuguese merchants as their intermediaries. This idea was already made explicit by Boxer, “(...) by about 1730 at any rate, the British merchants at Lisbon and Oporto were trading to Brazil mainly if not entirely through Portuguese merchants resident there, as is implied by a number of scattered references” (Boxer, 1969: 464). It is however worth noting that differences arose between Portuguese resident agents in the colony when connected whether to foreigners or to Portuguese merchants in Lisbon.

The interest shown in ensuring participation in the colonial trade and guaranteeing the presence of trustworthy agents in Brazil contradicts the traditional idea of worlds that were compartmentalised at the level of European and colonial trade. It is therefore important to investigate how the possibility of legal insertion in the flows of trade with Brazil was made use of and the forms of agency that such insertion gave rise to. Such an approach is made possible by the reading of the *Livros de Manifesto*, the records of the gold that was legally transported from Brazil, which were surveyed at the Lisbon Mint after fulfilment of the appropriate formalities⁵.

During 1751, the year when the fleet from São Salvador da Baía was not included in the records, remittances of gold arrived from Rio de Janeiro and Pernambuco destined for 1852 recipients⁶ amounted to 3.143.726\$218 réis. Amongst those 1852 recipients there were 126 (6.8%) foreign names⁷. The value of the gold received by the latter group corresponded to 4.6%. A close analysis of the distribution of the values of the remittances amongst all the private agents (Costa, Rocha, 2006) highlights two central aspects: a) the extremely scattered distribution of small amounts (75% of recipients received 25% of the overall amount withdrawn from the Mint); b) the concentration of the remittances in the hands of a restricted group of agents (229 agents – 12.4% – received 57.4% of the gold). Within this restricted group of agents, which, for the sake of ease, we can refer to as the ‘elite’ of the recipients of gold, are to be included 13 foreigners, or, in other words, the overwhelming majority of non-

⁵ For information about the characteristics of this source and their potentialities for analysis, cf. Godinho, 1950; Boxer, 1962; Russell-Wood, 1983; Costa, Rocha, Martins, 2002.

⁶ A number that excludes the remittances destined for the Crown and those private agents (84 recipients) who are not identified by name in the source. The amount of gold shipped in these two fleets reaches 3.782.915\$540 réis (£ 1.024,347) (3,693 réis=£1). For different estimations of gold arrived in Lisbon, which take into account different documental sources see, Pinto, 1979, and Morineau, 1985.

⁷ All those who did not have a Portuguese name were identified as foreign agents. Some of these are known to have become naturalised as Portuguese.

Portuguese merchants received amounts of gold that were below the average value of the remittances⁸.

Therefore, there was a fringe group of merchants that was to be found in all the trading circuits, linking the European and the colonial markets. However, the vast majority of transactions with Brazil were in the hands of the Portuguese merchants, just as the control of the trade with Europe largely belonged to foreign merchants. The social segmentation of these global flows suggests that cultural differences contributed to reinforce the political aim of keeping the foreigners out of the colonial monopoly, albeit the group that linked the two spaces together was essentially composed of foreigners. In fact, there were some rare cases of Portuguese merchants belonging to the Lisbon customs “elite” who also took part in Brazilian trade. Alberto Borges, the largest Portuguese importer of European goods at the customs, was the paradigmatic example of this situation and he too, just like most of the foreigners, did not belong to the list of the “elite” of the recipients of gold.

It should be stressed that the smaller amounts of gold received cannot be understood as a synonym for weakness in trading with Brazil. Highly valuable cargoes were sent to the colony and sold there on credit to a wide range of merchants, who reimbursed the creditor in so far as their own business allowed them to do so. In fact, the whole system of trade was based on a cascading chain of credit, much of which was difficult to recover, as the main creditors frequently complained (Alden, 1975). Feliciano Oldemberg, born in Hamburg, who arrived in Lisbon at the age of 19 and was then employed as a clerk by foreign merchants, was a case that clearly illustrated the economic rise and subsequent integration of foreigners into Portuguese society. He highlights as well the participation in colonial trade by shipping highly valuable merchandise, whose reimbursement involved the sending of small amounts of gold distributed amongst the different fleets. The list of Oldemberg’s debtors clearly illustrates this situation⁹.

Whether involving smaller or greater amounts, there is no denying the presence of important foreign merchants shipping their capital in the Portuguese Brazilian fleets. It should be questioned if the forms of agency adopted by these foreign merchants

⁸ An analysis of the remittances of gold that arrived in Lisbon in 1731 confirms the extent of the participation of foreign merchants in trade flows with Brazil, which was detected 20 years later: 7.4% of private agents were foreigners and the amounts received represented 6.8% of the total of gold brought by the fleets in that year.

⁹ AN/TT (Lisbon National Archive) *Junta do Comércio*, Caixa 38, maço 10.

residing in Lisbon were substantially different from those adopted by the Portuguese and find out the relevance of multicultural links in precious metals flows.

In order to characterise the relationships between the recipients and the senders of gold, a classification was created consisting of three patterns (tables II and III): the first, involving those cases in which the sender came from the colony to the metropolis, and therefore travelled together with the remittance(s), demonstrating the mobility between the two territories. This pattern could include two situations: a) the sender travelled to the metropolis bringing gold only for his own use; b) the sender brought remittances for others, as well as for himself. The second pattern includes the cases of agent(s) who remained in Brazil and consists of four possible situations: a) one single sender sent remittances to one single recipient; b) one single sender sent remittances to various recipients; c) several senders sent gold to one single recipient; d) the sender send gold to several recipients but each of these recipients received gold from other senders, consequently expressing versatile relationships. The third pattern includes situations in which there was a mixture of mobility and permanent residence in the colony on the part of the senders. In other words, the recipients received remittances from various senders, and at least one of whom travelled to the metropolis. Table II summarises the distribution of the relationships established by foreign recipients with their respective senders.

Table II – Relationships of the agents of foreign merchants

Pattern 1		Pattern 2				Pattern 3	Total
a	b	a	b	c	d		
6	66	7	31	0	4	12	126
4.8%	52.4%	5.6%	24.6%	0	3.2%	9.5%	100%

In 1751, the foreign merchants who participated in the fleets resorted predominantly to agents who returned to the metropolis bringing gold with them (pattern 1). In the overwhelming majority of such cases, the sender brought remittances for several recipients (pattern 1-b). This is equivalent to saying that most of these foreigners resorted to the services of *comissários volantes* (travelling agents), traders who had turned sailing to and from the colony into a recurrent activity. This is a conclusion that seems to be in keeping with the vision produced by the political discourse of the mid-1750s, when the presence of *comissários volantes* was associated with the activity of foreign merchants, the former serving as the agents for the

smuggling activities of the latter. In the view of the Marquis of Pombal these travelling agents were seen as cover-men, hence a definite target. They were banned from taking part in the fleets by letter patent of 6 December 1755 (Mendonça, 1960: 150-2; Maxwell, 1973 and 1999). Similar hostility towards this kind of agency was being followed in Spain by that time, although it was not necessarily performed by travelling agents as it was supposed to happen in Portugal (Christelow, 1947: 26-7).

For the Portuguese crown, which was keen to restrict the presence of foreigners and simultaneously construct a strong and wealthy group of Portuguese merchants, these agents, who claimed to “live from the commissions on the goods that they took to Brazil”, were not only “people that were ignorant about this trade, and devoid of the means to cultivate it” but they also served interests that ran contrary to the colonial pact. They were supposed to undertake “a kind of smuggling”, and for this reason they were readily chosen by the foreign trading houses established in the realm as the best form of agency¹⁰. This aversion towards the *comissários volantes* was further stressed in a letter written by Pombal, which significantly referred to them as *interlopes*, a Portuguese corruption of the English term “interloper”, with which the minister had become familiar during his time spent as a diplomat in London in 1740’s.

However, Pombal was doubly wrong, both when he considered these agents as representing a minor expression of the Portuguese merchant group and when he suggested that they had a privileged relationship with foreign merchants. An analysis of the recipients of gold in the year 1751 reveals the existence of several examples of *comissários volantes* with levels of capital that were completely identical to those Portuguese who belonged to the elite of the merchant colonial group (Costa, Rocha, 2006). In the same way, the Portuguese merchants resident in the capital found that the use of travelling agents represented a form of agency that brought clear advantages. Therefore they made abundant use of their services, justified by the fact that this was one way of reducing the risk of moral hazard associated with agents residing in the colony and of ensuring greater rapidity in earning a return on their investment. In fact, 49.3% of the recipients of the largest remittances of gold, almost all of whom were Portuguese, received shipments of gold through the services of *comissários volantes* (table III – pattern 1). This explains why the sales made on commission through

¹⁰ Consultation of the Archives of the Overseas Council, quoted in Maxwell, 1999: 107.

recourse to these “merchants travelling to and fro” were an attractive proposition both for the group of Portuguese merchants and for the group of foreign traders.

By forging greater links with the Portuguese colonial market through individuals that were constantly travelling back and forth, the foreign merchants formed networks that were culturally and ethnically heterogeneous by establishing close contacts with Portuguese agents. The integration of these hosted (to use Philip Curtin’s terminology) into the host society implied the construction of multinational networks. It is, however, interesting to note the importance of merchants drawing closer to individuals with whom they shared a common cultural identity, even if there was an evident need for having recourse to culturally heterogeneous networks. The *comissários volantes* that were responsible for most of the remittances of gold destined for foreigners were two traders whose name was not Portuguese at all. Gabriel Pryn, whether acting alone or in association with his partner António Lopes da Costa was responsible for 16 remittances. João Hopman, a Dutch merchant who had been living in Portugal for more than two decades, acted either individually or through the company that he set up and was responsible for 13 remittances. Despite the shallow information about the process of integration of these two individuals in the host society and their respective careers in Portugal, they seem to have made connections with a large number of foreigners, suggesting that cultural bonds played a role in their individual networks and in their social capital.

No matter the extension of the networks of these two foreign travelling agents, the recourse to the mobility is not therefore what distinguishes the forms of agency adopted by national and foreign traders, for it was a device used on a highly regular basis by both groups. The difference separating the two groups is the extent of the contacts that they each established with correspondents resident in Brazil. Whilst foreigners resorted, above all, to just one sender in the colony (24.6% of remittances were despatched by only one sender, who did, however, send gold to various recipients – Table II – pattern b), the traders belonging to the “gold elite” found themselves becoming more significantly involved in multiple relationships (various senders working in cooperation with various recipients): 28.8% against 3.2% (tables II and III – pattern d).

Table III – Relationships of the agents of the Portuguese merchants

Padrão 1		Padrão 2				Total
a	b	a	b	c	d	
44	69	6	41	3	66	229
19.2%	30.1%	2.6%	17.9%	1.3%	28.8%	100

The establishment of a wide range of contacts was, in fact, a possible strategy amongst Portuguese merchants. The diversification of links and the establishment of more than one agent in Brazil is clearly documented through the well-known case of the trader Francisco Pinheiro (Alden, 1975; Donovan, 1990; Furtado, 1999). When he opted for a fixed agency in the colony, he used several agents simultaneously, being conscious of the many frauds that these perpetrated readily and frequently. Even though his option was to send correspondents that were his relatives (a brother, a godson and a nephew), and even though the control that he exercised was kept as tight as possible (as can be seen from the correspondence full of instructions that he exchanged with them), still the agents took advantage of the colonial market conditions for their own benefit (Donovan, 1990: 259-283).

However, sending to Brazil agents in whom one could place greater trust, even though it was known that such trust was frequently broken, was a mechanism that foreigners had greater difficulty in arranging. With a more restricted group of relations and with legal constraints that prevented the establishment of foreigners in the colony, the possibility of choice was reduced and, consequently, was also reduced the necessary trust, which become a scarce resource. This is the explanation for the lower number of contacts established by foreigners in the colony. In contrast to the multiple relations established by the Portuguese, a multiplicity that did in fact represent a way of dividing up the risk, foreign merchants had to operate on the basis of an extremely careful and selective choice of agents. Being Portuguese, these individuals formed relationships that make it possible to observe the aim of multicultural networks in a system of international commerce led by the trade in precious metals.

Section 3. Conflict of interests

The everyday scene that the king Dom João V was able to view from the window of his palace close to the River Tagus must have caused him some consternation. Constantly sailing out of the port of Lisbon were ships laden with

precious metals and heading for England (Boxer, 1969). Although there was undeniably room enough to allow for some exports, which were an essential counterpart for guaranteeing the imports that were so necessary for Portugal, this excess exportation of precious metals was certainly a cause for concern. The law decreed a ban on the export of precious metals, but at the same time their flow out of the country was seen as inevitable. For this reason, whenever there was any seizure of gold, which was the most abundant of the two precious metals in Lisbon, the English complained that such action was totally unjust, arguing that they were merely exporting money that naturally resulted from the “balance” of their trade¹¹. The Portuguese, however, evoked the law, claiming that these were cases of smuggling. It should be noted that the English themselves had no interest in seeing this legislation altered. When an attempt was made to normalise what was inevitable, in other words, when the crown sought to introduce a 3% tax on the exportation of gold, there was widespread resistance to such a move (Christelaw, 1947: 7). Clandestinity or the illicit side of such transactions brought its own distinct advantages. Because of the immunity offered to their packet-boats, the English monopolised transport and offered to provide freightage services to the Dutch and French, or else they would exchange the gold for bills of exchange, which provided them with the chance to make a profit twice over and, at the same time, contributed towards London’s consolidation as an important financial centre (Shillington, 1907: 249).

It is not, however, this smuggling of gold that is our central theme. Rather, we are concerned with analysing the operationality of the merchant networks in the trading of precious metals between the colony and the metropolis, exploring those interests that operated beyond the limits of legality.

It is known that, through the medium of the vessels sailing in the fleets, illegal gold arrived in Lisbon in quantities that it is impossible to determine precisely. In some cases, this was gold that had escaped payment of the tax on its production in the colony of one fifth of its value (Boxer, 1969: 461 and 465); in other cases, it was metal that had escaped the tax of 1% that was charged on its transport (decree of 1 of February, 1720). Whether camouflaged in sugar-chests (Boxer, 1969: 461) or being transported by other artifices, gold smuggling was a breach of the law that involved trading at prices that were lower than the legally established value (Alden, 1968: 329). But it was not only

¹¹ *Memorias do Consul e Factorias Britanica na Corte de Lisboa ao Embaixador de Sua Magestade Britanica na mesma Corte e às Secretarias de Estado deste Reino*, BNL, Colecção Pombalina, 93.

gold that circulated in the fleets between Brazil and Portugal. Silver, which also left Lisbon in the same English vessels that had so disturbed the king, arrived in Portugal as a result of the illegal trade carried out through the Colony of Sacramento (Maxwell, 1973:8-9). Such silver was the fruit of smuggling, but on this occasion a form of smuggling to which the crown lent its support.

In fact, while the establishment of the Portuguese in areas close to the River Plate, achieved in 1680 with the foundation of the Colony of Sacramento, was intended to give greater dynamism to trade with Brazil, in response to the crisis that had begun with the decline of the sugar trade, it was also a move that sought, above all, to provide access to the silver that was of such great importance to the Portuguese realm. For this reason, even though the maintenance of the colony involved a certain financial burden, the advantages of doing so far outweighed the inconvenience caused by this extra expense. The trade that was carried out from there was far too important for the merchants of Brazil and the metropolis to even think about losing the colony (Ferrand d'Almeida, 1973: 136-145).

The interest that Portugal placed in this space was shared by other European powers, especially those that found in the colony an outlet for their manufactures and a gateway to the vast regions of the Bourbon Empire, receiving, most importantly, silver in return. The local population, in its turn, found in these dealings that provided an alternative to the official Spanish trade an advantageous way of supplying themselves with products at lower prices. These were therefore sufficient reasons for engaging in an intense smuggling activity that transformed the southern region of Brazil into an economic complex that was integrated into international trade circuits through the port of Rio de Janeiro, the interface via which European products reached the colony of Sacramento and in this way were able to arrive also at Buenos Aires. This was a business in which the Portuguese trading houses participated, but, even so, this did not in any way mean the exclusion of the foreign communities established in Lisbon.

The correspondence exchanged between Francisco Pinheiro and his agents in Brazil not only illustrates the characteristics of this trading circuit, but also shows how foreign initiative lay behind the formation of certain local networks. In 1725, José Meira da Rocha, who had set off from Lisbon three years earlier in the direction of the colony of Sacramento, proposed to the merchant resident in Lisbon that they should form a partnership. The high rates of profit provided by the sales, which could be as high as 100%, justified the expansion of trading activities into this region, all the more so when

the payment of goods was effected here in cash, thus avoiding the use of credit, which was the most common practice in other parts of Brazil. In view of the well-known difficulties arising from the collection of debts, the immediate payment of the goods transacted was undoubtedly a considerable added advantage (Possamai, 2006: 352-5). Once the partnership had been accepted, the subsequent correspondence enlightens us as to the ins and outs of the business. From the colony of Sacramento, there came leather and silver, alternately, depending on the state of the market in Lisbon and Europe. In 1725, Pinheiro asked his correspondents to send leather, but in 1728, and again in 1730, he requested that they send only silver and not leather due to the low price at which this commodity was then being sold (Possamai, 2006: 366-7). On the other hand, the goods that were being sent to the colony were, above all, textiles, thus fulfilling the predictions of a Portuguese sergeant-major at the beginning of the 18th century: “The people of these Indies, being rich in silver, are extremely poor in clothes; having the road open, the remedy at their doors and the naturally urgent need, and seeing themselves without hindrance and free of fear, they will send us silver to cover themselves with our clothes” (Ferrand d’Almeida, 1955: 46). In this trading circuit, Rio de Janeiro served as the gateway for the arrival of merchandise originating from Lisbon, thereafter acting as the distribution centre for these same goods southwards, depending on the conditions of the market (Possamai, 2006: 372).

The integration into this world of the transactions taking place on the fringes of the empires called for the setting up of fixed agencies in the colony of Sacramento. It should be noted that the same merchant who, in 1725, had proposed the formation of a partnership to Francisco Pinheiro had himself headed for the region as an agent for two foreign merchants, Egneas Beroardi and Paulus Hieronimo (Possamai, 2006: 352), who were resident at that time in Lisbon. Beroardi, operating either in association with other merchants or individually was a recipient of gold recorded in the *Livros de Manifestos* in 1731 and 1741, whilst in 1751 there arrived a fresh amount now recorded in the name of his heirs¹². It is therefore clear that observation of the relations between Lisbon and the ports from which the fleets set sail only provides us with information about one part of the trade circuit. The contacts that were then made from Rio, São Salvador da Baía and Pernambuco have to be examined by other means, but these would represent one of

¹² The indication of these years does not in any way mean that there were no receptions of gold recorded at other times. Under the scope of the research project to which this text is intrinsically linked, the only records surveyed were the complete records of the fleets in the years 1721, 1731, 1741, 1751 and 1761.

the added advantages of choosing to set up a fixed agency in the territory, even though this brought with it the need to support the costs of monitoring the agents' activities, which were higher than those arising from contact with *comissários volantes* (travelling agents).

As we have seen, the foreigners who used the regular fleets enjoyed in the Brazilian ports a more limited network of connections than the one that had been built up by the Portuguese merchants. As mentioned earlier, 24.6% of the remittances of gold destined for foreigners were despatched by one sender who was, however, operating in a network with various recipients (Table II). This form of agency proved to be more frequent amongst foreigners than amongst the recipients of the larger amounts of remittances (mainly Portuguese), who received 17.9% of their gold sent under the same circumstances. It is therefore possible to recognise a limited universe of senders of gold in Brazil who shared the common characteristic of having been in a network with foreigners that had settled in Lisbon. Elias Perochon, Cristiano Fhlope Anuche and João José Chamberlain had the same agent in Rio de Janeiro, Cristiano Frezy and Felisberto Coullisier shared the same agent in Pernambuco, Tomás Pinto da Silva sent remittances to the Van Zeller and Drekey trading houses and to Inácio António Henhel, both of them located in Porto.

Table III- Distribution of the type of relationship between recipients and senders of gold in 1751

Pattern 1		Pattern 2				Total
a	b	a	b	C	d	
44	69	6	41	3	66	229
19.2%	30.1%	2.6%	17.9%	1.3%	28.8%	100

It therefore seems possible to recognise that the foreigners had in Brazil the type of agency based on individuals who polarised relationships. The particularity of this type of relationship in comparison with the most common form of agency amongst Portuguese merchants was to be found in the fact that it was the sender who had multiple connections whilst the recipients that formed part of his network did not show themselves to have an identical range of contacts in Brazil (compare the pattern 2-b in tables II and III). One should remember the great agitation that was to be found amongst the English community when they were deprived of the rights established in the treaties

of 1654/1661, with it being alleged that trust was a scarce resource amongst the Portuguese community and that it was therefore necessary to maintain the English agents in Brazil. Perhaps information about the reputation of these agents who formed the fixed agency of these foreigners was an important factor in determining the performance of this role. However, their social capital would be another of the decisive factors lying behind the formation of these networks.

Manuel Pereira do Lago serves as an example of this phenomenon. He was appointed administrator of the exchequer of the Colony of Sacramento on 20 June 1731 and, in 1736, he was made captain of one of the ordnance companies operating in the same market. In 1749, he moved to Rio de Janeiro on being appointed the administrator of the exchequer of this captaincy¹³. This crossover between militias, local administration and merchant networks is nothing new. It suggests the presence of yet another case illustrating the way in which trade, whether legal or illegal, fed or perhaps even “fed upon” the networks of power. The process has been fairly well documented and studied in the case of Spanish America. The administrative structures that exploited the flexibility of the frontiers between what was legal and illegal formed a colonial system based upon the toleration of a certain amount of venality (Moutokias; 1988; Ramos, 1990, Pijning, 1997). However, the networks that sustained smuggling in the areas on the fringes of the empires have been poorly studied from the Portuguese viewpoint. The remarkable studies on the history of the colony of Sacramento have looked at smuggling from the point of view of the tensions between the Iberian states in the region, seeing it more as a political instrument than an organisation that was subject to a given economic rationality (Ferrand d’Almeida, 1973).

There is therefore a lack of sufficient studies to provide a framework into which we might fit cases such as that of Manuel Pereira do Lago, whose importance in this context should not be considered to have resided in his potential venality. Instead it is rooted in the social capital that he had accumulated in the colony of Sacramento, promising to have the contacts that were necessary for doing business in the region. Thus, Pereira do Lago brings to the surface important elements for reflecting on the interest of these foreigners in having forms of direct representation in Brazil through individuals whose social capital was to be found in their connections with regions of silver flows, as it was the colony of Sacramento. In fact, while these networks have

¹³ AN/TT (National Archive of Lisbon) *Chancelaria de Dom João V*, volume 125, book 80, page 181; volume 126, book 92, page 389 back; volume 125, book 118, page 255 back).

been apprehended from a source that registered the flows in the trade of gold, the factors explaining the setting up of these agencies must be found in the access that they enjoyed to silver. So, the smuggling that is suspected to have existed here did not relate only to the trade in untaxed gold. What was at stake was the other minted metal which was more difficult to obtain with contacts that were limited to the Lisbon market.

On the other hand, the presence of these agents in a network with foreigners, whether they were resident in Brazil or acted as travelling agents, obliges us to reflect upon the interest that these organisations had in being involved at all the various stages in the distribution of goods in the European and American space, in view of the fact that the system penalised such initiatives in fiscal terms. It should be remembered that the Portuguese colonial monopoly over trade, especially if we consider the reality of the first half of the 18th century, was not intended to make the Brazil a market that was reserved for national manufactured products. The logic of system was based on fiscalism, through the exploitation of the circulation of goods (Klaveren, 1969: 150). Taxes on European imports into Portugal were close to 26% – except for the English who paid 23% as a result of the treaties of 1654 – further exacerbated by the so-called ‘consulate’ tax (3%), which had to be paid again when exporting goods, besides the 10% charged on imports into Brazilian ports. Hence, taxation was associated with the compulsory transshipment of goods at Portuguese ports, which thereby forced the transaction of goods between economic operators to take place there, for this corresponded to a splitting of the fiscal costs between foreigners and nationals. In a system in which the market of a vast range of goods is far from being an integrated one, the price differential at each of these stages of the circuit was a response to a multiple series of factors, in which the variation in supply and demand had a limited explanatory role (Mathias, 1987). The prices recorded during this period in both Portugal and Brazil displayed a tremendous stability in the long run (Sousa, 2006: 195; Alden, 1990), but they were subject to short-term oscillations, being particularly marked by the navigation in fleets. They also showed how the variations at one point or another in the circuit indicated an aggregate supply and demand that were relatively independent.

This being the case, for a trading company that set out to be involved in all the stages of distribution, the arbitrage premium would have to be sufficient to compensate for a taxation level of roughly 40%. Such compensation should not arise from competition brought about through prices that were competitive because of the reduced intervention of intermediaries. The rationality of integration in this context was in the

expectation of an extraordinary profitability, both because access was gained to an abnormally high profit originating from the risk of forbidden transactions and because there was a greater diversification in business through the trading in precious metals.

The interest in diversifying the business that was conducted in this space was all the more successful when the market was regularly undersupplied. It is not surprising that, between 1748 and 1754, one of the largest importers registered at the Lisbon customs, by the name of Feliciano Velho Oldenberg, invested 400 thousand réis in cargoes that were not destined for Rio de Janeiro, but for Buenos Aires instead. As it happens, Feliciano Oldenberg does not figure as a recipient of gold in 1751, although he is included on the list for 1731. His preference for Sacramento did not exclude him from the gold circuits. He does not figure for that year for reasons that probably derive from the randomness of any sampling technique. The case of Feliciano Oldenberg, who was to be found in all trading circuits, highlights the importance of colonial Spanish market as an outlet for the products imported into Lisbon.

Thus, the truly globalising multinational networks were largely set up not in order to have access to gold – which would always be obtain as a form of payment in Lisbon – but instead to have access to silver, which could only be obtained for those living in Lisbon through these clandestine trade circuits in the colony of Sacramento. Such an aspiration would be questioned when the market in Sacramento was saturated with goods shipped directly from England by the so-called smuggling ships. At this level, therefore, the competition in the south Brazilian regions took place at the level of prices, as if it there was a non-regulated market.

The multinational networks, with their agents in Brazil, therefore acted in unison with the exclusively Portuguese networks, those organisations that felt themselves to be most heavily penalised by smuggling. The agent of Francisco Pinheiro was irritated by the friendliness displayed by the governor towards the officers of English ships that docked there in order to engage in smuggling activities. They had just unloaded merchandise coming directly from England that would cause the market price to fall to such a level that it would impede the trade in identical cargo received from Rio de Janeiro. As a result of these events, he sent a letter to Lisbon, which he wished to be delivered to the king, denouncing the undesired connivance of the governor of the colony (Possamai, 2006, 394).

Conclusion

Knowledge of merchant groups and networks in the first half of the 18th century in Lisbon has made it possible to identify the spaces of intervention of foreign communities that, from the outset, were able, through informal institutions, to respond to the segmentation of the circuits of distribution that underlay the logic of colonial pacts. However, the means and the conditions under which foreign communities were able to intervene in Portuguese colonial trade highlighted the existence of multinational networks that were confronted with the competition deriving from the smuggling activities undertaken by members of the same nationality. In this way, the division of interests was not based on different nationalities and therefore on the different forms of access to the privileges afforded under the terms of the colonial pact, but rather such division took place at the level of the channels that agents controlled in terms of access to precious metals.

In the eyes of the central power, the infiltration of foreigners into the space of the colonial monopoly denounced the existence of different forms of smuggling, especially on the part of the English, which it was important to eliminate. To this end, the Marquis of Pombal, the minister of the king Dom José, interfered in the forms of agency that he considered to be at the service of these smuggling operations, seeking to suppress the *comissários volantes* (travelling agents). However, the study of merchant networks has shown that not only was the *comissário volante* a commonplace form of agency in the Portuguese southern Atlantic region, but also that if there were in fact multinational networks involved in smuggling, such networks were dependent upon a fixed form of agency.

On the fringes of the empires, the State – i.e. the central administration – found in these networks allies for the defence of the colonial pact. This was the paradox behind the maintenance of the colonial system, whose logic was based on the construction of exclusive economic spaces, but which also allowed for the existence of a somewhat shadowy area in which competition was made between two distinct forms of smuggling. The existence of global networks in an international system that was fragmented into exclusive national zones highlights this paradox. In macroeconomic terms, the presence of smuggling and competition in these marginal areas afforded this same system a dynamic that made the institutional constraints upon the growth of the market much more elastic and flexible.

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