

**Ordering early-modern governance mechanisms and commercial agency transactions: coercion, reputation and diaspora across the sugar route (Brazil, Portugal and the Netherlands, 1595/1618)**

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At the turn of the sixteenth century, Europe and its overseas possessions experienced a high rate of growth in urban population, a great dependence on trade for the consumption of staple products, and an upsurge of trade-oriented commodities output. Such expansion, integration and complexity of markets required individuals to be assured that the parties with whom they were up to initiate exchange would not cheat, renege or neglect their commitments later. This risk was particularly sensitive while employing agents overseas. The latter saved merchants' time and risk of travelling, and allowed them to diversify their investments. Agents, however, might act opportunistically or neglectfully while on the other shore of the ocean or under a different sovereignty.

The literature about the governance of agency relations in long-distance during pre-modern times revolves around two mechanisms (institutions)<sup>1</sup>: state coercion and diasporas. Most studies stress the inability of the state and courts to verify and evaluate commercial claims, and to enforce sentences. The majority of them emphasize the role of kinship and cohesive diasporas in generating moral, social and economic constraints that deterred fraud and neglect.

Studying African trade, the economic anthropologist Abner Cohen defined "trading diaspora" as a "moral community which constraints the behavior of the individual and ensures a large measure of conformity with common values". Philip Curtin borrowed and popularized the concept. Departing from African history, Curtin

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<sup>1</sup> According to Greif, "An institution is a system of rules, beliefs, norms and organizations that together generate regularity of (social) behavior," Greif, *Institutions and the Path to the Modern Economy*: 30. See also: North, "Institutions": 97; North, Wallis, and Weingast, *Violence and Social Orders*: 15.

examined a variety of cases in the preindustrial world<sup>2</sup>. The most formally elaborated study on diasporas is Avner Greif's on the Jewish Maghribi traders. Deriving from New Institutional Economics and using Game Theory, Greif argues that the Maghribi diaspora provided the norms, information and expectations that underpinned a mechanism that credibly conditioned future employment by any member to the agent's reputation. This mechanism was self-enforcing because a higher remuneration would be required to support honesty among outsiders<sup>3</sup>. In the last decades, a vast scholarship analyzes various diasporas in different trading contexts: [Armenians](#), [Greek](#), [Flemish](#), [Quakers](#), [Huguenot](#), [Chinese](#) and [Jews from various backgrounds](#),<sup>4</sup> including Sephardim and Conversos in the Brazilian sugar trade<sup>5</sup>, etc. Concepts deriving from Greif and other neo-institutionalists, or from Social Network Analysis, Social Capital and Economic Anthropology theories inform some of this historiography.

Douglass North has long argued that by securing impersonal contractual relations, the state in promoted the expansion of exchange more efficiently<sup>6</sup>. Yet few studies underline the primacy of the state in preindustrial long-distance trade. To them, families and diasporas have little significance. According to Yadira González, the medieval Venetian state monitored and punished agents, while generating the incentives to adhere to the Republic's authority and comply with agreements<sup>7</sup>. Greif suggests that in medieval Genoa, state coercion critically supplemented an informal bilateral reputational mechanism<sup>8</sup>. Jessica Goldberg claims that Muslim and Jewish courts accompanied a reputation mechanism amid a network of Arab Jews revolving

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<sup>2</sup> Cohen, "Cultural Strategies in the Organization of Trading Diasporas"; Curtin, *Cross-Cultural Trade in World History*; Chaudhuri, *Trade and Civilisation in the Indian Ocean*, 224–27; Aslanian, "Social Capital, 'trust' and the Role of Networks in Julfan Trade," 7–15.

<sup>3</sup> Greif, "Contract Enforceability."

<sup>4</sup> See the references in: Aslanian, "Social Capital, 'trust' and the Role of Networks in Julfan Trade," 7–15, 169–74, 215–34; Vanneste, *Global Trade and Commercial Networks*, 13–39; Trivellato, *The Familiarity of Strangers*, 10–16, 155–57, 162–63; Baghdiantz McCabe, Harlaftis, and Pepelasē Minoglou, *Diaspora Entrepreneurial Networks*, passim. (JLR)

<sup>5</sup> See note [xxx] below

<sup>6</sup> North, "Institutions": 99-102, 107.

<sup>7</sup> De Lara, "The Secret of Venetian Success: A Public-Order, Reputation-Based Institution."

<sup>8</sup> Greif, "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies."

few merchants who extended tax privileges attained through personal connections<sup>9</sup>. Ana Fernández-Castro argues that the Castilian procedural law made the enforcement of simple, collateralized and well-documented contracts swift and inexpensive; consequently the court of the Casa de la Contratación was able to govern such transactions between Seville and the Americas<sup>10</sup>.

While considering litigation extremely ineffective, recent scholarship also downplays the role of diasporas. Examining the socially heterogeneous agency relations of either individuals or of a small group of merchants, these studies imply the existence of private economic, social and moral incentives that pervaded diasporas' boundaries. Francesca Trivellato, Tijn Vanneste and Ana Ribeiro suggest that cooperation was secured through long-lasting and progressive relations<sup>11</sup>. Yet many of these scholars note the persistence of, or even preference for, intragroup relations in certain circumstances. Trivellato ascribes them to the better position of the Sephardim in certain marketplaces; Vanneste to the recent arrival and lower integration of Ashkenazim into the Western European culture and commercial circles and culture; and Ribeiro to the New Christian predominance in Portugal's mercantile circles<sup>12</sup>. Revisiting the Jewish Maghribi traders and comparing guilds to coexisting analogous institutions, Jessica Goldberg, Sheilagh Ogilvie, Regina Grafe and Oscar Gelderblom show the coevolution of different mechanisms — reputational and coercive, within and across diasporas — but do not explain when and why some of these feasible and familiar mechanisms were chosen.<sup>13</sup>

This article will add nuance to this debate by not only showing the feasibility and interplay of multiple governance mechanisms, but also explaining merchants' preference for each to govern a particular transaction. It will analyze the nexus

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<sup>9</sup> Goldberg, *Trade and Institutions in the Medieval Mediterranean*, 181–84, 294–95, 353–55.

<sup>10</sup> Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 148, 236–56.

<sup>11</sup> Trivellato, *The Familiarity of Strangers*, 208–10, 214–21, 238–43; Vanneste, *Global Trade and Commercial Networks*, 67–94. Ribeiro, *Mechanisms*, pp. 174, 182. See also: Greif, “Théorie Des Jeux et Analyse Historique Des Institutions: Les Institutions Économiques Du Moyen Age.”

<sup>12</sup> Vanneste, *Global Trade and Commercial Networks*, 95–122; Trivellato, *The Familiarity of Strangers*, 201–8, 210–14; Ribeiro, *Mechanisms*, pp. 108, 150-1.

<sup>13</sup> Grafe and Gelderblom, “The Rise and Fall of the Merchant Guilds: Re-Thinking the Comparative Study of Commercial Institutions in Premodern Europe”; Ogilvie, *Institutions and European Trade*, 310–14, 340–43. 497, 509-511. [Goldberg, Complete]

between transactions and governance mechanisms while evaluating the costs and effectiveness of each mechanism, the attributes of the transactions and how the characteristics of the market constrained its institutional setting. Although inspired by Oliver Williamson's methodology, I neither assume that this matching of mechanisms with transactions was an evolutionary and ahistorical process nor that decisions were purely rational, albeit intentional<sup>14</sup>. Mechanisms and transactions are analyzed while systematically and extensively surveying the relations between merchants of Jewish origin and their agents of various backgrounds across the sugar route linking Brazil, Portugal and the Netherlands.

Sugar was a major commodity in the sixteenth and seventeenth centuries. While Brazil turned into the first large-scale plantation economy and the World's main sugar producer, Amsterdam became its main distribution and refining center. Most of the Brazilian sugar trade was intermediated by merchants in Portugal. Tradesmen of Jewish origin scattered through these three regions played a prominent role in this trade. Alvaro de Azevedo was one of them. Headquartered in the city of Oporto, northern Portugal, only between 1609 and 1615, he employed at least 23 different individuals as agents in Brazil and in the Netherlands. These were employed through different arrangements, and most of them were neither relative nor had Jewish origin.

Table 1: Alvaro de Azevedo's portfolio of agents

This research suggests that these merchants secured compliance through two primary mechanisms, both of which were private, informal and based on reputation. The first conditioned economic incentives and sanctions to one's professional reputation across the different affinity groups plying this route. The second relied on [social alongside with economic constraints](#) only within the diaspora. Both were supplemented by public coercion through litigation [across long-distance and political boundaries, even at times of war](#).

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<sup>14</sup> Williamson, *The Economic Institutions of Capitalism*, 68–84; Greif, *Institutions and the Path to the Modern Economy*, 42–43; Grafe and Gelderblom, "The Rise and Fall of the Merchant Guilds: Re-Thinking the Comparative Study of Commercial Institutions in Premodern Europe," 509.

Table 2: Agents' background and the risks entailed by the agency arrangements

Mapping the matching between agents' background and the attributes of the transactions in which they were employed highlights the preference for each primary mechanism to support the respective transaction. References to agency relations found in both Amsterdam and Oporto notarial records, summarized in Table 1, show a consistent pattern. Riskier transactions that involved higher sums and difficulty in detecting agents' misconduct (lower observability) were primarily governed by the mechanism within the diaspora. In contrast, transactions comprising lower sums and higher observability were chiefly supported by the mechanism traversing diasporas. Capable of matching transactions with governing mechanisms, merchants were able to diversify their transactions, expand the market of agents and better allocate agents over tasks. The resulting decrease in agency costs supported and reinforced, rather than caused, scalability of exchange<sup>15</sup>.

This study scrutinizes the constitution of the portfolios of agents of merchants of Jewish origin resident in some of the main centers of the sugar trade: Amsterdam, Oporto, Bahia and Pernambuco. I listed all mentions that conclusively refer to agency relations from among 1,815 notarial deeds, of all types, referring to New Christian registered in Oporto<sup>16</sup>; 3,642 notarial deeds referring to Portuguese recorded in Amsterdam<sup>17</sup>; and 134 Inquisition trial files of New Christian merchants of Oporto and Brazil, as well their relatives, together with the records of the Inquisition's visits to Brazil<sup>18</sup>. In order to observe their routine conduct of trade, I focus on a period of

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<sup>15</sup> North suggests this was an endogenous process: "That is, the increasing volume of long distance trade raised the rate of return to merchants of devising effective mechanisms for enforcing contracts. In turn, the development of such mechanisms lowered the costs of contracting and made trade more profitable, thereby increasing its volume." North, "Institutions": 107.

<sup>16</sup> See bibliography.

<sup>17</sup> I used the series of abridged English version of the notarial deeds in which Portuguese names are recorded between 1595 and 1627, published in the *Studia Rosenthaliana*: Pieterse and Koen, "Notarial records." In addition, I verified a number of records *in loco*. For the manuscript sources, see the bibliography below.

<sup>18</sup> Confissões da Bahia 1591-1592; Denúncias da Bahia, 1591-1593; Denúncias e Confissões de Pernambuco, 1593/95; Confissões e Ratificações da Bahia, 1618-1620.

reduced inquisitorial, military and political insecurity (1595—1618) and for which sources are abundant<sup>19</sup>.

This article is organized as following: its first section looks at the characteristics of the market and points to the role of merchants of Jewish origin plying this route. The second section surveys the attributes of the different transactions, while the third discusses the viability, effectiveness and costs of the various governance mechanisms. Section four presents the findings and five analyzes its implications.

## I

The Brazilian sugar trade required institutions that supported low costs in agency services because its low entry barriers engendered a considerably competitive market. The political, legal and administrative framework that regulated it raised relatively little obstacles to entrants. A semi-luxury commodity, sugar entailed relatively low start-up cost.

Historians agree that from 1595 to 1618 trade in sugar was profitable<sup>20</sup>. It engaged between 150 and 300 vessels, of various sizes, between Brazil and Portugal alone<sup>21</sup>. Sugar plantations in Brazil gathered momentum around the last third of the sixteenth century, and this boom was the drive behind a consistent European settlement and African slavery<sup>22</sup>. Brazil came to satisfy what seemed to be a never-ending European demand for sweets, and Amsterdam appropriated a large share of the product distribution into the European market. Brazilian sugar added to the development of the city, which then consolidated its stand as a viable alternative as

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<sup>20</sup> The sales of two cargoes in Brazil in 1600 resulted in a net income of almost 60%: PRO, SP, 9/104, fl. 58 ff. In the second decade of the seventeenth century, a crônica mentioned such net incomes being around 40% to 50%: Brandão, *Diálogos*, p. 105. See also: AHU\_ACL\_CU\_Consultas Serviço Real, Cod. 35, fls. 187-188– 1623, outubro 14; Costa, *Transporte*, v. 1, pp. 61, 89, 179, 204-6, 220-1, 239-248, 370-2, 379-380; Mello, *Olinda*, pp. 92-4, 220-1; Ebert, “Trade,” pp. 188-189, 198, 201-2, 205-8, 213; Moreira, *Mercadores*, p. 64.

<sup>21</sup> Costa, *Transporte*, v. 1, pp. 178, 203-4. Between the Netherlands and Portugal, more than a hundred and perhaps even a few hundreds of vessels sailed, many of them loaded with salt in addition or instead of sugar: Rau, *Estudos Sobre a História do Sal Português*, pp. 147-191; Gentil da Silva, *Stratégie des affaires*, p. 36; Stols “Mercadores Flamengos,” p. 29.

<sup>22</sup> See the survey and bibliography in: Strum, *The Sugar Trade*, pp. 162-175.

Europe's main marketplace<sup>23</sup>. Sugar trade led to a dramatic upsurge of sugar refining and refined sugar re-exports, stimulated Dutch shipping and the different sectors related to exports to Portugal and Brazil in exchange for sugar.<sup>24</sup> Sources suggest that a substantial share of the sugar that came from Brazil to Amsterdam was channeled through Oporto<sup>25</sup>, which depended on the sugar re-exports to attract to the city both foreign and hinterland items that its population needed dearly<sup>26</sup>.

Sugar had a lower value per volume and its trade was less capital-intensive than other main colonial commodities, such as spices, slaves, bullion or gems, and traditional "rich trades," such as fine textiles<sup>27</sup>. Such attributes implied a lower start-up cost. What is more, trade in Brazilian sugar was subject to neither monopolistic nor monopsonistic policies. Hispanic trade embargoes against the Dutch and ban of non-Portuguese of shipping and trading directly with Brazil were often eluded through different schemes. Moreover, merchants based in foreign lands could and did trade with Brazil, Portugal and the Netherlands via local agents.<sup>28</sup>

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<sup>23</sup> Israel, *Dutch Primacy*, pp. 30-42; De Vries and Van der Woude, *First Modern Economy*, p. 368; Lesger, *Rise*, pp. 85-92, 133-38, 258.

<sup>24</sup> IJzerman, *Journael*, p. 103; Poelwijk, *In dienste*, pp. 55-56.

<sup>25</sup> Swetschinski, "Portuguese Jewish Merchants," pp. 142-44; IJzerman, *Journael*, pp. 99-100.

<sup>26</sup> Mauro, *Brasil*, vol. 1, 137-141, 378-380; v. 2, pp. 13-17; Silva, *O Porto e o seu Termo*, vol. I, pp. 112, 117-130, 163, 187-88, 226, 231-32, 335, 539-43, vol. II, pp. 627, 639, 673-74, 696-98, 708, 746-57, 801-04, 839, 879-81, 1078-79; Costa, *Transporte*, vol. 1, pp. 88-9; Barros, *Vinhos*.

<sup>27</sup> Barbour, "Dutch and English Merchant Shipping," p. 265; Go, "Marine Insurance", p. 147; Costa, *O Transporte no Atlântico*, v. 1, pp. 179, 204-6, 370-2, 379-380; Ebert, "The Trade in Brazilian Sugar," pp. 38-9, 188-189, 198, 201-2, 205-8, 213; Moreira, *Os Mercadores de Viana*, p. 64.

<sup>28</sup> Emmer, "The First Global War," passim; Israel, "Spain and the Dutch Sephardim, 1609-1660," pp. 371-3, 376-7, 379-380; Israel, *Dutch Primacy in World Trade*, p. 40-2, 58, 62-73, 80-90, 101-112, 121-162; Israel, "Spain, the Spanish Embargo," pp. 191-2, 194-9; Sluiter, "Os Holandeses no Brasil Antes de 1621," pp. 191-9, 204; E. Stols "Os Mercadores Flamengos," p. 33, 45; C. Ebert, "The Trade in Brazilian Sugar," pp. 33, 77, 100, 127-8, 161-7, 174-5, 177; F. Mauro, *O Brasil, Portugal e o Atlântico*, v. 1, pp. 193-6, 200-1; J.A.G. de Mello, "Os Livros," pp. 29-30; M.A.F. Moreira, *Os Mercadores de Viana e o Comércio de Açúcar Brasileiro*, pp. 70-9, 151-3; L.F. Costa, *O Transporte no Atlântico*, v. 1, p. 58-9, 63, 79-80, 135-6, 186, 192-201; O. Vlessing, "The Portuguese-Jewish Merchant Community in Seventeenth-Century Amsterdam," pp. 231, 233 n. 50, 238-9; O. Vlessing, "New Light on the Earliest History of Amsterdam Portuguese Jews," p. 53-7, 71-2 ns. 84, 85; P E. Sluiter, "Dutch-Spanish Rivalry in the Caribbean Area," passim; C. R. Boxer, *The Dutch in Brazil*, pp. 28-30; 33-34; H. den Heijer, *De geschiedenis van de WIC*, pp. 55-9; C. Ebert, "The Trade in Brazilian Sugar," pp. 44-5, 241-4; D. Strum, *The Sugar Trade*, pp. 55-131, 290-315.

The marketplaces interconnected by the sugar trade were plied by different affinity diasporas. The most conspicuous of them comprised traders of Jewish origin. Their prominence is reported by sources of different origins and nature<sup>29</sup>. In 1497 nearly all Portuguese Jews were forced to baptism, including thousands of refugees expelled from Spain five years earlier. Converts and their descendants continued being called “New Christian,” were submitted to an ever-increasing number of discriminatory regulations, and lived under considerable threat of imprisonment by the Inquisition<sup>30</sup>.

Nevertheless, throughout the sixteenth century, many New Christians exploited the opportunities opened to them by the Portuguese overseas expansion; and they reached a prominent position in the Portuguese mercantile community by the end of the century. During the sixteenth century, a considerable number of Portuguese New Christians set up house in Brazil as merchants, sugar cane planters, sugar-mill owners, petty traders and craftsmen. At the turn of century, a small group of Portuguese New Christians settled in Amsterdam. Their first systematic appearance in Dutch sources was in 1595, this study’s starting point. Some years later, precisely when Amsterdam became a main world trade center, members of this group formed an open Jewish community with the acquiescence of the local authorities. These immigrants traded mainly Portuguese colonial products, predominantly sugar<sup>31</sup>.

There were traders of other diasporas plying these route too. These included Portuguese of non-Jewish extraction, some of which were closely identified with their hometown, such as Viana (do Castelo). Other nationals were defined according to their linguistic “group”: Flemish-Dutch-German, English, French, Italian, Castilian, Galician and Catalan<sup>32</sup>.

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<sup>29</sup> AHMP, A-PUB-45, fls. 323v.-24v; Mello, *Gente*, p. 26; Novinsky, *Cristãos Novos*, pp. 67-69; Israel, “Spain,” pp. 355-383; Vlessing, “New Light,” pp. 53-60; Vlessing, “Portuguese-Jewish Merchant,” pp. 223-25, 231-32.

<sup>30</sup> Azevedo, *História*, pp. 120-21; Tucci, *Preconceito*, pp. 43-173; Salomon, *Portrait*, pp. 41-117; idem, *Primeiros*, pp. 21-22; Révah, *Uriel*, pp. 420-442; Olival, “Juristas;” Olival, “Structural Changes;” Tucci, *Preconceito*, pp.; Herculano, *História*; Azevedo, *História*, pp. 57-111.

<sup>31</sup> Huussen, “Legal Position;” Kaplan, “Jewish Amsterdam’s Impact;” Swetchinski, “Middle Ages;” Bodian, *Hebrews*, pp. 25-52.

<sup>32</sup> Strum, “The Portuguese Jews and New Christians,” pp. 55-8; Silva, *O Porto e o seu termo*, v.1, pp. 330, 338-9, 343-5; Stols, “Os mercadores flamengos;” pp. 36-7; Stols, “Convivências e conivências;”



## II

The extent to which an agent honest, diligent and competent conduct could affect the gains of the principal depended on the scope of tasks an agent was supposed to perform. These were constrained by the attributes of the contractual arrangements and the specificities of each venture. Agency arrangements might require agents to either travel to another marketplace or reside there, which I term “traveling” and “resident” arrangements. Most resident arrangements exposed principals to greater risk by entrusting agents with higher sums and wide latitude throughout longer periods, making it more difficult to detect fraud or neglect (low observability).

Theses “riskier resident” arrangements covered various individual ventures and could be prolonged over time, or indefinitely until one or both parties terminated or passed away. Agents were usually entrusted with broad leeway on how to invest the principals’ assets, and were allowed to hold both the capital and the proceeds anticipating better deals. These arrangements permitted, if not favored, agents’ completing extended and repeated operations such as sales and purchases on credit, in advance, and in forward contracts, as well as through clearing accounts and assignment of credits. They raised fewer impediments on drawing bills of exchange on the principals, who kept open accounts with their agents. They also involved a greater flexibility in choosing means of transportation. Alongside with reciprocal services, remuneration comprised either commissions on sales, purchases and financial operations to *counterparts*, or sharing the profits with *overseas partners*. The principal shouldered all the commercial and maritime risks in the former arrangement and shared both in partnerships.

On the other end of the spectrum, “simpler traveling” arrangements involved low sums but higher observability. They comprised single-ventured relations, in which agents had to hand over the proceeds upon their return, remit them from their destination or deliver them to another agent of the principal. Agents performed fewer, simpler and shorter tasks, since they had restricted latitude to keep and invest the proceeds, raise liabilities on their principals, sell on credit, leave other outstanding claims, chose means of transportation, etc. These made agents’ actions easier to observe. Remuneration involved commissions on sales and purchases (*commissioner*),

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*passim*; Moreira, *Os mercadores de Viana*, pp. 35, 144-5, 147-8; Carvalho, “Viana Seiscentista,” pp. 64, 83.

which could be combined with the remuneration for transportation services (*seafarer agents*). In those arrangements, the principal bore all the risk. Another simpler travelling arrangement was the *sea loan*, in which the agent – typically a shipmaster – borrowed assets from a merchant for a voyage and committed to pay the loan and a fixed interest rate if he arrived safe and sound. His remuneration consisted of the profits he would make on the top of it. The lender undertook all maritime risk caused by sea, fire and privateers, while the agent bore the commercial risk and mortgaged a ship share, or some other property, as collateral.

“Simpler resident” arrangements were an intermediate form. They involved residence in the destination but agents were entrusted with lower sums and significant restrictions on their latitude to use and keep the principals’ assets, and to raise liabilities on the principals. Hence, they entailed higher observability. Remuneration involved commissions on transactions (*minor counterparts*), and principal bore all the risks. Finally, “riskier traveling” arrangements (*supercargoes*) involved higher amounts and lower observability. Albeit single-ventured, they entailed longer duration, complexity and greater autonomy compared to other traveling arrangements. Their remuneration often included share in the profits, or perhaps commissions. In the former case, the agent would also share the losses.<sup>33</sup>

### III

Despite any cultural difference within Western Europe and its colonies<sup>34</sup>, by the end of the sixteenth century a relative standardization of the basic aspects of mercantile practices – sales, shipping, credit instruments, insurance and agency – produced a shared understanding of how trade should be conducted<sup>35</sup>. This facilitated the

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<sup>33</sup> For a detailed description of all forms of contractual relations, see: Strum, “The Portuguese Jews and New Christians in the Sugar Trade,” pp. 82-111; Strum, *The Sugar Trade*, pp. 438-466.

<sup>34</sup> For the use of the term cross-cultural in transaction within early modern Europe or its colonies, see: Vanneste, *Global Trade and Commercial Networks*, 71; Trivellato, *The Familiarity of Strangers*, 17–20, 164–65.

<sup>35</sup> SR Nrs. 314, 618, 2560, 2604; PO2 l. 20, fls. 220v.-223v. (1603-10-15); l. 25, fls. 146v.-150 (1606-5-12); PO1, l. 133, fls. 70-72v. (1612 6 20); l. 133, fls. 77-79v. (1612 6 26); l. 133, fls. 162-163v. (1612-9-22); l. 137, fls. 131-133 (1616 3 11); l. 137, fls. 141-143v. (1616 3 22); Strum, *The Portuguese Jews*, pp. 288-292; Malynes, *Consuetudo: vel, lex mercatoria*, passim; Strum, *The Sugar Trade*, 495–97; Trivellato, *The Familiarity of Strangers*, 17, 158; Gelderblom, *Cities of Commerce*, 133–39; Petit,

interpretation of tradesmen actions across long distances, boundaries and a wide range of actors<sup>36</sup>. These growingly uniform and universal routines also produced documents, mostly private,<sup>37</sup> and witnesses that facilitated principals to observe their agents' actions and third parties to verify them. Finally, a growing standardization of commodities and trade-related services created easily recognizable benchmarks for prices, insurance premiums and rates of exchange, interest and freight<sup>38</sup>.

The trading routine also involved recurrent interactions among tradesmen and several trade-related professionals who did not share the same interests or sources of information. The marketplaces' size, structure and organizations facilitated the transmission, revelation and acquisition of information. The patterns of sailing, transportation and correspondence increased the speed, frequency, volume and diversity of the information flow between the marketplaces. As a result, this information system reduced the cost of observing agents' conduct, and significantly curtailed the ability of agents to either stay anonymous for too long or to misreport

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*Historia del derecho mercantil*, 74–76; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 181.

<sup>36</sup> Greif, “Commitment, Coercion, and Markets,” p. 735 n. 9; Goldberg, *Trade and Institutions in the Medieval Mediterranean*, 178; Bernstein, “Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry,” 143.

<sup>37</sup> Trivellato, *Familiarity*, pp. 17, 161; Gelderblom and Jonker, “Amsterdam as the Cradle of Modern Futures and Options Trading, 1550–1650,” pp. 11-2; Gelderblom and Jonker, “Completing a Financial Revolution,” pp. 656; Almeida, *Aritimética*, v. II, pp. 364-6; Strum, *The Sugar Trade*, pp. 245, 335-45, 365, 368, 398-421, 455, 494; Costa, *O Transporte*, v. 1, pp. 44-7, 371; Roover; Go, *Marine Insurance*, 99-100; Kessler, *A Revolution in Commerce*, 81–86.

<sup>38</sup> ADP, Cabido, livs. 110, 113, 134, *passim*; PO2, l. 23, fls. 82v.-85v. (1605-4-2); l. 25, fls. 19-20v. (1606-3-3); idem, fls. 64v.-65v. (1606-4-1); l. 26, fls. 238-239v. (1607-6-19); l. 40, fls. 195-195v. (1615-7-28); SR Nr. 362, 379; Malynes, *Consuetudo*, pp. 19-58, 70-82, 291-324, 386-391; Mauro, *O Brasil, Portugal e o Atlântico*, v. 1, 137-141, 378-380, v. 2, pp. 13-17; Silva, *O Porto e o seu Termo*, v. I, *passim*; Costa, *O Transporte no Atlântico*, v. 1, pp. 88-9; Gelderblom, *Cities of Commerce*, pp. 61, 82; Almeida, *Aritimética*, v. II, *passim*. Trivellato argues that prices and standards lacked standardization but agrees that printed price lists contributed to create benchmarks: Trivellato, *Familiarity*, pp. 169-170, 173. See also: Williamson, “Transparency,” pp. 5-6; Bernstein, “Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry,” 118.

about their actions, prices, costs and events overseas either extensively or systematically<sup>39</sup>. [Ogilvie]

#### A. *Litigation*

Not only the information system could effectively track down absconders and their goods, but also the legal system was able to impose sanction on them. This significantly limited one's expected future income to be accrued from embezzling large sums of one or many principals. It also mitigated the possibility of a merchant being ripped off by all his agents.

Even next of kin were brought to courthouses in trading matters. The son of a Jewish merchant in Amsterdam in Madrid ran out of funds and defaulted on payments to both his father and his father's payees in Spain. Embarrassed, Duarte Fernandes had to empower his creditors in Madrid to charge payment from his son and his son's debtors<sup>40</sup>. A few cases demonstrate that legal enforcement could be secured across wide distance and different political units. A principal resident Torre do Moncorvo, near the Portuguese-Spanish border, had his rights enforced against an agent absconding in Emden, in the frontier between the Holy German Empire and the Dutch Republic. This was attained through a chain of representatives that went via Oporto and Amsterdam. Five months later, the debtor's brother paid off at least part of the amount, and the sequestration was lifted<sup>41</sup>. Likewise, a resident in the Portuguese inland village of Linhares had sugar shipped to Oporto by a powerful defaulting debtor in Pernambuco sequestered<sup>42</sup>.

This was possible because commercial agreements, such as agency arrangements, had implicit clauses provided by a normative system that was comprehensive, well known and binding. During the sixteenth and early seventeenth

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<sup>39</sup> Strum, "The Portuguese Jews and New Christians in the Sugar Trade," pp. 187-286; Strum, *The Sugar Trade*, pp. 504-537; Strum, *forthcoming*; Greif, "Commitment, Coercion, and Markets," p. 736; Bernstein, 140, 143-45; Greif, *Institutions and the Path to the Modern Economy*, 445.

<sup>40</sup> SR Nr. 1405, 1480.

<sup>41</sup> PO2, l. 36, fls. 62-63 (1612-10-8); fls. 63v.-64v. (1612-10-8); fls. 82v.-83 (1612-10-27); SR Nrs. 461, 571, 572, 587, 604.

<sup>42</sup> PO2, l. 27, fls. 142-143v. (1609-5-6). The debtor was the New Christian sugar mill owner, trader and writer, Ambrosio Fernandes Brandão: Mello, *Gente da Nação*, pp. 26-7; Gonçalves, *Guerras e Açúcares*, pp. 219-223. See more in: Strum, "The Portuguese Jews and New Christians in the Sugar Trade," pp. 297-302

centuries, local and central authorities sought to facilitate the steady scalability of trade by validating and regulating mercantile technology<sup>43</sup>. With the support of academic lawyers, the rules governing these arrangements were accommodated within the plural legal systems in force, often by restricting their legitimacy to transaction involving bona fide tradesmen only<sup>44</sup>, in which foreigners were equated with nationals.<sup>45</sup> Traders could easily learn about local variations, and agreements often mention that specific aspects of transactions would be ruled according to a foreign custom<sup>46</sup>.

The legislative effort was paralleled by jurisprudence. Parties were to demonstrate what substantive laws governed their case<sup>47</sup>. Courts accepted or requested

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<sup>43</sup> Malynes, *Consuetudo: vel, lex mercatoria, passim*; Strum, *The Sugar Trade*, 495–97; Trivellato, *The Familiarity of Strangers*, 17, 158; Gelderblom, *Cities of Commerce*, 70, 133–39; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 72–74, 125–62. This, however, does not endorse a romanticized account of an autonomous and universal body of substantial law spontaneously produced by medieval merchants, who privately adjudicated and enforced it: Basile and Ames Foundation, 163–88; Kessler, *A Revolution in Commerce*, 9–11, 96–109, 296; Greif, *Institutions and the Path to the Modern Economy*, 314–15; De Ruyscher, Dave, “Debt Recovery and Debt Adjustment: Assessing Institutional Change in Antwerp (Ca. 1490-Ca. 1560),” 7–14; Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 220–26; Donahue Jr. Charles, “Benvenuto Stracca’s ‘de Mercatura’: Was There a ‘Lex Mercatoria’ in Sixteenth Century Italy,” 69–120; Kadens, “The Myth of the Customary Law Merchant,” 1160–63, 1181–84, 1196–99.

<sup>44</sup> Hespanha, *Cultura jurídica europeia*, 148–301; Petit, *Historia del derecho mercantil*, 38–58, 121–22, 127, 146–48; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 24, 114–15, 181–87; Wijffels, “Business Relations between Merchants in Sixteenth-Century Belgian Practice-Orientated Civil Law Literature,” 255–90; Donahue Jr. Charles, “Benvenuto Stracca’s ‘de Mercatura’: Was There a ‘Lex Mercatoria’ in Sixteenth Century Italy,” 109–12; Piergiovanni, “Genoese Civil Rota and Mercantile Customary Law,” 194, 198–99.

<sup>45</sup> [\[Reference\]](#)

<sup>46</sup> MALYNES, *Consuetudo: vel, lex mercatoria, passim*. SAA, 5075, l. 33, fls. 390v.-392; SR Nrs. 314, 2560, 2604; PO2 l. 20, fls. 220v.-223v. (1603-10-15); l. 25, fls. 146v.-150 (1606 5 12); PO1, l. 133, fls. 70-72v. (1612 6 20); l. 133, fls. 77-79v. (1612 6 26); l. 133, fls. 162-163v. (1612 9 22); l. 137, fls. 131-133 (1616 3 11); l. 137, fls. 141-143v. (1616 3 22). Kadens, “The Myth of the Customary Law Merchant,” 1181, 1195–96, 1204.

<sup>47</sup> Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 330–32; Wijffels, “Business Relations between Merchants in Sixteenth-Century Belgian Practice-Orientated Civil Law Literature,”

affidavits, opinions and assessment about trading practices and accounts in cases over commercial matters and involving traders and seamen<sup>48</sup>. Judges homologated arbiters' decisions made upon the mercantile custom<sup>49</sup>, and in Amsterdam, the city magistrates addressed mercantile disputes to merchants for arbitration<sup>50</sup>. **Dependent on state coercion, arbitration enhanced the legal system**<sup>51</sup>.

Moreover, since the Middle Ages, legal scholarship recommended that mercantile cases procedures should resemble those of arbitration: summary, with little formalities and paying greater attention to the facts, usage and good faith than to legal subtleties and artifices<sup>52</sup>. Yet the development of academic scholarship, state administration and courts

In Portugal, a specialized mercantile court was established; although short-lived (1598–1603), its bylaws influenced subsequent jurisprudence<sup>53</sup>. In Amsterdam, no

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274; Donahue Jr. Charles, “Benvenuto Stracca’s ‘de Mercatura’: Was There a ‘Lex Mercatoria’ in Sixteenth Century Italy,” 110; Kadens, “The Myth of the Customary Law Merchant,” 1186.

<sup>48</sup> SR Nrs. 212, 568, 601, 618, 1811, 2560; D. Strum, “The Portuguese Jews and New Christians in the Sugar Trade,” pp. 291-2; idem, *The Sugar Trade*, p. 495; O. Gelderblom, *Cities of Commerce*, pp. 99, 135, 137; Ortego Gil, *Reis E Mercadores*, 117–19, 145; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 154–60; De Ruyscher, Dave, “Debt Recovery and Debt Adjustment: Assessing Institutional Change in Antwerp (Ca. 1490-Ca. 1560),” 8–9; Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 339, 357–62.

<sup>49</sup> IL 728, fls. 56, 164v.; SR Nr. 792, 871, 892, 1953, 1954; O. Gelderblom, *Cities of Commerce*, p. 107.

<sup>50</sup> SR Nrs. 212, 568, 601, 1811; O. Gelderblom, *Cities of Commerce*, pp. 107-8, 124.

<sup>51</sup> Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 159–73; Ogilvie, *Institutions and European Trade*, 299–300; Bernstein, “Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry,” 125, 129.

<sup>52</sup> Hespanha, *Cultura jurídica europeia*, 233; Petit, *Historia del derecho mercantil*, 130–31; Ortego Gil, *Reis E Mercadores*, 90, 94–100, 117-9, 145. Donahue Jr. Charles, “Benvenuto Stracca’s ‘de Mercatura’: Was There a ‘Lex Mercatoria’ in Sixteenth Century Italy,” 107, 112; Piergiovanni, “Genoese Civil Rota and Mercantile Customary Law,” 200.

<sup>53</sup> Ortego Gil, *Reis E Mercadores*, 117–19, 136; Strum, *The Sugar Trade*, pp. 495-7; Smith, *The Mercantile Class*, pp.161-4; Costa, *O Transporte*, v.1, pp. 228, 266-270; Mauro, *Portugal, o Brasil e o Atlântico*, v. I, p. 305 e v. II, pp. 201-2; Silva, *O Porto e o seu termo*, v. I, pp.133, 220, 466, 545-550; Moreira, *Os mercadores de Viana*, p.126. For the intervention of civil courts, see: PO2, l. 36, fls. 101v.-102v. (1612-11-12). Within certain geographical jurisdictions and in certain matters, a colonial

merchant tribunal was established, but a subsidiary Insurance Chamber was set up in 1598, and Chamber of Insolvency and the Commissioners of Maritime Affairs would be created in 1627 and 1641<sup>54</sup>.

Observable misconduct was more easily verifiable by court. Although producing notarized agreements, official certificates and other formal documents was advisable these were not a requisite in commercial cases. Private documents, ledger books and letters were admissible evidence, followed by sworn witnesses and affidavits<sup>55</sup>. Courts accepted foreigners' testimonies<sup>56</sup> and documents produced abroad, both official and private. Certified copies, sworn translations and authentication of signatures could be provided in case of need<sup>57</sup>. Protests were a public procedure that produced sufficient evidence of underperformance of a standard long-distance transaction: acceptance of bill of exchange, payment of instrument credit, loading cargo timely or receiving corresponding consignment.<sup>58</sup>

To gain from the expansion of markets, rulers adopted stricter policies to curb malicious default, bankruptcy and absconding<sup>59</sup>. Courts were to enforce payment of bills of exchange and IOUs without questioning the legitimacy of the debt<sup>60</sup>.

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court, Juízo da Índia, substituted the Juízo da Alfândega; Leão, Duarte Nunes de, *Leis extravagantes*, fl.33v.-35v.; *Ordenações filipinas*, l.1, título LI, LII; Almeida, *Aritmética*, v. II, pp. 364-7.

<sup>54</sup> Gelderblom, *Cities of Commerce*, 124–26. See also: Trivellato, *Familiarity*, pp. 158-160.

<sup>55</sup> [references to ledger books, affidavits, sworn witnesses] Koen, “Duarte Fernandes,” pp. 180, 187; Almeida, *Aritmética*, v. II, pp. 365-6; IL 4481, attached document n. 5, fl. 1; Strum, *The Sugar Trade*, pp. 245, 335-45, 365, 368, 398-421, 455, 494; Trivellato, *Familiarity*, pp. 161-2, 168-9, Gelderblom, *Cities of Commerce*, pp. 79-80, 83, 87-101; Kessler, *A Revolution in Commerce*, 61–62; Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 337–43, 356.

<sup>56</sup> Borges, *Fontes*, pp. 35-6, 43, 45, 48-51, 56; Gelderblom, *Cities of Commerce*, p. 99.

<sup>57</sup> [reference] Piergiovanni, “Genoese Civil Rota and Mercantile Customary Law,” 195.

<sup>58</sup> Smith, *The Mercantile Class*, pp. 370-1; Strum, *The Sugar Trade*, pp. 329, 354, 387, 403, 405, 413, 491, 537; Trivellato, *Familiarity*, pp. 161-162, 202; Malynes, *Consuetudo*, pp. 401-4.

<sup>59</sup> Strum, *The Sugar Trade*, 493–94; Gelderblom, *Cities of Commerce*, 70, 97, 117–19, 124–25, 130, 140; Greif, Milgrom and Weingast, “Coordination, Commitment and Enforcement”; “Commitment, Coercion and Markets.” Ortego Gil, *Reis E Mercadores*, 112–15; De Ruyscher, Dave, “Debt Recovery and Debt Adjustment: Assessing Institutional Change in Antwerp (Ca. 1490-Ca. 1560),” 14–15.

<sup>60</sup> Rau, “Aspectos do pensamento económico português durante o século XVI”, p. 116; PO2, l. 36, fl. 294 (1613-4-12); Malynes, *Consuetudo*, pp. 101-2. [check:] Roover, *L'évolution de la lettre de change*,

Notarized contracts clauses often equaled them to final sentences<sup>61</sup>. Local authorities sequestered the goods of defaulting debtors and imprisoned absconding and insolvent, **including agents**, until some settlement was reached with their creditors. Provisional settlements, often through the intervention guarantors and trustees, allowed people, vessels, goods and funds to circulate until the dispute was solved<sup>62</sup>. If renegotiation reduced the gains anticipated from cooperation<sup>63</sup>, it also cut down the opportunity and transaction costs in protracted and escalating litigation.

During wartime, foe's subjects filed lawsuits in intermediary countries, whose sentences were binding in the debtor's home. Sentences pronounced in the Southern Low Countries, Catholic and loyal to the Hispanic Monarchy, were both confirmed by Iberian courts and considered legitimate in the Dutch Republic, which shared some of its judicial tradition.<sup>64</sup> The same role had neutral Hamburg.<sup>65</sup> Likewise, creditors could have both goods been sequestered and absconders arrested in neutral ports<sup>66</sup>. Although sources mention individuals absconding for several years, these had to give up a salient participation in the routes and marketplaces in which they could be arrested

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pp. 94-6, 99-113; *Wee, The growth of the Antwerp market, v. 2., pp. 348-9*; O. Gelderblom, *Cities of Commerce*, p. 98; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 156–61..

<sup>61</sup> PO2, l. 36, fl. 294 (1613-4-12); l. 40, fls. 41v.-42v. (1615-1-28); Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 238–42, 322.

<sup>62</sup> PO1, l. 132, fls. 64v.-66 (1611-9-23); l. 140, fls. 28-30v. (1618-1-23); PO2, l.8, fls. 170v.-173 (1597-7-19); l. 20, fls. 208-210 (1603-10-6); l. 27, fls. 142-143v. (1609-5-6); l. 34, fls. 13-16 (1612-1-27); fls. 133-134v. (1612-3-31); l. 36, fls. 62-64v. (1612-10-8), fls. 82v.-83 (1612-10-27); l. 37, fls. 122-123 (1613-7-31); SR Nr. 114, 115, 342, 359, 401, 461, 559, 576, 587, 604, 637, 702, 717, 720, 1275, 1605, 1614. Such policies also meant to allow bona fide merchants to recover and pay, at least partially and in delay, their debts under the authorities' control: O. Gelderblom, *Cities of Commerce*, pp. 50-1, 97, 104, 128-9, 144; Strum, "The Portuguese Jews," pp. 295-306; Ortego Gil, *Reis E Mercadores*, 107 n. 277; Basile and Ames Foundation, *Lex mercatoria and legal pluralism*, 120–22; De Ruyscher, Dave, "Debt Recovery and Debt Adjustment: Assessing Institutional Change in Antwerp (Ca. 1490-Ca. 1560)," 3–4; Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 242–44, 304.

<sup>63</sup> Greif, *Institutions and the Path to the Modern Economy*, pp. 443-5.

<sup>64</sup> PO2, l.8, fls.134-135 (1597-7-1); l. 18, fls. 249-252 (1602-10-18).170v.-173 (1597-7-19); l. 19, fls. 173-174v. (1603-3-20); l. 20, fls. 93v.-95 (1603-7-7); PO4, l.a s., l. 8, fls.233v.-235 (02-09-1621).

<sup>65</sup> SR Nrs. 342, 408, 3344. Strum, *The Sugar Trade*, p. 492; Strum, "The Portuguese Jews," pp. 302-5.

<sup>66</sup> SR Nr. 342, 3344.



and/or their goods could be sequestered. In fact, absconding usually appears as a means meant at buying time while renegotiating with creditors out of prison instead of a once for all strategy. The father and son Gaspar Nunes and Henrique Alvares, for instance, absconded for four years in Antwerp, while their creditors in Amsterdam proceeded against them in the Southern Netherlands, France and even in Portugal, notwithstanding the state of war between the Republic and the Iberian Crown. After a long period living on others' favor in a secluded and unstable life there – even at the risk of religious persecution and banishment –, the father was arrested during a secret voyage to the Republic – in one of their many attempts to reach an agreement with the creditors – and the son was thus forced to an unfavorable settlement<sup>67</sup>.

Portuguese judicial sources are not extant and only a few appeal proceedings on commercial matters at the regional and central courts are remain in the Netherlands.<sup>68</sup> Powers of attorney, however, indicate that, on average, merchants granted only a handful of powers of attorney for commercial disputes in a lifetime. True, powers of attorney were often general and could serve in multiple cases, or just be precautionary<sup>69</sup>. Still, infrequency suggests that litigation was resorted as a second-order means after less costly non-coercive mechanisms failed. Nonetheless, the effort spent in recording transactions, even if privately, in standard, widely accepted and legally admissible formulae clearly indicates that litigation was always considered an actual option<sup>70</sup>.

The legal system did not come first because it was less effective in terms of time, cost, expertise, equity and predictability<sup>71</sup>. Litigation was particularly ineffective

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<sup>67</sup> SR Nr. 297, 463, 464, 466, 468, 517, 518, 519, 520, 534, 772, 775; Samuel, “Portuguese Jews,” pp. 201-230.

<sup>68</sup> O. Gelderblom, *Cities of Commerce*, pp. 130-3; ADP, Judiciais: Tribunal da Comarca do Porto, Tribunal da Relação do Porto; ANTT, Feitos Findos, Casa da Suplicação.

<sup>69</sup> O. Gelderblom, *Cities of Commerce*, pp. 130-3; D. Strum, “The Portuguese Jews and New Christians in the Sugar Trade,” pp. 295-7; *idem*, forthcoming.

<sup>70</sup> O. Gelderblom, *Cities of Commerce*, pp. 101, 139.

<sup>71</sup> PO2, l. 33, fls. 77-79 (1611-11-8); 116v.-118 (1611-12-7); PO1, l. 140, fls. 1-4v. (1617-12-22); SR Nrs. 212, 341. **[arbitration and jurisdiction]** Trivellato stresses these shortcomings and the conflicts of jurisdiction typical of early modern times. At the same time, records at length a dispute over an unrepeatably transaction involving an unfamiliar counterparty that was eventually resolved judicially. Trivellato also mentions a number of documents produced in the course of trade that were attached to business correspondence and which were admitted as evidence in court. She infers that these were to be

when verification costs were high, as in disputes over long and complex arrangements<sup>72</sup>; or when the amounts involved were smaller than the transaction and the opportunity costs of litigation<sup>73</sup>. At the same time, legal enforcement was more effective against wealthy merchants who had assets to be sequestered. Finally, the legal system could not punish inattention that did not breach the legal, customary or contractual specifications. This limitation was particularly acute in transactions that delegated wide latitude to the agent. Not could courts reward accomplishment.

### B. *Professional reputation*

What primarily stimulated honesty and diligence, and deterred misreporting about observable actions and embezzlement of small sums was not the legal system, but rather a private mechanism that linked past conduct to one's expected income. It was agents' self-interest in increasing their future stream of rents resulting from remuneration in multiplying and enlarging services, from increasing opportunities to pool capital and to share risks, and from an expanding number of associates. Agents could be employed by a larger or smaller number of simultaneous principals, who might entrust larger or smaller sums, in either short-term or terminable arrangements. The former were often renewed<sup>74</sup>, and while the latter could go on for years<sup>75</sup>,

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used mostly to establish property rights but not in disputes over agency services: Trivellato, *op. cit.*, pp. 154, 159-162, 176, 179-180, 261-270. While reiterating those deficiencies, Vanneste recalls that a large share of extant business correspondence survived time owing to their use in legal procedures: Vanneste, pp. 31, 176. [Ribeiro] Rosenthal and Wong stress that "Imperfect formal enforcement does not make it valueless," but argue that in preindustrial times litigation was hardly effective in long-distance transactions owing to the mounting costs involved in prosecution: Rosenthal and Wong, *Before and Beyond Divergence*, pp. 67-98 (quotation in 97). See also: Hespanha, *Cultura jurídica europeia*, 348-49; Ortego Gil, *Reis E Mercadores*, 90-100; Greif, "The Fundamental Problem of Exchange," p. 259.

<sup>72</sup> Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 246-54, 330.

<sup>73</sup> Kessler, *A Revolution in Commerce*, 110.

<sup>74</sup> IL 3068, s/n (session as of 1621.11.15). PO2, l. 37, fls. 48-50 (1613-6-10); IL 728, fl. 5v.-6.

<sup>75</sup> SR 857, 1012; PO2, l. 13, fls. 182-184 (1599-8-4); l. 37, fls. 144v.-145v. (1613-8-8). PO2, l. 29, fls.166-167v. (1609-10-24); l. 33, fls. 77-79 (1611-11-8); l. 39, fls. 132v.-133 (1614-10-20). See more on repeated or continued associations in: D. Strum, "The Portuguese Jews and New Christians in the Sugar Trade," pp. 334-3.

reporting was made per enterprise, even before they were completed<sup>76</sup>. Hence, a bad report might lead to termination and vice-versa.

Francisco de Caceres, together with his relatives and friends claimed before the Inquisition that many other New Christian merchants in Oporto hated him because his talents in commerce drove away much of these merchants' business as agents. As soon as Francisco arrived in the city, merchants in both the Low Countries and Bahia purportedly had dismissed their counterparts in Oporto and engaged him instead. Notarial records and city registers, in addition to Inquisition files, bear witness to Francisco's rapid and aggressive climbing as a businessman since his arrival around 1610 until his imprisonment by the Inquisition in 1618<sup>77</sup>.

This mechanism was based upon one's professional reputation among all tradesmen, of different extraction, active in the marketplaces interconnected across this route, and beyond. One's reputation could be established amid such an extensive and heterogeneous network, because the mercantile custom provided a shared set of norms and expectations about a proper trading conduct. At the same time, the information system facilitated both observing conduct and a relatively rapid response to news about it, despite the extensive size of its participants<sup>78</sup>.

Sources provide explicit and direct evidence of the feasibility and actuality of this mechanism. Manuel Rodrigues dos Santos claimed to his inquisitors that while a merchant in Oporto, he refused to employ a number of traders as agents in voyages to Brazil. He also denied recommending them to other merchants for the same voyages. He did so because, according to him, it was notorious that they had mismanaged other principals' goods in previous ventures. At the same time, however, he did entrust goods to different traders in whom he trusted<sup>79</sup>.

On the other hand, agents complained about principals' misjudgments that tainted their good reputations. Another merchant in Oporto claimed that a former agent hated him mortally because he had publicly complained about his poor report in

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<sup>76</sup> Strum, *The Sugar Trade*, 536; Strum, *The Portugues Jews*, pp. 207-216.

<sup>77</sup> IL 3068, fol. 37v., 155-8 (1621-3-24); IC 4523, fol. 25v. Strum, "The Portuguese Jews and New Christians in the Sugar Trade," pp. 174, 196-7, 207-201, 251, 265, 310, 325, 335, 336.

<sup>78</sup> Bernstein, "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry," 143-45, 152, 157. A. Greif, "Commitment, Coercion, and Markets," p. 736

<sup>79</sup> IL 3418.

a traveling agency to Brazil<sup>80</sup>. The fact that these two accounts were part of defense strategies in inquisitorial trials, and might have been exaggerated or invented in order to invalidate a possible denunciation, does not overrule the operation of a reputation mechanism. These recounts also do not imply that the Jewish origins of both principals and agents were significant, but rather convey that one took consequence of his professional reputation in the marketplace in general.

Indeed, the impact of rumors across different affinity groups and marketplaces is evinced by a third case: in 1626, a notary public registered a declaration at the request of a Portuguese Jewish merchant in Amsterdam. The merchant claimed that about a week earlier, a Dutch insurer approached him at the Bourse and showed him a letter of an English shipmaster. The master complained that a merchant in London told him that the Jew would have said to the ship's insurers that he fled with the vessel. Both the underwriters and the notary stated that they never had this impression of the master. The Jew declared that he always believed that the master was honest and trustworthy, and should he return to Amsterdam, he would give him a letter of recommendation<sup>81</sup>. The master's prompt response suggests that he feared that these rumors could damage his career badly, making much more difficult for him to find future employment not only among the Portuguese Jews in Amsterdam, or in Dutch and Portuguese docks, but even among his fellow countrymen in England.

A fourth case indicates that damages caused by unduly tainting ones' reputation might be both priced and legally charged. The same Garcia Gomes Vitoria, whom we saw above absconding in Emden, purportedly said, in the presence of another Portuguese Jewish merchant, that David Nuyts had stolen 75 p. Flem. from him, probably in a sale transaction. Original from the Southern Low Countries, Nuyts was a leading merchant and sugar refiner in Amsterdam<sup>82</sup>. Nuyts had a notice served to the accuser, asking him if he stood by the accusation and protested all costs, damages and interests due to loss of profits resulting from his tainting reputation.

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<sup>80</sup> IC 5702, fl. 33v.-4.

<sup>81</sup> SR Nr. 3472. See more on the affair in: SR Nrs. 3177, 3328, 3329, 3334; Strum, *The Sugar Trade*, pp. 501-3. See also: Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 161.

<sup>82</sup> SR Nr. 1259; Guelderblom, *Zuid-Nederlandse kooplieden*, p. 219; Poelwijk, *In dienste vant suyckerbacken*, pp. 167 n. 41, 168, 169 n. 47, 171 n. 51, 203.

Garcia denied ever having said it<sup>83</sup>. The fact that the two last cases do not refer to agency relations is not significant since both shipping and sales were more observable transactions than trading agency. In the latter, principals would be more sensitive to the reputation of prospective agents.

These sources suggest that this mechanism [combined elements of both adverse selection and moral hazard](#)<sup>84</sup>. In a considerably competitive market comprising many players, merchants preferred not to transact with those who had previously transgressed or brought about poor results<sup>85</sup>. As a result, the latter were marginalized from the rents generated by active trading in these marketplaces, which were assumingly higher than other easily accessible urban and rural occupations<sup>86</sup>. To stay active in trade and regain a more salient role, they would have to compromise to lower terms. Hence, they participated in their own punishment<sup>87</sup>. Of course, these incentives were not homogeneous across all marketplaces and diasporas, which bounded the effectiveness of this mechanism.

### C. *Diaspora*

The standard historiography on agency relations along the sugar route during the surveyed period has [focused on riskier resident arrangements](#). It upholds that Jews and New Christians relied on either relatives or diaspora members to mitigate both information asymmetry and fraud. While minimizing the significance of the diaspora, Leonor Costa, Christopher Ebert, Manuel Moreira, David Smith and Eddy Stols and maintained that of kinship.<sup>88</sup> David Smith and Daniel Swetschinski argue that clusters formed though the intermarriage among a few families compensated the limits of

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<sup>83</sup> SR Nr. 421.

<sup>84</sup> [\[Yadira\]](#)

<sup>85</sup> Williamson, *The Economic Institutions of Capitalism*, 74; Ribeiro, *Mechanisms*, p. 171-3, 182.

<sup>86</sup> [Urban occupation]

<sup>87</sup> Greif, *Institutions and the Path to the Modern Economy*, 442–43; Goldberg, *Trade and Institutions in the Medieval Mediterranean*, 145–48.

<sup>88</sup> Smith, “Mercantile Class,” pp. 103-04, 103, 119, 125-27, 153-54, 168-69; idem, “Old Christian Merchants;” Costa, *Transporte*, vol. 1, pp. 130-140, 160-61, 291-93, 413-437, 515-587; idem, “Merchants Groups;” Stols, “Mercadores,” pp. 30, 42; Moreira, *Mercadores*, pp. 35, 144-5, 206-07; Ebert, “Trade,” pp. 14, 80, 82-83, 88, 90, 97-98, 217.

one's kin<sup>89</sup>. Jonathan Israel, Eduardo França and Sônia Siqueira extend the scope of such familial networks to encompass all members of the diaspora provided they were committed to Judaism, either openly or secretly<sup>90</sup>. José Gonsalves de Mello and Frédéric Mauro held an intermediate position.<sup>91</sup>

Historians' assumptions about diasporas' effectiveness in securing honesty are consistent with, and often drawn from, [theoretical insights advanced by social scientist](#) such as Max Gluckman, [Sally Merry](#), [James Coleman](#), [Robert Burt](#), [Mark Granovetter](#), [Lisa Bernstein and Greif](#). These predict that smaller, denser and strongly tied networks, with individuals linked in different contexts and sharing a clearer group identity have a higher volume and speed of information flow, and its sources deemed more credible. Such networks should also generate greater moral, social and economic incentives for compliance with norms. These incentives would be all more effective the lower the ability of group members transacting with outsiders or conducting alternative transactions (outside options) was.<sup>92</sup>

The prosopography<sup>93</sup> on which this study is based confirms that Oporto New Christians and Amsterdam Jews socialized more among themselves and that intermarriage was the norm<sup>94</sup>. New Christians were very conscious about their

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<sup>89</sup> Smith, "Mercantile Class," pp. 137-38, 145, 154-55; Swetschinski, "Middle Ages," p. 81; Swetschinski, "Portuguese Jewish Merchants," pp. 134-291; idem, "Kinship".

<sup>90</sup> Israel, "Diasporas," pp. 3-26; Israel, "Economic Contribution," pp. 418, 420, 429; idem, "Manuel," pp. 251-53; França and Siqueira, "Introdução," pp. 151, 153-58, 160, 169-173.

<sup>91</sup> Mello, "Livros," pp. 33-34; idem, *Gente*, pp. 5-79; Mauro, *Brasil*, vol. 1, pp. 279-298.

<sup>92</sup> [\[Gluckman,\]](#) Coleman, "Social Capital," S102-S109; Burt, *Structural Holes*, pp. 14, 18-20; Burt, "Structural Holes," pp. 50-52; Granovetter, "The Impact of Social Structures on Economic Outcomes," pp. 34-5, 42; Granovetter, "Problems," pp. 35-6, 43-5; Greif, "Commitment, Coercion, and Markets," p. 736; Greif, *Institutions and the Path to the Modern Economy*, p. 445; Greif, "Contract Enforceability," pp. 536, 539-41; Greif, "Fundamental Problem," p. 273; Merry, "Rethinking Gossip and Scandal," pp. 64-6, 69-70; F. Trivellato, *Familiarity*, pp. 163, 221; Aslanian, "Social Capital, 'trust' and the Role of Networks in Julfan Trade," 169-74, 200-201; Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 67-121; Lamikiz and Royal Historical Society (Grande-Bretagne), *Trade and Trust in the Eighteenth-Century Atlantic World*, 116-38, 157-60; Bernstein, "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry," 138-43.

<sup>93</sup> [\[note, Van Doesselaer\]](#)

<sup>94</sup> Strum, *The Portuguese Jews*, pp. 43-5, 277. Endogamy among the same social, including ethnic and religious, and professional group was the rule in those societies: Lesger, *The Rise of the Amsterdam*

common history and status; a minority subject to increasing discrimination and recurrent persecution. The nascent Jewish community of Amsterdam comprised mostly émigrés from the Hispanic world and their children. To various degrees, most of them affiliated to and identified with the emerging communal organizations; while their legal, political and religious rights remained undecided until 1619. Portuguese Jews worried about the impact of individual economic reputation on, the image and status of the group<sup>95</sup>.

Hence, a reputational mechanism within the diaspora should have been more effective than that based on professional reputation. Still, the effectiveness of the former was bounded by the extent, porosity, heterogeneous identity and low cohesion of this diaspora. The prosopography comprises more than 5,000 New Christians, Portuguese Jews and their relatives living in different areas but mostly in Oporto. It also includes ascendants and descendants beyond the surveyed period. About 430 adult male Jews lived or stayed in Amsterdam until 1618, and about twice this figure up to 1624; whereas more than 250 New Christians dwelled in Bahia during the examined period, a generation before and one afterwards. These sources also indicate a high geographic mobility.<sup>96</sup> Furthermore, marriages outside the group were not unusual in Oporto and especially in Brazil. Inner-group and inner-family relations were often unharmonious, and persistently marked by bitter conflicts. Finally, religious beliefs and identity varied within the same family<sup>97</sup>. Even in Amsterdam, many diaspora members remained in the fringes of the community, a number presented deviant attitudes and beliefs, and some went back to the Catholic World,

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*Market*, pp. 159-160; Poelwijk, *In dienste vant suyckerbacken*, pp. 200-9; Silva, *O Porto e o seu Termo*, v. 1, pp. 432-3.

<sup>95</sup> Huussen, "The Legal Position of the Jews in the Dutch Republic"; Huussen, "The Legal Position of the Sephardi Jews in Holland"; Kaplan, "Jewish Amsterdam's Impact on Modern Jewish History"; Swetschinski, "From the Middle Ages to the Golden Age;" Strum, "La Mala Sangre," p. 134; Trivellato, *Familiarity*, pp. 164-7.

<sup>96</sup> Novinsky, *Cristãos Novos*, pp. 101, 165-175. José Antônio Gonsalves de Mello estimated, with some exaggeration, the total of New Christians living in Pernambuco at the end of the sixteenth century at around 900: Mello, *Gente*, pp. 6-7. See also: Nusteling, "Jews," p. 48, Kaplan "Portuguese Community," p. 26, idem, "Jewish Amsterdam's Impact," p. 31, notes 37 and 38; Israel, "Spain," p. 359 n. 16. See also: Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 67-89.

<sup>97</sup> A fairly comprehensive bibliography on this topic is found in: Saraiva, *Marrano*, pp. IX-XIV, 231-341. See also: Bodian, *Hebrews*, p. 18; Novinsky, *Cristãos Novos*, pp. 60-71.

often at great risk, sometimes for good. A few years after the examined period, the Jewish community started using excommunication to confessionalize its members into rabbinical Judaism<sup>98</sup>.

Moreover, diaspora members were not expected to refrain from transacting with outsiders. Instead of ostracism, economic punishment most likely involved losing preferential treatment as agents given to fellow diaspora members. This was an important comparative advantage in a considerably competitive market that comprised many players. This advantage was particularly sensitive to less inexperienced and modest traders. *Pecuniary incentives were sided, if not preceded, by social ones: embarrassment, social pressure and estrangement*<sup>99</sup>. These depended less on homogenous transactions, but rather on the maintenance of the diaspora's identity, its density and strong ties within it.<sup>100</sup>

In this study, individuals are considered relatives only when sources mention exactly how and to what degree they were related. Family members comprise only first- and second-degree relatives, immediate in-laws, and their spouses. New Christians are only those who sources conclusively identify as such. The term "Probably a New Christian" applies when multiple indications concurred to suggest it: names similar to other New Christians in town, marriage bonds and many social connections with New Christians, residence and profession in areas with a high concentration of New Christians in the town. All New Christians and their children settled in Amsterdam are classified as Jews; together with Mediterranean and Moroccan Jews. All other residents in Amsterdam were considered non-Jewish, alongside with few Portuguese identified as Old Christians. Foreigners in Portugal and

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<sup>98</sup> Kaplan, "Social Functions," pp. 111-155; idem, "Jewish Amsterdam's Impact," pp. 61-62; Kaplan, "The Travels," passim; Bodian, *Hebrews*, pp. 32-3; Israel, "Spain," pp. 362-68; Israel, "Manuel Lopez Pereira," passim; Salomon, *Os primeiros portugueses*, p. 21 ff.; García-Arenal and Wieggers, *Un hombre*, passim.

<sup>99</sup> Greif, "Commitment, Coercion, and Markets," p. 734. [Granovetter, cases]

<sup>100</sup> Jewish communities constituted by former New Christians would turn increasingly zealot into distinguish themselves from Jews of non-Iberian origin. Waves of discrimination and persecution followed in Portugal and Brazil well into the eighteenth century. Nevertheless, the density of the ties between the Netherlands and the Iberian World would diminish from the late seventeenth century on, as immigration was mostly out of the former: Kaplan, "The Portuguese Community in Seventeenth-Century Amsterdam and the Ashkenazi World," passim; Swetschinski, "The Portuguese Jewish Merchants," pp. 215-221, 273-5. [Wilke – PT].



Brazil are easily recognizable, and inquisitorial sources occasionally mention Portuguese and Luso-Brazilian being Old Christians. All those who could not be identified otherwise were grouped as “Probably Old Christians”. Owing to the sweeping inquisitorial persecution in Oporto, this classification is fairly reasonable for that city. As for Brazil, the figures of “Probably Old Christians” might have been slightly overestimated since the Inquisition’s activities were not as extensive there, and traders more mobile.

#### IV

Notarial records, as summarized in Table 3, indicate that relations beyond the diaspora prevailed in simpler traveling arrangements. These involved lower sums, higher observability, short term and mobility. Notarial deeds record few references to these arrangements<sup>101</sup>, but notarization was mostly, if not only, valuable for future litigation and not a requisite either. Transactions in small amounts usually did not justify the costs of extensive notarization ex ante and probably of litigation ex post either. Nearly all references to simpler traveling arrangements appear in contracts ruling them ex ante. Yet merchants probably only bothered to notarize them when they expected entanglement with the agent or third parties. They were not well acquainted with the prospective agent. They wished to protect themselves before third parties on behalf of whom they were contracting (principals of the principal). Other transactions and parties were interested in or connected to the arrangement without appearing on the record: such as creditors, heirs, endowers etc.

Table 3: Agents’ social affiliation in simpler traveling arrangements

I controlled a selection bias by comparing these data with the references to travelling arrangements in the lists of properties declared by the New Christian prisoners of the Inquisition. Mistrust in the principal-agent relations did not bias the latter because the defendants mentioned mostly the assets that they knew or assumed to have been

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<sup>101</sup> On heterogenous relations involving small sums or simpler transactions in other contexts: Gelderblom, *Cities of Commerce*, pp. 80-1. Aslanian, “Social Capital, ‘trust’ and the Role of Networks in Julfan Trade,” 199, 223; Lamikiz and Royal Historical Society (Grande-Bretagne), *Trade and Trust in the Eighteenth-Century Atlantic World*, 137, 152; Goldberg, *Trade and Institutions in the Medieval Mediterranean*, 141–42.

already seized by the Holy Office. Both sets of data were found consistent, as we will see below.

In sharp contradictions are the findings on riskier resident arrangements, which involved higher sums, lower observability and continuous residence in the destination center. In these arrangements, fellow diaspora members, but not necessarily kinsmen, were preferred as agents. It is remarkable that the distribution among kinsmen, diaspora members and outsiders follows a consistent pattern in all combinations of origin and destination centers. The total number of dyads found in notarial records referring to riskier resident arrangements was larger than those in any other category of contractual relations. Still, this is a small figure. The reason, again, is the relative informality that prevailed in the course of trade. In order to identify a resident agency arrangement, I established a finite number of transactions that indicated the existence of such a relationship: (a) contracting someone as a resident agent, (b) settling accounts with a former resident agent or being empowered to settle such accounts, (c) mention to open accounts between two merchants, (d) being a drawer and drawee of bills of exchange, and (e) being a loader and consignee of merchandise. Agents of all categories performed the roles of loaders and/or consignees, and sometimes other of these roles as well. Still, these agents were classified in riskier resident arrangements inasmuch as the available data did not provide any explicit information that allowed a more accurate classification. Most of these agents can be established being resident merchants [percentage].

Table 4: Agents' social affiliation in riskier resident arrangements

Eleven (3%) of the dyads comprising agents classified as "New Christians" include individuals indirectly presumed "Probably New Christians". Expectedly, however, of the 208 dyads with Brazil, 23 agents could neither be identified as Old Christians nor there were indications of them having Jewish origin. They were included together with the other six dyads positively comprising Old Christians. The same happened with another two dyads with Oporto.

I endeavored to make sure that related agents were not underrepresented exactly because merchants prevented problems by relying on kinsmen<sup>102</sup>. For this purpose, I compared the distribution of relatives, diaspora members and outsiders in all notarial records with the same distribution within subsets of records that were notarized due to unexpected events, events that were independent to the relationship between the dyad members and possible or actual mistrust. Notarization caused by force majeure, first category, are random by definition. The second category comprises references to a dyad in records concerning relationships between one or both of its members with a third party. The third includes actual or possible responses to misconduct by an agent, and ex ante provisos that may imply some degree of mistrust between them. A fourth category (inconclusive) consists of a few cases that I was unable to classify in any of the previous.<sup>103</sup>

Table 5 demonstrates that the results of the aggregate data set are indeed representative (bottom line); it significantly follows the distribution of the cases that were notarized due to unexpected events (upper line). In fact, the results of the aggregate data set are relatively consistent with all the three categories that brought about notarization. Furthermore, a conservative methodology classified many cases in the third category while, in fact, the deeds probably meant to avoid misgivings between the dyad members, on the one hand, and an unmentioned third party, on the other<sup>104</sup>.

Table 5: Distribution of the dyads according to cause for registering the deeds

The distribution of dyads involving riskier traveling arrangements, which involved higher sums, lower observability and mobility to destination, seen in Table 6, is similar to the pattern found among riskier resident arrangements. It comprised a

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<sup>102</sup> In Venice, the share of agency relations among relatives decreased from over a third to less than ten percent from the 11<sup>th</sup> to the 13<sup>th</sup> century. De Lara argues that Venetians resorted to notaries for both intra- and inter-family relations: Y. González de Lara, “The Secret of Venetian Success,” p. 258.

<sup>103</sup> The particular events that were classified in each category are listed in detail in [Appendix IV](#).

<sup>104</sup> In fact, in many of these deeds, one or more deputy agents were appointed as substitutes in the case of the nominee’s absence. These deputies would receive or deliver cargoes, payments, etc. from third parties, mainly shipmasters and agents in simpler traveling.

relatively high number of relatives<sup>105</sup> and a predominance of diaspora members. The proportion of outsiders here, however, is significantly higher. Most supercargoes were mentioned in ex ante contracts, which does not necessarily imply distrust. Voyages with supercargoes usually involved uncommon shipping conditions, such as larger cargoes per loader, lengthier delay periods, supercargoes' particular prerogatives aboard, etc. Shipmasters and loaders might have preferred to publicly specify some of them. Still, figures in Table 6 lack several other dyads, since sources often mention the presence of a supercargo without naming him. Other records suggest that a travelling charterer of a ship would act as a supercargo without revealing the identities of some or all principals<sup>106</sup>.

The distribution of simpler resident arrangements also shows a noticeable similarity to simpler traveling ones. The former comprise three cases whose provisos explicitly limited the autonomy of resident agents. Two of them were probably Old Christians and one a family member: a son-in-law of the principal but apparently an Old Christian – a case of exogamy.

Table 6: Agents' social affiliation in riskier traveling arrangements

Data extracted from Inquisition process files present consistent results with those drawn from notarial deeds. All 32 dyads referring to riskier resident arrangements comprise diaspora members, but only 11 (34.38%) include relatives. Likewise, there were very few relatives found among traveling agents, as Table 8 shows. Despite the inherent over-representation of Jews and New Christians in Inquisition process files, there were many references outsiders. Most of them appear in the declarations of property that prisoners had to make. These usually listed goods they expected to have been already attached by the Inquisition. Hence, references encompass only a number of the ongoing or just- concluded ventures by the time of the principal's imprisonment, and may be considered unbiased by the principal-agent relation. Apart

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<sup>105</sup> Part of the abovementioned relatives, instead of supercargoes, might have sailed rather as supervisors and apprentices of the masters, who were the actual agents: ADP, Notarial Funds [hereafter NOT], PO2, l. 36, fls. 333-334.

<sup>106</sup> PO2, l. 35, fls. 120v.-122v.; 36, fls. 58v.-60; 36, fls. 99-100v.; l. 36, fls. 279-280; l. 39, fls. 35v.-36v.; PO1, 133, fls. 162-163v.; l. 136, fls. 16v.-18; SR Nrs. 26; 39; 157, 229, 269; Ebert, "Trade," p. 99.

from three sea loans, other references to traveling arrangements do not allow us to establish the nature of the contractual relation. Yet outsiders were assumingly employed in “minor” arrangements since they were all servants, cashiers, shipmasters, and ship crewmembers of other ranks.

Table 8: Agents’ social affiliation in traveling arrangements mentioned in inquisitorial sources

Group members, on the other hand, appear mostly along the trial proceedings proper. In order to receive the least penalty, defendants endeavored to discredit all those who they believed had accused them of being Judaizers, claiming that the latter and their relatives hated them and their kinsmen virulently. When this path did not seem promising, defendants sought a milder penalty by “completely confessing” their heresy, and naming their accomplices<sup>107</sup>. Since most of the proceedings derive from a sweeping wave of imprisonments in Oporto, the majority of the presumed accusers were fellow New Christians already imprisoned. Thus, it is not surprising that the bulk of agents and principals mentioned in defense claims and confessions were group members. A number of these transactions are also registered in notarial records, suggesting that these relations might have taken place even if the animosity or heresy did not.

Table 9 suggests that merchants often kept various agents at the same marketplace simultaneously, or within short periods of time<sup>108</sup>.

Table 9: Number of merchants in a particular center with one, two, three or more agents engaged in riskier resident arrangements in another at the same approximate time

Not all portfolios can be so richly depicted as Alvaro de Azevedo’s, presented at the beginning of this article. This is, in a great measure, a result of the already emphasized under-registration of agency relations in the sources in general, and of

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<sup>107</sup>Franco and Assunção, *Metamorfoses*, pp. 120, 173-74.

<sup>108</sup> For multiplicity of agents in other contexts, see: De Roover, "Organization," pp. 45-46; Y. González de Lara, "The Success," pp. 253-6; O. Gelderblom, *Cities of Commerce*, pp. 83-4; Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 102–7.

simpler traveling arrangements in particular. Many of the relations mentioned in Inquisition sources were not recorded in notarial ones, and when they did mention the same individuals, these often appear serving different merchants and/or the same merchant but in different ventures. Edgar R. Samuel found in British and Belgian archives further records of agency relations relevant to this study that do not appear in the sources examined here. These sources add two more agents in riskier resident arrangements, who were either both non-group members, or one was a New Christian and the other a probably Old Christian. They further report about a Jewish merchant in Amsterdam sending his son as a supercargo on a voyage from Amsterdam to Brazil and back via Lisbon in 1601, and suggest that another Jewish merchant in Amsterdam engaged a non-relative Jew as a supercargo on a voyage involving Madeira and Brazil in 1607.<sup>109</sup>

## V

The findings corroborate that arrangements involving smaller sums and higher observability – both resident and travelling – were governed primarily by a mechanism based on reputation that traversed different diasporas. This was only seldom supplemented by litigation, as its costs could not support alone transactions involving small sums and modest agents. The higher observability of these transactions made this reputational mechanism credible among an extensive and heterogeneous network<sup>110</sup>. So did small sums: by conditioning the value entrusted at each enterprise to the agent's wealth, merchants reduced the future gains expected from embezzlement.

Agents employed in simpler arrangements were usually seamen, retainers, cashiers or small traders. These had less to lose from absconding, and seizure of goods was not as a credible threat to them either. Yet the small sums delegated by each principal were not enough to live on, and if they embezzled all the sums entrusted by several principals, they would have more people endeavoring to track them down, therefore making the legal system credible. At any rate, the shorter term and the long time spent on board in simpler travelling arrangements prevented those individuals from serving several principals simultaneously without any contractual

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<sup>109</sup> Samuel, "Portuguese Jews," pp. 191, 212, 220-21.

<sup>110</sup> Greif, *Institutions and the Path to the Modern Economy*, 333.

restriction. In simpler resident arrangements, provisos occasionally barred service to additional principals<sup>111</sup>. Furthermore, their little private capital narrowed their range of alternative profitable sources of income if they forsook trade-related occupations altogether (*outside options*)<sup>112</sup>. Moreover, agencies' remunerations had a greater impact on their relatively modest income, and a good evaluation of each enterprise was the best voucher for their future employment by the same or other merchants. Hence, agents employed in simpler traveling arrangements supposedly had the higher drives for diligence.

In effect, both reputational and coercive mechanisms were interdependent. By accepting informal evidence of transactions, private and oral, the legal system was actually designed to be a second-order mechanism. Trade would take course mostly privately and informally, and so it would be supported. Only when the informal mechanisms failed, merchants would turn to the more costly legal verification and enforcement<sup>113</sup>. To better count on such remedy, a more formal recording of transactions, in written and/or notarized records, the requirement of collaterals, public certificates of weights, protest for non-delivery or payment, affidavits and assessments functioned like an option. Their costs were all more sensible the more likely was the resort to the legal system to be expected even if not owing to mistrust between principal and agent<sup>114</sup>.

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<sup>111</sup> I found only one case in which a partnership that comprised "Flemish" merchants residing in the Low Countries and Portugal forbade their simple agent in Brazil to serve other principals for a certain period of time: SAA, 5075: *Archief van de Notarissen ter Standplaats Amsterdam*, l. 33, fls.390v.-392; STOLS, E. Os mercadores flamengos, p.37; Ebert, C. The trade in Brazilian sugar, p. 99. A similar case in: Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 152. In medieval Venice, the first principal also did not have to authorize their travelling agents to take additional goods from other investors as they did in Genoa. According to De Lara, this was a result of Venetian state monitoring and coercion: Y. González de Lara, "The Secret of Venetian Success," pp. 259-60, 274.

<sup>112</sup> Greif, "Théorie des jeux et analyse historique des institutions: les institutions économiques du Moyen Age."

<sup>113</sup> On the trade-offs between the legal system and private-order institutions, see: A. Greif, "Commitment, Coercion, and Markets," pp. 738, 745-7. The extensive state control in medieval Venice, was only feasible thanks to the high rents extracted by its trading privileges: Y. González de Lara, "The Secret of Venetian Success," pp. 268-9; Bernstein, "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry," 145.

<sup>114</sup> For misgivings among the parties, see: L.F. Costa, "Informação e Incerteza," pp. 117-8.

The reputational mechanism underpinned the legal system since the former threatened those declared guilty with economic marginalization<sup>115</sup>. Renegotiation was more often than not a better option, even if not optimal, than both litigation and marginalization<sup>116</sup>. Hence, agents who had few assets to be sequestered were motivated to find an amicable settlement with their principals. Two of such agents, for example, litigated with their former principal over the proceeds of an enterprise. An appeal decision did not appease the parties, and they decided to bring the dispute to arbitration. They agreed that the outstanding debt to be determined due to the principal would be entrusted to the same agents again in a new venture<sup>117</sup>. Primarily aimed at restoring social order and promoting the community's sense of justice, early modern adjudication weighted parties' status and reputation **instead of impersonally conforming to the law and evidences**<sup>118</sup>. **Unfortunately, there are too few judicial records evaluate the impact of reputation on commercial adjudication in this case study.**

Together, the two mechanisms that traversed diasporas enabled the scalability of trade by facilitating the entrance of a large number of new and/or unprivileged players at relatively little cost. They supported mercantile associations that were expected to be of short duration, not necessarily repeated, and of little value. Yet they did not necessitate the restrictive and costly conditions of mechanisms that had governed these transactions in the Middle Ages, according to Greif and González, such as costly state controls and administration and family co-responsibility. They usually did not entail pledging specific collaterals either<sup>119</sup>. Neither had agents to serve one principal alone<sup>120</sup> or belong to an exclusive small close-knit affinity group<sup>121</sup>

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<sup>115</sup> Bernstein, "Opting out of the Legal System: Extralegal Contractual Relations in the Diamond Industry," 129, 136 nn. 46, 150.

<sup>116</sup> Petit, *Historia del derecho mercantil*, 54–55, 81, 131; Ortego Gil, *Reis E Mercadores*, 94–96; Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 158, 363.

<sup>117</sup> PO2, l. 48, fls.110v.-112v. (1618-3-15). See also: O. Gelderblom, *Cities of Commerce*, p. 105-8; D. Strum, "The Portuguese Jews and New Christians in the Sugar Trade," pp. 308-320.

<sup>118</sup> Hespanha, *Cultura jurídica europeia*, 175, 233, 251, 348; Petit, *Historia del derecho mercantil*, 127–28; Ortego Gil, *Reis E Mercadores*, 99–100; Kessler, *A Revolution in Commerce*, 3–4, 57–95, 117–40. [Hespanha \[ not only to the "rustics" 259-63\]](#), *Ordenações Filipinas*, l. 3, título LII.

<sup>119</sup> A. Greif, *Institutions and the Path to the Modern Economy* pp. 295, 434–6, 438; Y. González de Lara, "The Secret of Venetian Success," pp. 261-2, 265-6. On families as collaterals: Aslanian, "Social



On the other hand, both notarial and inquisitorial documents consistently indicate that transactions involving higher sums and lower observability were primarily governed by an inner-diasporic reputation mechanism. One cannot entirely dismiss this inference, claiming that these data merely reflect the fact that New Christian predominated among traders in both Portugal and Brazil.<sup>122</sup> In Amsterdam, Jews were far from being the bulk or even having a leading role at this stage<sup>123</sup> and even so, Jews were usually preferred in riskier resident arrangements in detriment of better-placed merchants of other backgrounds in Netherlands. The small number of relatives found among riskier arrangements reflects the fact that one did not always have the adequate family members in the right place and time<sup>124</sup>. Yet the diaspora offered a broad pool of potential agents in the marketplaces and period under study.

The diaspora's social structure generated a higher speed and volume of information about the conduct of its members, making it more effective in governing less observable transactions. It also provided greater incentives for honesty and diligence, making the internal mechanism more sensible in transactions involving higher sums and wider latitude. True, the extent, mobility, porosity, heterogeneous identity and low cohesion of this diaspora limited its internal enforcement capacity.

Yet the diasporic mechanism was supplemented by litigation and reinforced by the professional reputational mechanism. Well-established merchants were usually employed in riskier resident arrangements. These could count on future income from misappropriating all entrusted capital by one or many principals. Yet flying with all

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Capital, 'trust' and the Role of Networks in Julfan Trade," 198.. On general collaterals, see also: De Ruyscher, Dave, "Debt Recovery and Debt Adjustment: Assessing Institutional Change in Antwerp (Ca. 1490-Ca. 1560)," 6–8. On the joint liability of guarantors: Fernández-Castro, *Juzgar Las Indias: La Práctica de La Jurisdicción de Los Oidores de La Audiencia de La Casa de La Contratación de Sevilla (1583-1598)*, 148–50.

<sup>120</sup> Aslanian, "Social Capital, 'trust' and the Role of Networks in Julfan Trade," 198.

<sup>121</sup> Aslanian, 199–201; Greif, *Institutions and the Path to the Modern Economy*, 450–51; Greif, "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition," 535–42; Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 88, 111, 118; Lamikiz and Royal Historical Society (Grande-Bretagne), *Trade and Trust in the Eighteenth-Century Atlantic World*, 116–38, 157–60. [xabi]

<sup>122</sup> Ribeiro, *Mechanisms*, pp. 108, 150-1.

<sup>123</sup> Swetschinski, "The Portuguese Jewish Merchants," p. 610 n. 1.

<sup>124</sup> Smith, "Mercantile Class," pp. 137-38, 154; Trivellato, *Familiarity*, p. 222.

their principals' assets jeopardized the expertise and the infrastructure (fixed assets, employees, etc.) they had built in the local marketplace<sup>125</sup>. If reputation could make one wealthier, the legal system made the wealthier more reliable, as they had more assets to be seized<sup>126</sup>. Moreover, as merchants themselves, they also had goods entrusted to their own agents, which could be more easily sequestered elsewhere. In partial embezzlements, they put at stake the sunk cost invested in previous enterprises involving lower sums and building a larger portfolio of principals<sup>127</sup>.

These interdependent institutions allowed market expansion, since substantial and complex transactions would otherwise have been governed by more costly alternative mechanisms. The latter included hiring agents only amidst relatives or within smaller, denser and more cohesive diasporas as in Greif's coalition of traders. Cooperation could also be secured through long-lasting and progressive relations, either vertical or horizontal, within a market that comprised few actors and transactions. The sunk cost invested in building these ties and the difficulty in finding substitute principals would be a deterring factor against misconduct, as amid the diamond and silver traders studied by Trivellato, Vanneste and Studnicki-Gizbert or the merchant-bankers by Ribeiro. In all these alternatives, however, agency costs would be higher owing to the narrower pool of potential agents.<sup>128</sup> State coercion or

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<sup>125</sup> Greif, "Théorie Des Jeux et Analyse Historique Des Institutions: Les Institutions Économiques Du Moyen Age," n. 47.

<sup>126</sup> A. Greif, "Commitment, Coercion, and Markets," p. 747.

<sup>127</sup> Greif, *Institutions and the Path to the Modern Economy*, 437–41; Ribeiro, *Mechanisms*, p. 173; Trivellato, *The Familiarity of Strangers*, 182; Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 96–97; Lamikiz and Royal Historical Society (Grande-Bretagne), *Trade and Trust in the Eighteenth-Century Atlantic World*, 129, 144; Vanneste, *Global Trade and Commercial Networks*, 89; Goldberg, *Trade and Institutions in the Medieval Mediterranean*, 135–38, 145–48.

<sup>128</sup> Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 104–5, 111–13. Ruiz's network examined by Ribeiro comprised mostly money remittances amid top-ranked businessmen, among which longstanding associates and fellow Castillian had preference. Ruiz's brother was his main agent during his early career, and Portuguese Conversos typically drew bills of exchange on fellow diaspora members: Ribeiro, *Mechanisms*, passim, specially pp. 61–82, 122, 146–8, 152–3. The Levornese Sephardic family firm that Trivellato analyzes employed mostly relatives and diaspora members in the Levant, in which the firm traded mostly low value per volume goods, while outsiders predominated in the coral for diamonds trade: Trivellato, *The Familiarity of Strangers*, 201–5, 215–23, 238–43. Vanneste recalls that the Ashkenazi traders, who relied on kinsmen, were able to sell at lower prices than members of the "privileged cross-cultural network," who did not: Vanneste, *Global Trade and*

monitoring allowed a broader scope and extent of transactions but entailed higher costs as well, as in González on medieval Venice<sup>129</sup>.

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*Commercial Networks*, 108, 112, 119–20. A. Greif, *Institutions and the Path to the Modern Economy*, pp. 438-9, 450-1; A. Greif, “Commitment, Coercion, and Markets,” p. 732. Swetschinski and Costa argue that from the late seventeenth century, Jews born in Amsterdam who did not have as close relations with the Iberian World as their ancestors, relied on agents there who they did not know personally. The latter were chosen from among a few first-rank merchants, and charged high agency fees. Costa added that these were frequently Old Christians: Swetschinski, “Portuguese Jewish Merchants,” pp. 215-221, 273-74; Costa, *Transporte*, vol. 1, pp. 160-61. Also referring to the late seventeenth century, Antunes downplayed the role of group belonging, particularly among higher ranked merchants: Antunes, *Globalization*, p. 137.

<sup>129</sup> Despite state monitoring and coercion, in medieval Venice relations were almost exclusively intra-community: González de Lara, “The Secret of Venetian Success.”



## Tables

Table 1: Alvaro de Azevedo's portfolio of agents

Destination and transactions	Relatives	Diaspora members	Outsiders*	Total
<b>Netherlands</b>				
Riskier resident	1	-	-	<b>1</b>
Simpler travelling	-	-	1	<b>1</b>
<b>Brazil</b>				
Riskier resident	-	1	2	<b>3</b>
Riskier traveling		1	1	<b>2</b>
Simpler traveling	-	6	10	<b>16</b>
<b>Total</b>	<b>1</b>	<b>8</b>	<b>14</b>	<b>23</b>

\* Positively or possibly Old Christian

Source: Dataset, both notarial and inquisitorial sources

Table 2: Agents' background and the risks entailed by the agency arrangements

Dyads comprising <sup>130</sup> :	Relatives	Diaspora members	Outsiders	Total of dyads
Smaller sums, higher observability	0 (0.00%)	3* (10.00%)	27 (90.00%)	30 (100%)
Intermediate sums and observability	6 (14.29%)	22 (52.38%)	14 (33.33%)	42 (100%)
Higher sums, lower observability	110 (20.3%)	392 (72.32%)	40 (7.38%)**	542 (100%)

\* = Probably diaspora-members

\*\* = Both positively and probably

Source: Dataset, notarial sources only.

<sup>130</sup> This table presents only non-redundant synchronic dyads. By synchronic dyads, I mean that they took place within a short period of time. In those cases where one cannot tell if a dyad existed before or after its sole mention, a period of four years was allowed prior and following that date. Non-redundant dyads means that duplication of the same dyad mentioned in different documents with different roles was avoided.

Table 3: Agents' social affiliation in simpler traveling arrangements

Simpler traveling arrangements for Oporto New Christian merchants:	Relatives	Diaspora-Members	Outsiders	Total
Sea Loans:	0	0	15 (100%)	15 (100%)
Commissioners:	0	3* (20%)	12 (80%)	15 (100%)
Total:	0	3* (10%)	27 (90%)	30 (100%)

\* = Probably diaspora-members

Source: Dataset, notarial sources only.

Table 4: Agents' social affiliation in riskier resident arrangements

Dyads comprising <sup>131</sup> :	Outsiders	Diaspora members	Relatives	Total of dyads
Amsterdam merchants with agents in:				
Oporto	5 (6.49%)	57 (74.03%) <sup>#</sup>	15 (19.48%)	77 (100%)
Bahia	3 (10%)*	24 (80%)	3 (10%)	30 (100%)
Pernambuco	3 (13.04%)	15 (65.22%)	5 (21.74%)	23 (100%)
Oporto merchants with agents in:				
Amsterdam	0 (0%)	57 (79.17%)	15 (20.83%)	72 (100%)
Bahia	6 (9.53%)*	43 (68.25%) <sup>##</sup>	14 (22.22%)	63 (100%)
Pernambuco	17 (18.48%)**	57 (61.96%) <sup>#</sup>	18 (19.56%)	92 (100%)
Pernambuco merchants with agents in:				
Amsterdam	1 (4.76%)	15 (71.43%)	5 (23.81%)	21 (100%)
Oporto	5 (6.25%) <sup>***</sup>	57 (71.25%) <sup>#</sup>	18 (22.5%)	80 (100%)
Bahia merchants with agents in:				
Amsterdam	0 (0%)	24 (88.89%)	3 (11.11%)	27 (100%)
Oporto	0 (0%)	43 (75.44%) <sup>###</sup>	14 (24.56%)	57 (100%)
Total:	40 (7.38%)	392 (72.32%)	110 (20.3%)	542 (100%)

Source: Dataset, notarial sources only.

\* All of them are “probably Old Christians”

\*\* Fourteen of them are “probably Old Christians”

\*\*\* Two of them are “probably Old Christians”

<sup>#</sup> One of them is “probably New Christian”

<sup>##</sup> Five of them are “probably New Christians”

<sup>###</sup> Three of them are “probably New Christians”

<sup>131</sup> This table presents only non-redundant synchronic dyads. [By synchronic dyads, I mean that they took place within a short period of time. In those cases where one cannot tell if a dyad existed before or after its sole mention, a period of four years was allowed prior and following that date. Non-redundant dyads means that duplication of the same dyad mentioned in different documents with different roles was avoided.]

Table 5: Distribution of the dyads according to cause for registering the deeds<sup>132</sup>:

	Outsiders*	Diaspora members	Relatives	Total	Total number of cases
Unexpected events	<b>2.20%</b>	<b>76.92%</b>	<b>20.88%</b>	100%	182
Independent events	11.76%	64.71%	23.53%	100%	170
Agent's improper conduct or possible mistrust of the principal vis-à-vis the agent	8.1%	75.68%	16.22%	100%	185
Aggregate data set (including inconclusive)	<b>7.38%</b>	<b>72.32%</b>	<b>20.30%</b>	100%	542

Source: Dataset, notarial sources only.

Table 6: Agents' social affiliation in riskier traveling arrangements

Supercargoes for Jewish and New Christian merchants in: <sup>133</sup>	Relatives	Diaspora-Members	Outsiders	Total
Oporto	5 (13.89%)	20 (55.56%)*	11 (30.55%)**	36 (100%)
Amsterdam	-	2 (66.67%)	1 <sup>134</sup> (33.33%)	3 (100%)
Total	5 (12.82%)	22 (56.41%)	12 (30.77%)	39 (100%)

Source: Dataset, notarial sources only.

\* One of them is “probably New Christian,” and possibly a relative as well.

\*\* Seven of them are “probably Old Christians”

<sup>132</sup> This table also presents only non-redundant synchronic dyads, but it is organized by dyads.

<sup>133</sup> I did not include here shipmasters and other crew members who took charge of bulky cargos, which I examine as commissioners.

<sup>134</sup> This is the case of Lourenço Filgueira from Lisbon. Sources do not allow establishing whether he was a New or an Old Christian: SR Nr. 828.



Table 7: Agents' social affiliation in traveling arrangements mentioned in inquisitorial sources

Traveling agents for Jewish and New Christian merchants:	Relatives	Diaspora-Members	Outsiders	Total
From Oporto to Northern Europe	- (0 %)	- (0 %)	2 (100 %)	2 (100 %)
From Amsterdam to Brazil	1 (100 %)	- (0 %)	- (0 %)	1 (100 %)
From Oporto to Pernambuco	0 (0 %)	1 (20 %)	4 (80 %)*	5 (100 %)
From Oporto to Bahia	- (0 %)	2 (100 %)	- (0 %)	2 (100 %)
From Oporto to Rio de Janeiro	- (0 %)	4 (100 %)	- (0 %)	4 (100 %)
From Oporto to Brazil (unspecified)	4 (22.22 %)	9 (50 %)**	5 (27.78 %)	18 (100 %)
Total:	5 (15.62 %)	16 (50 %)	11 (34.38 %)	32 (100 %)

\* All of them are "probably Old Christians"

\*\* = One of them is "probably New Christian"

Source: Dataset, inquisitorial sources only.

Table 8: Number of merchants in a particular center with one, two, three or more agents engaged in riskier resident arrangements in another at the same approximate time

**[leave only the bottom line or one line per origin center?]**

Merchants	Number of Agents				
Jewish merchants in Amsterdam with x agents in	1	2	3	>3	Total
Oporto	38 (73.08%)	7 (13.46%)	6 (11.54%)	1 (1.92%)	52 (100%)
Bahia	7 (41.18%)	8 (47.06%)	1 (5.88%)	1 (5.88%)	17 (100%)
Pernambuco	12 (70.59%)	4 (23.53%)	1 (5.88%)	0 (0%)	17 (100%)
New Christian merchants in Oporto with x agents in	1	2	3	>3	Total
Amsterdam	24 (72.73%)	3 (9.09%)	1 (3.03%)	5 (15.15%)	33 (100%)
Bahia	20 (58.83%)	11 (32.35%)	1 (2.94%)	2 (5.88%)	34 (100%)
Pernambuco	24 (54.55%)	12 (27.27%)	5 (11.36%)	3 (6.82%)	44 (100%)
New Christian merchants in Bahia with x agents in	1	2	3	>3	Total
Oporto	22 (66.67%)	7 (21.21%)	2 (6.06%)	2 (6.06%)	33 (100%)
Amsterdam	8 (57.14%)	1 (7.14%)	2 (14.29%)	3 (21.43%)	14
New Christian merchants in Pernambuco with x agents in	1	2	3	>3	Total
Oporto	20 (58.82%)	4 (11.77%)	3 (8.82%)	7 (20.59%)	34
Amsterdam	5 (50%)	4 (40%)	0 (0 %)	1 (10%)	10
<b>Total</b>	<b>180 (62.5%)</b>	<b>61 (21.18%)</b>	<b>22 (7.64%)</b>	<b>25 (8.68%)</b>	<b>288 (100%)</b>

Source: Dataset, notarial sources only.

The feasibility and interplay of the two reputational mechanisms and litigation brought about an expansion of the agents' market and enabled the diversification of merchants' portfolios of agents. Diversification stirred competition among agents, reducing the possibility of falling in "confidence traps" and enhanced merchants' ability to monitor them<sup>135</sup>. Competition also reduced agency costs and increased the credibility of conditioning one's future income with past conduct and performance by threatening to transfer future ventures to a competitor<sup>136</sup>. Hence, diversification allowed greater flexibility and profitability by better allocating agents over tasks, which was particularly significant in a considerably competitive market, with many participants, and whose main commodity did not have a high value per unit. Diversification also spread principals' risks, which did not only include opportunism or incompetence but also the insolvency, incapacity or death of those employed as agents<sup>137</sup>. If diversification mitigated the risk of misconduct by an individual agent, it did not deter opportunism or neglect by each and every agent; therefore, it did not substitute governance mechanisms but rather endogenously enhanced them.<sup>138</sup>

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<sup>135</sup> Burt, *Structural Holes*, pp. 16-8, 21-3, 27-30; Burt, "Structural Holes versus Network Closure as Social Capital," pp. 34-6, 45, 50-1; Granovetter, "Problems of Explanation in Economic Sociology," p. 43; Granovetter, "The Strength of Weak Ties," passim; Weimann, "On the Importance of Marginality," pp. 766-9. Highlighting the importance of traveling agents within a diversification strategy, Costa et al. show that the principals in Portugal who received the largest amounts of gold employed agents for longer or repeated periods of time in resident and traveling arrangements simultaneously. Yet their sources did not allow establishing whether principals and resident agents shared family or affinity relations: Costa et al., "Social Capital and Economic Performance," pp. 15-19. See also: Williamson, "Transparency," pp. 12-3, 21; Trivellato, *The Familiarity* 218, 220; Vanneste, *Global Trade and Commercial Networks*, 112; Lamikiz and Royal Historical Society (Grande-Bretagne), *Trade and Trust in the Eighteenth-Century Atlantic World*, 131, 145, 152-53.

<sup>136</sup> See explicit claims about it in the defense sections of inquisitorial process files: IL, 3068, fl. 37v, 155-158; IC, 4523, fl. 25v. See also: F. Trivellato, op. cit., pp. 198, 206, 218, 220.

<sup>137</sup> Studnicki-Gizbert, *A Nation upon the Ocean Sea*, 105-7.

<sup>138</sup> Akerlof, "The Market for 'Lemons'", p. 496; Greif, *The Fundamental Problem of Exchange*, p. 1.