# A contractor empire : public-private partnerships and overseas expansion in Habsburg Portugal (1580-1640)

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# Introduction

At the start of the seventeenth century, friar Baltasar de Faria Severim, canon and precentor (*chantre*) of the Cathedral of Évora, the most important city in the Southern Portuguese region of Alentejo and one of Southern Europe's wealthiest archdioceses, reprised a conventional critique of the Portuguese Crown's near constant resort to tax-farming.[1] Faria Severim warned against the short-term gains of anticipating revenues by means of receiving the lump sums, claiming that the royal treasury could pocket greater revenues if only the Crown would make the effort to collect its taxes, demesne rents and exploit its patrimonial assets itself. Faria Severim also posited that, if the Crown continued down that path, it risked jeopardizing its political legitimacy in the eyes of its subjects. In his estimation, the subjects came to grips with the king's authority first and foremost when they paid their taxes and other dues to the royal treasury and, therefore, their obedience to the sovereign decreased the more they fulfilled their fiscal obligations to private businessmen rather to Crown officials. Faria Severim also directed his attention to the tax-farmers (*rendeiros de rendas)* themselves. According to him, neither the Crown nor the public should be mistaken about the true loyalty of these men to the king and their devotion to public interest. These private tax collectors were greedy folk who showed no scruples in taking advantage of the royal purse and stopped at nothing to squeeze every possible drop of revenue from the vulnerable tax-payer.[2]

Around the same time, in 1607, Francisco da Costa, the treasury controller (*vedor* da *fazenda*) of the Portuguese factory in Cochin, and, therefore, the senior official in charge of overseeing the acquisition of pepper in Southern India, sent a report to Madrid where he described the spice trade of Southwest India in great detail. In this account, Costa not only provided an overview on India's production outlets and the commodity chains linking the subcontinent to other markets along the Indian Ocean Rim, he also lambasted the monopolistic concessions leased by the government in Lisbon to a retinue of merchant bankers. Similarly to the criticism levelled against tax-farmers in Portugal's domestic economy, the *vedor da fazenda* consider the monopoly leaseholders to be extremely hazardous to the financial and the economic sustenance of the Crown's offshoots east of the Cape of Good Hope.[3]

These two examples from early seventeenth century Portugal and its overseas empire refer to a longstanding controversy about the executive capabilities of the state and the inadequacy or pertinence of allowing private economic interests to interact with central bureaucracies and replace them in the performance of functions of public utility. The criticisms of Faria Severim and Costa were by no means exclusive to the Portuguese case. They were echoed all through the early modern period, continued to be voiced during the nineteenth and twentieth centuries, and still are a point of contention today.

This dissertation looks beyond the past and present controversy between those who bemoan the outsourcing of key government functions and those who, more or less begrudgingly, support the delegation of public interest tasks to private enterprise. It takes

1 Liam Matthew Brockey, 'An Imperial Republic: Manuel Severim de Faria Survey's the Globe, 1608-1655', in *Portuguese Humanism and the Republic of Letters*, ed. Maria Louro Berbara and Karl A. E. Enenkel, Intersections: Interdisciplinary Studies in Early Modern Culture (Leiden: Brill, 2012), 265–85.

2 ANTT, Manuscritos da Livraria (henceforth MSLIV), no. 1821: Baltasar de Faria Severim, *Os Advertimentos dos meios mais efficazes e convenientes que há, para o desempenho do Património Real e restauracão do bem público destes reinos de Portugal, sem opressão do povo e com commuã utilidade de todos*. This book and its propositions are tackled in Diogo Ramada Curto, *Cultura política no tempo dos Filipes, 1580 -1640* (Edições 70, 2011), 70, 201.

3 Diogo Ramada Curto, 'A Cultura Imperial e Colonial Portuguesa', in *A Expansão Marítima Portuguesa. 1400-1800*, ed. Francisco Bethencourt and Diogo Ramada Curto (Lisbon: Edições 70, 2010), 338–40; A. R. Disney, *Twilight of the Pepper Empire: Portuguese Trade in Southwest India in the Early Seventeenth Century* (Cambridge-London: Harvard University Press, 1978), 30ff.

stock of the history of the polarizing financial and administrative instrument that enabled needs of the state to be (even if only temporarily) aligned with the financial and social-economic ambitions of private businessmen. By looking at the final two decades of the sixteenth and the first half of the seventeenth century, this dissertation questions the reasons for the apparent ubiquity and the longevity of the resort to private contractors in matters of governance. Public-private partnerships are understood here as an administrative practice, a financial tool, but equally a binding socio-political mechanism, as well as a particular form of investment for the firms that undertook them. For that reason, this dissertation is also interested in the people and the business networks that made possible for government contracts to be enacted and its lucrative potential exploited.

## An Enduring Debate: Scholarly Views on government contracting

At the start of the Early Modern Period, most Western European states attempted to strike a delicate balance between raising the necessary revenue to fuel their political and military ambitions, without imposing a financially unbearable, or at least a politically unpalatable fiscal burden on the body politic.[4] The head of state, be it the governing elite of a Republic or the sovereign of a kingdom or a monarchy, that failed to reach a compromise between its political ambitions and the fiscal-financial means to sustain them risked losing legitimacy in the public eye and could expect to face fiscal uprisings and, in the worst case, attempts at regime change. In order to achieve this so often precarious equilibrium, proto-centralized polities were faced with the dilemma of how to best organize the collection of taxes and other sources of income and how to spend them to accomplish the most fundamental tasks of governance, primarily the sustenance of the armed forces. Which administrative solution was deemed more appropriate for fiscal, commercial and military governance? Was it the underwriting of government contracts to private businesses or the assignment of the state's own administrative branches and their respective personnel?

Generations of politicians, state bureaucrats and scholars (not to mention public opinions) have reflected on the pros and cons of relying on profit-driven business organizations to harness capital and supplies and to handle logistics for the state. Historians, for their turn, have long taken notice of the historical roots of this phenomenon, and have written extensively about it. Still, despite the many books and articles on the topic, no consensus has yet been reached regarding the impact of public-private partnerships in state formation and performance. Were these connections instrumental to the strengthening of centralized polities eager to project military and colonial power beyond their borders, that sought to impose a monopoly on violence, enforce legislation, collect taxes, and in some cases even impose religious orthodoxy? Was the input of private businessmen under contract merely incidental and, hence, central bureaucratic apparatus could perfectly do without the input of these "market-forces", or worse, did they drastically hinder the formation of centralized political structures and economic development in the long run?

An unmissable contributor to this discussion is Max Weber. The eminent German scholar distinguished two broad types of political systems, each endowed with distinct institutions, practices and personnel responsible for enforcing the directives of the central

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4 For two recent revisitations of this familiar topic; Marjolein 't Hart, Pepijn Brandon, and Rafael Torres Sánchez, 'Introduction: Maximising Revenues, Minimising Political Costs – Challenges in the History of Public Finance of the Early Modern Period', *Financial History Review* 25, no. 1 (2018): 1–18; Regina Grafe and Alejandra Irigoin, 'Bounded Leviathan: Fiscal Constraints and Financial Development in the Early Modern Hispanic World', in *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism*, ed. D'Maris Coffman, Adrian Leonard, and Larry Neal (Cambridge ; New York: Cambridge University Press, 2013), 199–227.

authority. According to Weber, in order to rule over their polities, rulers had throughout history relied on two different approaches: a salary-based or-bureaucratic approach, on the one hand, and a contractual one, on the other. The first approach saw the state's salaried personnel being directly responsible for the performance of governance operations, such as tax collection and the ensuing allocation of the revenues to different governmental branches. This administrative system was based on the opposition between the "public" nature of the post and the private-person of its incumbent, who, by receiving a salary, was banned from using his office and the authority it bestowed upon him for his own personal gain. It goes without saying that public office was "commissarial" in nature, therefore precarious and reversible. Once the tenure came to an end, or in case the recipient failed to meet the standards of appropriate conduct and performance he was hold to, he was stripped of his office. In line with these principles, behind the appointment of a given official was first and foremost technical proficiency and merit. Office was professionalized (or on the verge of becoming so), meaning that it was not granted to provide the recipient with a source of income and personal authority, and also that it could not be traded off to the highest bidder. To direct-bureaucratic administration, Weber opposed the resort to tax-farming, the concession of state monopolies and the sale of public offices. He considered the first model to be the appanage of more robustly centralized political authorities, whereas those lacking a fully stretched bureaucratic apparatus linking the political centre to the peripheries, and where a bureaucratized administrative culture had not won over corporative logics, had greater incentives to contract-out several administrative tasks to business entrepreneurs. The decision to pursue direct administration over contracting depended to a large extent on the central power being able to impose its will over tax-paying subjects, but even more so over its own officials.[5]

Although Weber did not entirely dismiss tax-farming and the resort to entities outside the sphere of state administration for certain contexts, he considered state-run salaried bureaucracy to be the most forward-looking, political and economically virtuous of the two approaches. In his estimation, if used in a non-parsimonious way, tax-farming could be seriously detrimental to domestic production and trade, and impinge on civic rights and liberties, notwithstanding the fact that an expanding state could also trample all over them. This line of reasoning is by now quite familiar. Operating under a temporary contract, tax-farmers would naturally attempt to squeeze as much revenue as possible from their leases, and, without the prospect of them being renewed for a second term, they would not show much concern for the state in which they left the economic sectors related to their contracts. Left to their own designs, contractors would not restrain themselves from imposing arbitrary charges, overtax the population and under-report their actual earnings to the authorities. Weber considered that if the authorities' monitoring was frail, tax-farmers would take every opportunity to go beyond the limits of their contracts and abuse their position.[6] As a result, any government that failed to come up with checks and balances to revenue farming and did not kick-start a centralized bureaucracy would eventually end up being plundered from within by a retinue of financiers and speculators.

Fernand Braudel and the *Annales* School, for their turn, emphasized how the pressures and challenges faced by the two biggest powerhouses of the Mediterranean basin in the 1500s, Habsburg Spain and the Ottoman Empire, pushed them into the arms of

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5 Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (Berkeley, Los Angeles, London: University of California Press, 1978).

6 Weber's line of reasoning is revisited and expanded with the insights of the 'principal-agent problem' in Noel D. Johnson and Mark Koyama, 'Tax Farming and the Origins of State Capacity in England and France', *Explorations in Economic History* 51 (1 January 2014): 1–20; Eugene N. White, 'From Privatized to Government-Administered Tax Collection: Tax Farming in Eighteenth-Century France', *The Economic History Review* 57, no. 4 (2004): 637–40; Edgar Kiser, 'Markets and Hierarchies in Early Modern Tax Systems: A Principal-Agent Analysis', *Politics & Society* 22, no. 3 (1 September 1994): 284–315.

financiers and state contractors. The challenges experienced by these two empires included the lack of a uniform fiscal system encompassing all imperial territories, the absence of an efficient system of allocation of funds across great distances, the inexistence of a central bank, as well as the costs of sustaining continuous warfare in theatres in Europe and elsewhere. The financiers in the Habsburg and Ottoman empires advanced and allocated funds quicker and less onerously than the royal exchequer could collect, assign and spend its scattered revenue streams. In return for these services, moneylenders received a profitable interest rate or a share of the ruler's might. They were bestowed with either symbolic rewards or regal streams of revenue, in the shape of land, tax-collection or monopolistic rights. Braudel's views on these business-moguls who secured the right to collect taxes in return for extending credit was ultimately dismissive. In *La Mediterranee,* these "capitalists" are portrayed as cunning specialists in usury, opportunists who took advantage of cash-strapped large polities, financially-decaying aristocracies and fiscally-burdened popular classes to squeeze as much returns as possible from a farming-out venture.[7] Pairing up the revenue farms with a vibrant market for the sale of public offices, Braudel placed the accent on the "progressive dispossession of the state for private gain".[8]

Braudel also considered that financiers and merchant-monopolists best embodied the "betrayal of the bourgeoisie", alluding to the temptation faced by affluent businessmen to retrieve from active investment and risk-taking initiative, taking a new lease in life as rent-seekers and would-be aristocrats. Instead of productive reinvestment they fell for the allure of purchasing land, marrying their daughters to sons of the nobility and purchasing offices in the state administration. As a result, rather than being the transformative source that would shake the foundations of agrarian and dynastic societies underpinned by privilege and absenteeism made possible by ownership of land they fell for its allure.[9]

Focusing on Spain, Braudel's example par excellence of the pernicious effects of government contracts underwritten with wholesale merchants and financiers, I. A. A. Thompson also considered early modern state contracts ill-advised policy. The virtues and vices of government concessions, in this case the Spanish military contracts (*asientos*) from the turn of the sixteenth century to the early decades of the seventeenth, were weighted against those of direct administration. Thompson concluded that recurring outsourcing of military logistics undermined the monarch's authority and weakened the state apparatus in two ways. Firstly, by introducing "a virtual separation between governmental authority and executive control" over the Crown's economic assets and fiscal revenues, and second because the *asiento* entailed "an abrogation of sovereignty" between subject and his sovereign. The monarch became accountable to one or more of his subjects (the principals of the contracting consortium), because the signing of a written agreement imposed a reciprocal set of demands and rights that were legally binding. Thompson went as far as to claim that the contracting solution was "a sort of administrative feudalism, a bureaucratic appanage that interposed the *asentista* like a vassal-in-chief between the prince and his people" and that it was a sign of "financial indigence and administrative failure".[10] Like other authors before him, he too acknowleged the short-term advantages of "public" contracting that made it so attractive to the monarchy. In the end, it came down to financial imperatives. The state needed money, needed it quickly and needed to allocate it as swiftly and at the lower possible effort across long distances. In a nutshell, the contracting system gained traction thanks to

[7] Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*, vol. 2 (Berkeley: University of California Press, 1995), 693–97.
[8] Braudel, 2:668.
[9] Braudel, 2:729–34.
[10] I. A. A. Thompson, *War and Government in Habsburg Spain, 1560-1620* (London: Athlone Press, 1976), 257–73.

the financial weakness and administrative lenience of an overblown, inefficient Spanish Empire.[11]

In contrast to Thompson's focus on a specific European power (Spain), Charles Tilly's expansive account of Modern state formation across Western Europe in the course of the last millennium acknowledged the pivotal role played by private enterprises in providing the financial and logistic resources that fuelled the development of the state's apparatus between the fifteenth and the mid to late eighteenth centuries. He saw these three centuries as an age of "brokerage". This stage of development of centralized government had been preceded by an era of "medieval" patrimonialism, defined by the traditional hereditary-patrimonial prerogatives of princes and lords and their political endeavours in the battlefield. On the other end of the spectrum laid a phase of "nationalization". In turn, the phase of "brokerage" marked, according to Tilly, the heyday of entrepreneurs and brokers specialized in providing organizational, supplying and financial solutions to states: the contractors.

Not content in sketching these developmental stages, Tilly also put forward a model explaining how the transitions between these stages came about. The shift from patrimonialism to brokerage and from brokerage to nationalization was triggered by the polities' unprecedented need to amass capital, goods and manpower to sustain an increasingly militarized apparatus. Tilly identified three different approaches to raise the necessary resources to sustain the expansion in military and administrative capacity concomitant with longer and more destructive wars: coercive intensive, capital-intensive and an in-between approach, "capital-coercion", which was in fact the most typical, since the nascent states selected and combined elements of the other two methodologies.[12] Despite its wide scope, as several scholars have pointed out, Tilly's model is rather rigid in some regards.[13] The shift from sovereignty tasks contracted out to private firms to the employment of the state's own bureaus and the respective civil servants was not linear, nor did it follow a fixed timeline. It is now clear that government outsourcing was employed everywhere until much later than what was previously assumed, certainly beyond the conventional benchmarks. Also, as David Parrott has argued and Thompson had already showed for late sixteenth century Spain, the "nationalizing" (to borrow from Tilly's concept) momentum could be reversed and the outsourcing arrangements brought back. In addition to that, Tilly's model fails to acknowledge that centralized apparatus reached the various stages at different times and at their own paces (sometimes even jumping over stages).[14] Furthermore, specific states had their own particular ways to go about "brokerage" or "nationalization", which developed from their own institutions and culture beliefs. These idiosyncrasies, in turn, render the generalizations, usually based on the one or two emblematic cases (generally Britain and France), problematic.[15]

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[11] Thompson, 262.

[12] Charles Tilly, *Coercion, Capital and European States: AD 990 - 1992* (Oxford: Blackwell, 1992).

[13] Jeff Fynn-Paul, Marjolein 't Hart, and Griet Vermeesch, 'Entrepreneurs, Military Supply, and State Formation in the Late Medieval and Early Modern Periods: New Directions', in *War, Entrepreneurs, and the State in Europe and the Mediterranean, 1300-1800*, ed. Jeff Fynn-Paul (Leiden: Brill, 2014), 1–12.

[14] David Parrott, *The Business of War: Military Enterprise and Military Revolution in Early Modern Europe* (Cambridge University Press, 2012), 199; A similar point has been raised regarding the way central apparatuses raised and coordinated the revenues they needed to expand their capabilities. Several authors have rightfully pointed out that the vision of an incremental transition from the so called 'domain state' to 'fiscal state' was teleological, arguing instead that this evolution was not linear, but rather the result of discontinuous series of outcomes. Bartolomé Yun-Casalilla, 'Introduction: The Rise of the Fiscal State in Eurasia from a Global, Comparative and Transnational Perspective', in *The Rise of Fiscal States: A Global History, 1500-1914*, ed. Patrick O'Brien and Bartolomé Yun-Casalilla (Cambridge-New York: Cambridge University Press, 2012), 1–35; Richard Bonney, ed., *The Rise of the Fiscal State in Europe c.1200-1815* (Oxford: Oxford University Press, 1999).

[15] Historians of the Ottoman empire, in particular, have made this point quite forcefully for the past couple of decades. Nadir Özbek, 'Tax Farming in the Nineteenth-Century Ottoman Empire: Institutional Backwardness

The examples above show how historians have long frowned upon the contracts involving delegation of public utility prerogatives or monopolistic concessions awarded by Western European states since the sixteenth century through the 1700s.[16] They were seen as the perfect conduit for rent-seeking, opportunistic and non-enterprising strategies of capital accumulation, and singled out as the consummate non-inclusive political institutions. Tax-farming and monopolies impinged on property rights and were, hence, major coercive tools employed by central governments against tax-payers, consumers and economic actors.[17]

Government contracts have for the past couple of years been analysed in relation to the armed forces and the allocation of resources needed to expand a permanent military apparatus. Although the lion share of state's expenses was devoted to its forts, troops and navy, war tended to be seen as unequivocally detrimental to a country's economy, with the exception of a few rent-seekers and speculators who were able to grow immensely rich from the misery and misfortune of the population. The verdict was clear, aside from the destruction of lives and the exhaustion of resources, wars brought uncertainty and turmoil to the lives of people and to markets.[18] While this view is still shared by many, over the past couple of years several scholars have argued that not only the economic impacts of war were more complex than hitherto argued, but that the input of private businessmen could be economically "virtuous" too. For one, notwithstanding the human toll and the economic turmoil caused in the short-run, war generated business opportunities which could benefit the economy at large. Other than the war profiteers, armed conflict could bring about non-destructive and in the long run more favourable outcomes.[19] For the victors at least, war could spur technological innovations, improvements in administrative organization, and

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or the Emergence of Modern Public Finance?', *Journal of Interdisciplinary History* 49, no. 2 (2018): 219–45; Ariel Salzmann, 'An Ancien Régime Revisited: "Privatization" and Political Economy in the Eighteenth-Century Ottoman Empire', *Politics & Society* 21, no. 4 (December 1993): 393–423; In turn, the distinctive features of the political economy of the Iberian early modern empires, along with the particular constellation of institutions and practices they spawned, have been stressed in Regina Grafe and Alejandra Irigoin, 'A Stakeholder Empire: The Political Economy of Spanish Imperial Rule in America', *Economic History Review* 65, no. 2 (2012): 609–651; John H. Coatsworth, 'Political Economy and Economic Organization', in *The Cambridge Economic History of Latin America*, ed. Victor Bulmer-Thomas, John H. Coatsworth, and Roberto Cortés-Conde (Cambridge: Cambridge University Press, 2005), 235–74; Francisco Bethencourt, 'Political Configurations and Local Powers', in *Portuguese Oceanic Expansion, 1400-1800*, ed. Francisco Bethencourt and Diogo Ramada Curto (Cambridge: Cambridge University Press, 2007), 197–254.

[16] As Grafe and Irigoin recalled for the case of seventeenth century England, "The Stuarts employed high levels of coercion not just in the form of tax-farmers but, more importantly through forced loans, monopolies, and similar measures which carried high enforcement costs and reduced compliance. Because the ruler's power to coerce, or in the preferred terminology of political economy, predate, was unconstrained, the ruler turned into the main threat to economic activity"; Grafe and Irigoin, 'Bounded Leviathan', 203.

[17] Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown Publishing Group, 2012), 187–90, 221, 396–97.

[18] For a more sceptical view on the thesis of the creative power of inter-state warfare in the early modern period, Peer H. Vries, 'Governing Growth: A Comparative Analysis of the Role of the State in the Rise of the West', *Journal of World History* 13, no. 1 (Spring 2002): 67–138; Yun Casalilla, on the other hand, warns against extrapolating too much from the Dutch and English cases as far as economic spin-offs from war were concerned. He argues that the correlation between international armed conflict, the fiscal and institutional reforms needed to sustain war, and economic growth was not uniform, varying from country to country. Yun-Casalilla, 'Introduction: The Rise of the Fiscal State in Eurasia from a Global, Comparative and Transnational Perspective', 17.

[19] This has been argued in the field of global history in: Philip T. Hoffman, 'Why Was It Europeans Who Conquered the World?', *The Journal of Economic History* 72, no. 3 (August 2012): 601–33; The notion that international warfare, especially in the competitive 'European state system', was a catalyst for economic and political development, chief among which the consolidation of centralized states, was always at the core of the literature on the Fiscal Military state. See, for instance: Jan Glete, 'Warfare, Entrepreneurship, and the Fiscal-Military State', in *European Warfare, 1350-1750*, ed. Frank Tallett and D. J. B. Trim (Cambridge: Cambridge University Press, 2010), 300–321; Jan Glete, *War and the State in Early Modern Europe: Spain, the Dutch Republic and Sweden as Fiscal-Military States, 1500-1660* (London-New York: Routledge, 2002).

could even have a positive impact on the labour market, by creating new jobs in the ancillary sectors of the war-effort. Secondly, aside from an exclusive retinue of rent-seekers, there was a myriad of private enterprises who were involved in the organization and expansion of the war machine.[20] Thirdly, although wars were often fought to further the dynastic ambitions of rulers, they were also be motivated by the desire to protect the property rights of their subjects' (for instance, from seaborne attacks against ships and cargos in transit in deep sea waters) and to expand their economic opportunities (for example, by gaining access to new markets or production outlets, both in Europe or overseas).[21]

If the impact of armed conflict in economic growth has been reappraised as of late, so too has the role of provisioning contracts underwritten with private businessmen. This new scholarship coined a new banner concept (the "contractor state") and has put forward a fresh research agenda. Rather than focusing on the central power's coercive "sticks" or obsessing about "nationalization" of tax-collection and other administrative operations, scholars have now started paying more attention to the "carrots" of mutual economic gain, portraying public-private partnerships not as symptoms of devolved authority, but as pragmatic, logical solutions for the state's executive shortcomings. By partnering with certain economic groups on terms considered mutually beneficial, central powers could actually strengthen their operational capacity.[22]

This new scholarship, spearheaded by the work of Roger Knight and Martin Wilcox on the British navy victualling board during the Napoleonic wars, drew attention to the pivotal role of negotiation and cooperation between state and the "market". Their work stressed the ability to co-opt merchants, financers and industrialists to bear on the hardships of administration, and ensure a more efficient allocation of resources to the war machine.[23] These authors are in agreement with David Parrott, who unequivocally demonstrated that the input of the private sector made it possible for states to push their military efforts for much longer and with a level of organization finesse that would have been unattainable had it relied solely on its administrative agencies and salaried personnel. At the same time, the reliance on private entrepreneurs for military purposes in no way curtailed the state's centralization momentum, quite the opposite.[24] The "military entrepreneur", a concept that Parrott put forward and which a recent edited volume by Jeffrey Fynn-Paul has fleshed out further, came to personify the dynamic accommodation of private business interests with the service to the ruler. From the late middle ages and all through the early modern period, military entrepreneurs proved instrumental in the wagging of war, either by forwarding capital to certain locations at specific moments, by supplying victuals, ammunitions, equipment and foodstuffs, or by engaging in all these activities in a short span of time.[25]

The revisionist agenda, spearheaded by the so called 'Contractor State Group', has turned the tables of the debate, arguing that the most successful states were no longer those that could do without victual and equipment-suppliers or paymasters or, in 'Tillyan' terms,

[20] Rafael Torres-Sánchez, Pepijn Brandon, and Marjolein 't Hart, 'War and Economy. Rediscovering the Eighteenth-Century Military Entrepreneur', *Business History* 60, no. 1 (2018): 5, 8.

[21] Patrick K. O'Brien, 'The Nature and Historical Evolution of an Exceptional Fiscal State and Its Possible Significance for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson', *The Economic History Review* 64, no. 2 (2011): 408–46; Glete, 'Warfare, Entrepreneurship, and the Fiscal-Military State'; David Ormrod, *The Rise of Commercial Empires: England and the Netherlands in the Age of Mercantilism, 1650-1770* (Cambridge: Cambridge University Press, 2003); Michael N. Pearson, 'Merchants and States', in *The Political Economy of Merchant Empires. State Power and World Trade. 1350-1750*, ed. James D. Tracy (Cambridge, New York: Cambridge University Press, 1991), 41–116.

[22] H. V. Bowen, 'The Contractor State, c. 1650–1815', *International Journal of Maritime History* 25, no. 1 (2013): 239–274.

[23] Roger Knight and Martin Howard Wilcox, *Sustaining the Fleet, 1793-1815: War, the British Navy and the Contractor State* (Woodbridge: Boydell & Brewer, 2010).

[24] Parrott, *The Business of War*.

[25] Jeff Fynn-Paul, *War, Entrepreneurs, and the State in Europe and the Mediterranean, 1300-1800* (Leiden: Brill, 2014).

those who made a swifter transition from "brokerage" to "nationalization". As it became clear that central polities relied on contracts well beyond the Age of Revolutions, the notion of what defined a forward-looking fiscal-military state between 1500 and 1800 has changed. Efficient governments were not those who could dispense with the "market" for administrative purposes and took such matters solely into their hands, but rather those who could better tap into private capital, agricultural and industrial output, as well as logistics.

Despite proposing a new interpretative agenda, the "Contractor-State" movement is only in its infancy. Some noteworthy exceptions aside, this stream of scholarship has centred its attention mainly on the eighteenth century and almost strictly on partnering efforts involving the military and naval sectors. These included the provisioning of ammunitions and firearms, shipbuilding and repairing, victualing, the making of uniforms and payment of troops. Contracting in earlier centuries, in other areas of the governance and beyond continental theatres of war remains, for the most part, uncharted territory.[26] As a result, scholars have not paid enough attention to the origins of the system, which stretch back to the Middle Ages, nor tho the fact that it extended beyond the procurement of resources for war, into other sectors of the state administration, such as the collection of taxes and the logistics of overseas exploitation.

A revision of the contractual interactions between polities and business-oriented actors should also include revenue-farming, given that, similarly to the historiographic turn on military contracts, they are now seen in a much more positive light by the scholarship. For instance, historical research has nuanced many of the negative assumptions about tax-farming, making a strong and empirically grounded case for its in use in pre-industrial, *Ancien Régime* polities. Scholars have thrown light on the rationale for opting for this technology of collection over the direct-bureaucratic approach we almost take for granted today. To a large extent, tax-farming stemmed from the fragmented and heterogeneous nature of those fiscal systems, the high costs of monitoring the performance of salaried treasury officials ( due to their lack of technical proficiency and untrustworthiness), and the information asymmetries regarding the taxable output of a certain region or economic sector (especially in the case of indirect taxes).[27] As highlighted above, before such scattered-brained fiscal landscapes, scholars showed how the ruling powers were able to devise forms of revenue-farming that

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[26] Some noteworthy exceptions are: Ivan Valdez-Bubnov, 'Shipbuilding Administration under the Spanish Habsburg and Bourbon Regimes (1590–1834): A Comparative Perspective', *Business History* 60, no. 1 (2018): 105–25; Helen Julia Paul, 'Suppliers to the Royal African Company and the Royal Navy in the Early Eighteenth Century', ed. Jeff Fynn-Paul (Leiden, Boston: Brill, 2014), 131–50; Aaron Graham, 'Public Service and Private Profit: British Fiscal-Military Entrepreneurship Overseas, 1707-1712', in *War, Entrepreneurs, and the State in Europe and the Mediterranean, 1300-1800*, ed. Jeff Fynn-Paul (Leiden, Boston: Brill, 2014), 87–110; H. V. Bowen, 'Sinews of Trade and Empire: The Supply of Commodity Exports to the East India Company during the Late Eighteenth Century', *The Economic History Review* 55, no. 3 (1 August 2002): 466–86.

[27] The outsourcing of revenue collection to private actors paid dividends (for the state) across very different tax systems. Tax-farming's popularity among rulers owed a lot to its adaptability of tax-farming to very different social-economic and political contexts, which enabled these contracts to take on many different forms. These leases ranged from concentrated-centralized (i.e. underwritten at the court of or at the administrative centre, involving the lease of a great number of taxes and fiscal rights as a package) to decentralized-fragmented (i.e. specific taxes underwritten at peripheral fiscal agencies); from competitively adjudicated to a monopsonistic cartel, to lengthy to short-term, and all possible combinations in between. This is one of the reasons why a crude dichotomy between direct administration and devolution of 'public' functions often obfuscates more than it clarifies. For an overview on the myriad ways tax-farming was employed, its rationale and the benefits it brought to sovereigns across Eurasia, see: Özbek, 'Tax Farming in the Nineteenth-Century Ottoman Empire'; Johnson and Koyama, 'Tax Farming and the Origins of State Capacity'; Noel D. Johnson, 'Banking on the King: The Evolution of the Royal Revenue Farms in Old Regime France', *The Journal of Economic History* 66, no. 4 (December 2006): 963–91; White, 'From Privatized to Government-Administered Tax Collection'; Marjolein C. 't Hart, *The Making of a Bourgeois State: War, Politics and Finance During the Dutch Revolt* (Manchester-New York: Manchester University Press, 1993), 193.

were not only not at odds with the efforts to centralize the tax system, and even ensured more secure property rights in government borrowing.[28]

Analysing Portugal's reliance on contractors during the transition from the sixteenth to the seventeenth century and to the first half of the 1600s, allows for the analytical scope of the contractor state to be enlarged. This dissertation will do so by asking the following question: To what extent and to what ends were contracts underwritten by the Crown and business entrepreneurs, and how dependent was the financing, exploitation and defence of the prized overseas ventures on the input of contractors?

## Government Contracts in Portugal and the Empire

In a forum published by the International Journal of Maritime History in June of 2013, which provided a state of the art and offered a retrospective look at the first years of the Contractor-State model, Roger Knight and Martin Wilcox, pioneers of the historiographical turn that rehabilitated government contracting, acknowledged the specificity of the Portuguese Contractor State. In their words:

> "If [ …] contractor and fiscal-military states co-exist 'in the manner of a Siamese twin,' this seems to imply that the concept is limited to the military realm. Yet as the essay from Portugal points out [they are referring to the essay of Ana Cristina Moreira *et al* in that same forum], the contractor state had a civilian dimension as well".[29]

This quote addresses a salient feature of the Portuguese empire which makes it a relevant case study for a more complete understanding on the input of the 'private sector in the functioning of early modern states. The feature in question is the overseas and fiscal component, the latter corresponding to the "civil" dimension referenced by Wilcox and Knight. In Portugal, as elsewhere, the government contract was the prime means for aligning royal and private enterprise in a theoretically symbiotic fashion. And yet, despite various invaluable studies on specific partnerships over the years, and the widespread acknowledgement that contracts were at the core of the Portuguese merchant elite's business portfolios, Portugal remains, with one notorious exception, side-lined in the scholarship on the 'contractor state'[30] This omission is particularly striking given that this administrative solution was extensively used in the Lusitanian world from the early days of overseas expansion, in the fifteenth century, until well into the modern period.[31] By exploring Portugal, not merely as a Southwestern European contractor state, but as an early modern 'contractor-empire', in the sense that colonial public private partnerships were recurrently used for the exploitation and management of the overseas offshoots, it becomes clear how the 'contractor state' reached far beyond Europe's battlefields and the continent's adjacent sea-lanes. In Portugal and its multi-continental empire, private contractors were extensively

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[28] Johnson, 'Banking on the King'.

[29] Bowen, 'The Contractor State, c. 1650–1815'.

[30] That exception being the work of Maria Cristina Moreira. Maria Cristina Moreira, Margarida Vaz do Rego Machado, and José Manuel Lopes Cordeiro, 'Forum. The Contractor State, c. 1650-1815. The Portuguese Empire (1760-1815) The Contractor State in Peace and Wartime', ed. H. V. Bowen, *International Journal of Maritime History* XXV, no. 1 (June 2013): 265–70; Maria Cristina Moreira and Jari Eloranta, 'Contracts and the Role of the State. Portuguese Military Provisions Supply System in the Early Nineteenth Century', in *The Contractor State and Its Implications, 1559-1815* (Las Palmas de Gran Canaria: Universidad de Las Palmas de Gran Canaria, 2012), 193–215.

[31] Maria Filomena Mónica, 'Negócios e Política: Os Tabacos (1800-1890)', *Análise Social* 116–117 (1992): 461–79.

employed to allocate material and financial resources across continents and were instrumental in the logistics of defending the Crown's coastal trading nodes, as well as territorial holdings in the Atlantic and the Indian Oceans. Furthermore, the lucrative fiscal revenues and marketable commodities provided by overseas enterprise were often used to service the credit and military provisioning contracts underwritten by the state apparatus.

The proliferation of these colonial contracts cannot be dissociated from the fact that the yields brought by the empire were, by and large, the main source of public wealth in Portugal. The streams of income generated by maritime and territorial overseas expansion endowed the monarchy with a litany of fiscal resources and lucrative commercial assets, many of which fell under the royal domain.[32] Because the overseas holdings contributed so greatly to the royal purse,[33] the Crown was, for the most part,[34] not confronted with the daunting task of appropriating as much revenue as possible from the domestic tax-payer, while trying to keep the political costs to a minimum. Going back to the sixteenth century 'pepper empire', all through the golden age of the Brazilian mineral (gold and diamonds) and tobacco cycles of the eighteenth century, the Crown was, overall, unwilling to and uninterested to devise the sort of fiscal innovations that allowed other European countries to develop into full-blown 'fiscal states'. Instead, pioneering overseas expansion was an incentive for the

[32] The comparison to Spain is, in this regard, instructive. In Portugal, like in neighbouring Spain, trade with the overseas dependencies played a significant role in the economy and royal finances. But in Spain, the royal purse still derived a large share of its revenue from taxing the more urbanized domestic economy, meaning that the Crown was required to bargain for fiscal funds with the body politic, especially with its Castilian subjects. Yun-Casalilla, 'Introduction: The Rise of the Fiscal State in Eurasia from a Global, Comparative and Transnational Perspective', 4–5; However, what truly distinguished Portugal from Spain and other Western European polities was the Crown's "entrepreneurial attitude toward business opportunities and wealth accumulation" in the colonial sphere. This mind-set led the Portuguese kings to claim many of the riches of overseas commerce as their patrimonial monopoly. As Macedo, Silva and Sousa recall: "It was the monopoly assumed by the Crown over some trades and goods rather than the importance of taxes on overseas trade [which was significant in the Portuguese case] that set the Portuguese fiscal system apart from other European cases". Jorge Braga de Macedo, Álvaro Ferreira da Silva, and Rita Martins de Sousa, 'War, Taxes, and Gold: The Inheritance of the Real', in *Transferring Wealth and Power from the Old to the New World. Monetary and Fiscal Institutions in the 17th through the 19th Centuries*, ed. Michael D. Bordo and Roberto Cortés-Conde (Cambridge: Cambridge University Press, 2001), 187–228.

[33] Not only the state, though. Although many (but by no means all) of the most lucrative overseas assets were part of the king's domain, the economy at large also reaped the benefits of centuries of overseas trade and colonization. Recent studies have shown that, conjectural fluctuations aside, throughout the early modern period the Portugal's per capita growth increased consistently between 1630 and 1750, and only started to diverge from Europe's leading economies in the second half of the eighteenth century. According to the latest calculations, the empire added nearly 20% per capita income in the kingdom. Nuno Palma and Jaime Reis, 'From Convergence to Divergence: Portuguese Economic Growth, 1527–1850', *The Journal of Economic History* 79, no. 2 (June 2019): 477–506; Leonor Freire Costa, Nuno Palma, and Jaime Reis, 'The Great Escape? The Contribution of the Empire to Portugal's Economic Growth, 1500–1800', *European Review of Economic History* 19, no. 1 (2015): 1–22.

[34] One of the emergency periods when the Portuguese Crown was forced to push the existing fiscal constitution to the limit was precisely the chronology of this dissertation, and equally the following twenty-eight years of war against Dutch overseas trading companies and Spain. Peace with Spain was only reached in 1668. Together with attempts to revoke some of the aristocracy's political entitlements, the imposition of tax hikes and the introduction of new impositions aimed at sustaining the expenses with the defence of the empire lead to the expulsion of the Habsburgs from the Portuguese throne in 1640. These political developments showcased, not only the limits of the fiscal status quo in times of military and financial emergency, but also the jurisdictionally fragmented nature of power. In addition to that, it became clear that the traditional elites with whom the shared power remained a force to be reckoned with. The changes that were introduced by the Braganza after 1640 were inevitably the outcome of negotiations with the body politic and the acquiescence of the monarchy's powerful stakeholders. Leonor Freire Costa, 'Fiscal Innovations in Early Modern States: Which War Did Really Matter in the Portuguese Case?', *GHES, Gabinete de História Económica e Social* Working Paper no. 40 (2009): 36; António Manuel Hespanha, 'Os Poderes Do Centro. A Fazenda', in *História de Portugal. O Antigo Regime (1620-1807)*, ed. António Manuel Hespanha, vol. 4 (Lisbon: Editorial Estampa, 1998), 181–213.

patrimonial and rentier features to linger on.[35] Empire building thus worked as a deterrent to a comprehensive fiscal reform that could have lead, in the long run, to the standardization and centralization of the tax system and to the royal exchequer penetrating deep into Portuguese society.[36]

Generally speaking, in early modern Portugal an *assento* or *contrato* was an agreement underwritten by two parties, the Crown and a principal (or a consortium of investors), through which the latter performed an administrative operation on behalf of the former. To flesh out the concept's different meanings and permutations, the Portuguese case benefits from a comparison with Spanish government borrowing and its fiscal system, with which it shares many similarities, but also some notable differences.

In his monumental study published in the early 1900s, on the juridical and diplomatic aspects of the Spanish Slave *asiento (*the *asiento the negros*), Georges Scelle defined the concept of *asiento* as: "a term of Spanish Public law which designates every contract made for the purpose of public utility, for the administration of a public service between the Spanish Government and private individuals: the administration of a tax, an enterprise of colonization, of public works, of recruiting the militia, of providing manual labour or materials was done by *Assiento*".[37] Under this deep-rooted "system of mixed government and private enterprise"[38] an array of royal exclusive prerogatives and monopolies were farmed out, including the licensing of colonial trades, the management of customs and fiscal agencies in Europe and overseas, the material supplying and victualing of garrisons, shipbuilding and outfitting of fleets, as well as the procurement and allocation of funds for international payments.[39] More than a century after Scelle put forward his classic definition, Drelichman and Voth reminded that the Spanish *asientos* `were used for a variety of purposes, including lending, transferring money, farming out tax-revenues and chartering monopolies. A single contract would often involve two or more of these transaction types; the lending and transferring combination was particularly widespread".[40]

The question is then, whether the Spanish term *asiento* meant the same as the Portuguese *contratos* or *assentos,* the latter being a direct translation of the Spanish term. The answer to this question is, not exactly. In Portugal, the term was less specific and was more broadly used than elsewhere in Iberia. Historians of Spain's fiscal system normally tend to reserve the term *asiento* for short-term sovereign credit contracts. The most politically

[35] In this case rentier means that the bulk of the state revenues did not came from the penetration of a fiscal apparatus deep into the heartland of the country, but from the yields of overseas expansion in the form of monopolies over overseas goods and trade routes. The taxation of the country's external trade was also a part of this equation, since the flow of goods in and out of the kingdom was to a large extent fuelled by the re-export of colonial goods to consumption markets abroad and imports to the overseas dependencies. This dissertation will demonstrate, particularly in chapter 5, that these were not purely extractivist, risk-exempt and on all cases profitable enterprises, as the term 'rentier' might indicate. During the period under study, in particular, they required complex logistics, information, sizeable investment, and managerial ability to be profitably exploited.

[36] Maria Eugénia Mata, 'From Pioneer Mercantile State to Ordinary Fiscal State: Portugal, 1498-1914', in *The Rise of Fiscal States: A Global History, 1500-1914*, ed. Patrick O'Brien and Bartolomé Yun-Casalilla (Cambridge-New York: Cambridge University Press, 2012), 215–32; Jorge Pedreira, 'Costs and Financial Trends in the Portuguese Empire, 1415-1822', in *Portuguese Oceanic Expansion, 1400-1800*, ed. Francisco Bethencourt and Diogo Ramada Curto (Cambridge-New York: Cambridge University Press, 2007), 49–87.

[37] Georges Scelle, 'The Slave Trade in the Spanish Colonies of America: The Assiento', *The American Journal of International Law* 4, no. 3 (1910): 614–15; Georges Scelle, *La traite négrière aux Indes de Castille, contrats et traités d'assiento;* (Paris: L. Larose & L. Tenin, 1906), 24.

[38] Barbara H. Stein and Stanley J. Stein, *Edge of Crisis: War and Trade in the Spanish Atlantic, 1789–1808* (Baltimore, Md: The John Hopkins University Press, 2010), 169.

[39] Coatsworth, 'Political Economy and Economic Organization', 243–44.

[40] Mauricio Drelichman and Hans-Joachim Voth, *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II* (Princeton, Oxford: Princeton University Press, 2014), 100–101.

sensitive and challenging were the *asientos de las provisiones generales*. These were a complex form of government borrowing that entailed, on the one hand, a short-term provision of credit, a remittance of funds from one place to another, and currency exchange whenever the destination of the transaction was outside Castile. Spain's Council of the Exchequer (*Consejo de Hacienda)* calculated the Crown's aggregated expenses for the year ahead and estimated how much it needed to borrow to meet the needs of the royal treasuries during a calendar year. Instead of borrowing from a myriad of lenders, the general provisions were normally negotiated with a reduced number of bankers, an elite of financiers who had a proven track-record of being able to advance and allocate the large amounts of funds needed by the Crown.[41]

Scholars have distinguished these financial public-private partnerships on several grounds: the value of the principal, the destination of the funds (domestic or foreign), the involvement of currency exchanges or the inclusion of bullion in the repayments. Following these criteria, different subtypes of government contracts appear. For instance, the general provisions differed from other incidental, extraordinary or simply less sizeable loans meant to bridge cash flow gaps and offset smaller and/or short-term expenses.[42] The term *asiento* was also used for the commandeering of raw materials and of finished products (army and naval stores) and for the deployment of funds to pay the armed forces. Unlike the monetary government contracts aimed at bankrolling Spain's involvement in the chief international conflicts of the day, this other type of *asientos* was used to provision specific garrisons or naval stations located not only, but mainly within the Peninsula.[43] Excluded from this definition of *asiento* is tax-farming. Notwithstanding the fact that leaseholders of royal revenue streams and of the king's patrimonial monopolies were also supplying the state with funds through lump-sums, and that these farms were related to the provisioning contracts in more than one regard, these *arrendamientos* (*arrendamentos* in Portuguese) tend to be considered as something different than *asiento*. An altogether similar comparison can be made with France's royal finances during the *Ancien Regime*, where state loans, military provisioning concessions and tax-farming were distinguishable, as were the profiles of the investors who underwrote these government concessions.[44]

The distinction between revenue-farms and short-term loans and between the myriad types of credit arrangements is not particularly adequate to analyse the Portuguese case. These operations, all of which relied on the input of private capital and organization, were designated as government contracts: *assentos* or *contratos*. The institutional primary sources often employed the term *assento* for contracts that dealt with the advancement of funds to the royal treasury or the amassing of some designated commodities and equipment for the state machinery, while c*ontrato* tended to refer to revenue collection. This was not, however, a fixed rule, as *assento* at times appears in the very same sources referring to tax and monopoly farming. Furthermore, the term *assento* appears less and less frequently in the primary sources as the seventeenth century drew to a close and the influence of Spanish fiscal models on the

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[41] Carmen Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640* (Madrid: Marcial Pons Historia, 2013), 24; James C. Boyajian, *Portuguese Bankers at the Court of Spain, 1626-1650* (New Brunswick, New Jersey: Rutgers University Press, 1985), 1–2, 217–18; Miguel Artola, *La Hacienda Del Antiguo Régimen* (Madrid: Alianza/Banco de España, 1982), 18–19, 67–69.

[42] Sanz Ayán, *Los banqueros y la crisis de la monarquía hispánica de 1640*, 27.

[43] Carmen Sanz Ayán, *Los Banqueros de Carlos II* (Valladolid: Universidad de Valladolid. Secretariado de Publicaciones, 1998), 89–93; Thompson, *War and Government in Habsburg Spain, 1560-1620*, 256–73. Among the locations abroad were Flanders, Italy and central Europe, as well as Castile's outposts in Northern Africa.

[44] Guy Rowlands, *Dangerous and Dishonest Men: The International Bankers of Louis XIV's France* (Springer, 2014); Françoise Bayard, *Le Monde des Financiers au XVIIe siècle* (Paris: Flammarion, 1988).

Portuguese treasury waned.[45] By the 1700s, *contrato* had become the term used to describe public-private partnerships and forms of short-term credit to the Crown.[46]

The specificity of Portugal's case, where government contracts took on an array of forms and do not fit a clear-cut typology, has lead me to adopt an all-encompassing definition of *contrato* that is different from its Spanish and French counterparts. Although Portuguese government contracts can be defined, divided and grouped according to several criteria, in this dissertation I adopt a broad two-fold typology that distinguishes between what I have designated as "contracts of revenue" and "contracts of expenditure/provisioning".

Contracts of revenue entailed the temporary, and therefore reversible, transfer of the right to collect specific taxes or to operate and exploit the king's patrimonial monopolies by the State to a private party. Those who were awarded these contracts secured exclusive prerogatives to trade in colonial commodities and to access coveted routes and markets overseas.[47] On the other hand, the contracts of expenditure/provisioning involved executive operations otherwise performed by the Crown, including the disbursement of funds, victuals, equipment, labour in different locations of the kingdom and in the overseas offshoots. Although the reciprocal rights and obligations differed between these two types of contracts - in tax-farming the leaseholder paid the royal treasury for the opportunity to exploit the state's fiscal assets, whereas in provisioning it was the Crown that remunerated the contractor for the services he provided - this dichotomy was never quite so clear cut in practice. Two reasons explain why this was the case. In the first place, it was typical of the modus operandi of the merchant-banking elite to spread risk across different investments. They pursued commercial and financial ventures (wholesale trade, private loans, collection of landed rents for the nobility) in the private sector, while also doing business with the state.[48] Contractors did not limit their dealings with the state to one particular public-private partnership, such as the farming of a particular tax or exploitation of a given monopoly, or the supplies of funds, raw materials and equipment to a specific garrison or government store. Instead, risks could be mitigated by securing royal contracts involving a wide range of operations and by not specializing in one particular service.[49]

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[45] On the influence of Castillan models of administration and public finance in Habsburg Portugal, Peter Thomas Rooney, 'Habsburg Fiscal Policies in Portugal. 1580-1640', *The Journal of European Economic History* 23, no. 3 (1994): 545–62; Sanjay Subrahmanyam and Luís Filipe Thomaz, 'Evolution of Empire: The Portuguese in the Indian Ocean during the Sixteenth Century', in *The Political Economy of Merchant Empires. State Power and World Trade. 1350-1750*, ed. James D. Tracy (Cambridge: Cambridge University Press, 1991), 298–331; António Manuel Hespanha, 'O Governo dos Áustrias e a "Modernização" da Constituição Política Portuguesa.', *Penélope: revista de história e ciências sociais*, no. 2 (1989): 49–74.

[46] Jorge Pedreira, 'Os Homens de Negócio Da Praça de Lisboa, de Pombal Ao Vintismo (1755-1822): Diferenciação, Reprodução e Identificação de Um Grupo Social' (Unpublished PhD Dissertation, Lisbon, Universidade Nova de Lisboa, 1995), 65.

[47] As confirmed by a string of recent studies on eighteenth century revenue farmers; J. Bohorquez and Maximiliano Menz, 'State Contractors and Global Brokers: The Itinerary of Two Lisbon Merchants and the Transatlantic Slave Trade during the Eighteenth Century', *Itinerario* 42, no. 3 (December 2018): 403–29; João Paulo Salvado, 'The Rise and Fall of a Lisbon Family Business, 1710–1773: The Case of the House of Torres', *Itinerario* 43, no. 1 (April 2019): 146–72; Thiago Alves Dias, 'O negócio do pau-brasil, a sociedade mercantil Purry, Mellish and Devisme e o mercado global de corantes: escalas mercantis, instituições e agentes ultramarinos no século XVIII', *Revista de História*, no. 177 (3 May 2018): 01.

[48] To contain the risks surrounding large commercial investments, especially in a period defined by slow communications, "imperfect" markets and the lack of international regulatory instances, merchants preferred not to specialize in a particular trade and line of business. This point is made, for instance, in Nuala Zahedieh, *The Capital and the Colonies: London and the Atlantic Economy 1660-1700* (Cambridge; New York: Cambridge University Press, 2010); Milja van Tielhof, *The 'Mother of All Trades': The Baltic Grain Trade in Amsterdam from the Late 16th to the Early 19th Century* (Leiden-Boston: Brill, 2002); Richard Grassby, 'English Merchant Capitalism in the Late Seventeenth Century. The Composition of Business Fortunes', *Past & Present* 46, no. 1 (1 February 1970): 87–107.

[49] Gordon Bannerman, 'The Impact of War: New Business Networks and Small-Scale Contractors in Britain, 1739–1770', *Business History* 60, no. 1 (2 January 2018): 23–40.

In the second place, the Crown consciously structured the whole edifice of government borrowing in a way that makes it hard to disentangle the two types of contracts and pin-point where expenditure-related concessions ended and revenue-raising partnerships began. The two types of partnerships could not help but be linked, given that supplying contractors were paid from the lump sums generated by revenue leases and not from the yields that the state collected. It was not infrequent for the Crown to use the prospects of a tax or monopoly-farm to persuade merchant-bankers to provide specific services, credit or commodities. A royal farm served simultaneously as collateral for the contract and for repayment. Instead of receiving funds from tax receipts levied by a fellow tax-farmer, a supplying-expenditure contractor was allowed to collect the means of repayment himself, without the intervention of a third party. Contracts became thus means to redeem the state's outstanding debts to lenders and suppliers. Unable to clear floating public debt directly, the government granted the contractor the opportunity to obtain payment through potentially lucrative revenue-farms.[50]

The large number of public-private partnerships involving the kingdom and its overseas offshoots makes it impossible for this dissertation to delve deep into every single contract. Therefore, in order to give an idea of the broad scope and diversity of the Portuguese Contractor Empire, choices had to be made.[51] The focus is placed on the

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[50] Rafael Torres Sánchez, 'In the Shadow of Power: Monopolist Entrepreneurs, the State and Spanish Military Victualing in the Eighteenth Century', in *War, Entrepreneurs, and the State in Europe and the Mediterranean, 1300-1800*, ed. Jeff Fynn-Paul (Leiden-Boston: Brill, 2014), 279.

[51] Despite the lack of a bird's-eye study on the Portuguese contracting system, there are several sectorial contributions, each focusing on a specific colonial contract. As this list shows, the public private partnerships involving the Portuguese slaving offshoots on the Western African coast have sparked the most interest among historians. More recently, the lease contract of the tobacco monopoly, which only rose to prominence after the period covered in this dissertation, has also been studied in some detail. João Paulo Salvado, 'O Estanco Do Tabaco Em Portugal: Contrato Geral e Consórcios Mercantis (1702-1755)', in *Política y Hacienda Del Tabaco En Los Imperios Ibericos (Siglos XVII-XIX)*, ed. Santiago de Luxán Meléndez (Madrid: Centro de Estudios Políticos y Constitucionales, 2014), 133–53; Margarida Vaz do Rego Machado, 'Contratos e Contratadores Régios: Açores. Segunda Metade Do Século XVIII', *Arquipélago-História (2ª Série)*, no. 8 (2004): 37–46; Miguel Geraldes Rodrigues, 'Between West Africa and America. The Angolan Slave Trade in the Portuguese and Spanish Atlantic Empires (1560-1641)' (Unpublished PhD Dissertation, Firenze, European University Institute, Department of History and Civilization, 2019); Filipa Ribeiro da Silva, *Dutch and Portuguese in Western Africa: Empires, Merchants and the Atlantic System, 1580-1674* (Leiden-Boston: Brill, 2011); Maria Manuel Ferraz Torrão, 'Rotas Comerciais, Agentes Económicos, Meios de Pagamento', in *História Geral de Cabo Verde*, ed. Maria Emília Madeira Santos, vol. 2 (Lisbon; Praia: Instituto de Investigação Científica Tropical and Instituto Nacional de Cultura de Cabo Verde, 1995), 17–124; Zelinda Cohen, 'Subsídios Para a História Geral de Cabo Verde: Os Contratos de Arrendamento Para a Cobrança de Rendas e Direitos Reais Das Ilhas de Cabo Verde (1501-1560)', *Stvdia*, no. 53 (1994): 317–64; Walter Rodney, 'Portuguese Attempts at Monopoly on the Upper Guinea Coast, 1580–1650', *The Journal of African History* 6, no. 3 (November 1965): 307–22; José Gonçalves Salvador, *Os Magnatas Do Tráfico Negreiro* (São Paulo: Pioneira-Edusp, 1981); Leonor Freire Costa, 'Portuguese Resilience in Global War: Military Motivation and Institutional Adaptation in the Sixteenth and Seventeenth-Century Cape Route', in *A Global History of Trade and Conflict since 1500*, ed. L. Coppolaro and F. McKenzie (Basingstoke: Palgrave Macmillan, 2013), 38–60; Leonor Freire Costa, *Naus e galeões na ribeira de Lisboa: a construção naval no século XVI para a Rota do Cabo* (Cascais: Patrimonia Historica, 1997); Stefan Halikowski Smith, '"Profits Sprout like Tropical Plants": A Fresh Look at What Went Wrong with the Eurasian Spice Trade c. 1550–1800', *Journal of Global History* 3, no. 3 (November 2008): 389–418; James C. Boyajian, *Portuguese Trade in Asia under the Habsburgs, 1580-1640* (Baltimore, Md: John Hopkins University Press, 2008); Vitorino Magalhães Godinho, *Os Descobrimentos e a Economia Mundial*, 2nd ed., vol. 3, 4 vols (Lisbon: Editorial Presença, 1983); Leonor Freire Costa, 'State Monopoly or Corporate Business: Warfare in Early-Modern Europe', *Journal of European Economic History* 38 (2009): 219–61; Leonor Freire Costa, 'Tax Farming and Uncertainty: Making Profits from War', in *Growing in the Shadow of an Empire: How Spanish Colonialism Affected Economic Development in Europe and in the World (16th-18th Centuries*, ed. Giuseppe De Luca and Gaetano Sabatini (Milan: Franco Angeli, 2012), 43–58; Frédéric Mauro, *Portugal, o Brasil e o Atlântico, 1570-1670*, vol. 1 (Lisbon: Editorial Estampa, 1997); Myriam Ellis, 'O Monopólio Do Sal No Estado Do Brasil. 1631-1801: Contribuição Ao Estudo Do Monopólio Comercial Português No Brasil, Durante o Período Colonial' (Unpublished PhD Dissertation, São Paulo, Universidade de São Paulo, Faculdade de Filosofia, Ciências e Letras, 1955).

contracts negotiated, ratified and monitored by the central government apparatus in the Iberian Peninsula during the period of the Union of the Crowns (1580-1640). Among the institutions with decision making power over the public-private partnerships were those based in the Portuguese capital, like the Council of the Exchequer (*Conselho da Fazenda*) and the realm's viceroys and governors, but also high-courts and bureaus based at the Spanish court, such as the Council of Portugal and a series of had-hoc committees (*juntas*). The contracts analysed in this dissertation were, therefore, those that the political center deemed either financially significant and/or politically sensitive. In turn, choosing this sample meant that the various contracts adjudicated in different parts of the empire, in the overseas dependencies themselves, are excluded from this dissertation.[52] The same can be said for the government concessions ratified in Portugal or at the court in Madrid that pertained to the domestic revenue streams located within the realm. These included, for instance, the salt tax-farm, the lease of the royal fisheries along the southern coast of the country, or the right to collect tariffs at the kingdom's landed and coastal customs.

So far, I have only addressed one of the parties involved in the public-private partnerships, the state, and the institutional figure it created in order to involve private interests laying outside the royal apparatus in governance tasks. The following section will address the role played by the businessmen who negotiated with and secured contracts from the Portuguese Crown.

## Agents, Organization of Private Enterprise and Networks

For the past few decades, the scholarship has emphasised the role of individuals' ingenuity and informal collective organization in the shaping of early modern European overseas empires. As a result, it has become fashionable to see those inter-oceanic enterprises not as national and centralized-bureaucratic constructs, but as a patchwork of self-organized networks that cut across national and political allegiances, as well as the boundaries of ethnicity and religion.[53]

Notwithstanding a long and illustrious tradition of studies on merchant networks operating in European port-cities, these new accounts tend to put the spotlight on the peripheries, distant colonial outposts or in the interstices of empires.[54] These contributions have drawn attention to the limited authority exerted by European powers, be it charted companies or governmental structures in the Asian, Pacific, African and American maritime frontiers. Rather than arriving, seeing, trading or conquering as they saw fit, the European commercial and military machineries had no alternative but to act in accordance to the terms laid down by the autochthonous authorities if they hoped to remain in a certain area. While Europeans proceeded to encroach into local commercial circuits and in the process link-up

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[52] This was the case of the revenue farms that were auctioned, underwritten and monitored by colonial governments along the Indian Ocean rim, in Brazil and, for brief period in the 1650s and 1660s, also in Angola. These overseas governments would later have to keep the metropolitan institutions updated on the latest developments involving these contracts. In the seventeenth century, these public private partnerships from the "periphery" included, for example, the farm of the royal tithes in Brazil, in the *Estado da Índia,* the Mozambique royal contract and the custom farms in Asian ports*,* or the aforementioned Angola slaving farm.

[53] Cátia Antunes and Amélia Polónia, eds., *Beyond Empires: Global, Self-Organizing, Cross-Imperial Networks, 1500-1800* (Leiden; Boston: Brill, 2016).

[54] Jeppe Mulich, 'Microregionalism and Intercolonial Relations: The Case of the Danish West Indies, 1730–1830', *Journal of Global History* 8, no. 01 (2013): 72–94; Eliga H. Gould, 'Entangled Histories, Entangled Worlds: The English-Speaking Atlantic as a Spanish Periphery', *The American Historical Review* 112, no. 3 (2007): 764–786; Jeremy David Cohen, 'Cultural and Commercial Intermediaries in an Extra-Legal System of Exchange: The Prácticos of the Venezuelan Littoral in the Eighteenth Century', *Itinerario* 27, no. 2 (July 2003): 105–24.

disparate commodity chains in the Atlantic and the in Indian Ocean, they often found themselves playing second fiddle to pre-existing economic networks. Even in the instances when violence and sheer brute force were employed, and with the exception of Latin America (and even there with many regional nuances), the Caribbean and few occasional cases in East Africa and across the Indian Ocean, Europeans found themselves unable to sub-due local populations and impose sovereignty based on the control of land, labour and production until rather late in the eighteenth century. The historiography has also emphasized exchanges across formal imperial allegiances, to which company officials or state delegates acting far away from decision centres in Europe showed little qualms to disregard their supposed allegiances,[55] trading and fraternising with their supposed sworn enemies, and engaging in clandestine trade and unauthorized settlement.[56] The same could be said about the recurrence of cross-cultural connections between individuals of different ethnic, linguistic and religious backgrounds, often leading to the integration of these agents in local societies and the eruption of dual and multiple identities and creolization.[57]

This dissertation will make a case for the importance of looking at human agency, interpersonal networks of exchange and the pursuit of self-interest, not far away from the European centres of decision but at the metropolitan axis of overseas empires. The negotiations and chartering of government contracts, as well as their implementation provide a window to look at dynamics of social-economic interaction that are normally spotted in distant overseas offshoots and within maritime networks. I do not, however, want to give the impression that I defend a return to a euro- or national-centric historiography, interested solely on the centralizing agenda of these empires, their economic monopolies and the enforcement of religious conformity.

The fact that the overall majority of the individuals and social groups covered in this dissertation were European born and operated from within the Iberian Peninsula (or appointed others to represent them far away), does not mean that government contracting was an eurocentric affair, occurring solely in the European capitals and exclusive to the white man. Autochthonous powers and local merchants were instrumental in the running and up-keeping of certain colonial contracts. Without the input of these actors, for example of African brokers and Asian business networks, overseas concessions entrusted to metropolitan businessmen could not be effective and profitably implemented. Moreover, in the case of Portuguese Asia, commercial networks without a formal allegiance to the royal apparatus, and whose members did not share the Christian faith, could become the recipients of government contracts. The way these players were brought into the logistics of empire, notwithstanding limits to inclusion in the Portuguese societies in the tropics, is a fascinating topic of research but one which will not be tackled in this dissertation.[58]

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55 The Portuguese are singled out as being particularly prone to changing allegiances and offering their services to autochthonous rulers, both in West Africa and across the Indian Ocean rim. On this not so peculiar phenomenon; Maria Augusta Lima Cruz, 'Exiles and Renegades in Early Sixteenth Century Portuguese India', *The Indian Economic & Social History Review* 23, no. 3 (1986): 249–62; Maria João Soares, 'Para Uma Compreensão Dos Lançados Nos Rios Da Guiné, Séc. XVI-Meados Do Séc. XVII', *Studia*, no. 56/57 (2000): 147–222.

56 On the tacit cooperation between company officials and monarchical delegates serving far away from the domiciliary centres of decision Richard Drayton, 'Masked Condominia: Pan-European Collaboration in the History of Imperialism, c. 1500 to the Present', *Global History Review* 5, no. 31 (2012): 308–31.

57 Peter Mark and José da Silva Horta, *The Forgotten Diaspora: Jewish Communities in West Africa and the Making of the Atlantic World* (Cambridge: Cambridge University Press, 2013); Stefan Halikowski Smith, *Creolization and Diaspora in the Portuguese Indies: The Social World of Ayutthaya, 1640-1720* (Leiden ; Boston: Brill, 2011); Leonard Y. Andaya, 'The "Informal Portuguese Empire" and the Topasses in the Solor Archipelago and Timor in the Seventeenth and Eighteenth Centuries', *Journal of Southeast Asian Studies* 41, no. 3 (2010): 391–420.

58 Michael N. Pearson, 'Banyas and Brahmins. Their Role in the Portuguese Indian Economy', in *Coastal Western India. Studies from the Portuguese Records* (New Delhi: Concept Pub. Co, 1981), 93–115; Michael N. Pearson, 'Indigenous Dominance in a Colonial Economy: The Goa Rendas, 1600-70', *Mare Luso-Indicum* 2 (1973): 61–73.

The goal of this dissertation is to show how self-organized networks were at work at the administrative centres of the Portuguese empire, where colonial policies were (only partially and tentatively at best) defined and economic and social-symbolic resources borne out of overseas endeavours were distributed. In administrative capitals, such as Lisbon and Madrid, and leading ports of overseas trade like Seville, the state relied on private investors for governmental purposes, such as tax-collection, transfer of capital and goods across long distances (often continents), ship-building and the import and manufacturing of naval wares. The brokerage of these financiers, wholesale merchants and logistic handlers was of paramount importance for the shaping of empire in Iberia, as it was elsewhere in Europe,[59] the Atlantic and across Asia.[60]

Notwithstanding the symbiotic relationship that gradually developed between contractors and the state, they were not pawns in the hands of monarchs. This relationship was never one-sided or unproblematic, and tensions arose frequently. The interaction between Crown and contractors was based on the binomial of maximum extraction on the side of the contractor and securing as much leverage as possible from the side of the state.[61]

Historical sociologists and economic historians have often pitted informal interpersonal networks against formal institutions, usually to chronicle the triumph of the latter at the tail end of the early-modern period. This process is usually described in a linear and sequential manner whereby formal institutions that upheld property rights, such as courts of law, replaced the convenience of trading within one's circle of kin and coreligionists.[62] By offering more effective answers to the fundamental problems of exchange, such as opportunism, uncertainty and high transaction costs, these inclusive institutions trumped traditional solutions, such as reputational control mechanisms.[63] They

[59] For transnational Sephardic business networks empowering European states; Jonathan Israel, 'Diasporas Jewish and Non-Jewish and the World Maritime Empires', in *Diaspora Entrepreneurial Networks: Four Centuries of History*, ed. Ina Baghdiantz McCabe, Gelina Harlaftis, and Ioana Pepelasis Minoglau (Oxford: Berg, 2005), 3–26.

[60] Bhaswati Bhattacharya, Gita Dharampal-Frick, and Jos Gommans, 'Spatial and Temporal Continuities of Merchant Networks in South Asia and the Indian Ocean (1500-2000)', *Journal of the Economic and Social History of the Orient* 50, no. 2 (1 June 2007): 91–105; Ina Baghdiantz McCabe, 'Trading Diaspora, State Building and the Idea of National Interest', in *Views from the Edge. Essays in Honor of Richard W. Bulliet*, ed. Neguin Yavari, Lawrence G. Potter, and Jean-Marc Ran Oppenheim (New York: Columbia University Press for The Middle East Institute, Columbia University, 2004), 3–18; Sanjay Subrahmanyam, 'Iranians Abroad: Intra-Asian Elite Migration and Early Modern State Formation', *Journal of Asian Studies* 51, no. 2 (1992): 72–95.

[61] Antunes and Polónia, *Beyond Empires*, 3, 5, 8.

[62] The strand of literature on trading diasporas is quite prolific and its output is simply too large for me to address all relevant contributions in one footnote. Mention to a few tittles that emphasize the role of shared culture, religion and kinship in the selection of business partners and commission agents shall suffice. Sebouh David Aslanian, *From the Indian Ocean to the Mediterranean: The Global Trade Networks of Armenian Merchants from New Julfa* (Berkeley; New York; London: University of California Press, 2011); Daviken Studnicki-Gizbert, *A Nation upon the Ocean Sea: Portugal's Atlantic Diaspora and the Crisis of the Spanish Empire, 1492-1640* (New York: Oxford University Press, 2007); Ina Baghdiantz McCabe, Gelina Harlaftis, and Ioana Pepelasis Minoglau, eds., *Diaspora Entrepreneurial Networks: Four Centuries of History* (Oxford: Berg, 2005).

[63] Strategies to contain opportunism through someone's reputation were extensively used in human collectives that revolved around kin and co-religionists. Reputation worked in such contexts because group sanction was extremely powerful and information about transgressors flowed easily. Avner Greif, 'Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies', *Journal of Political Economy* 102, no. 5 (1994): 912–950; It has also been argued that reputation played a role in stabilizing cross-cultural networks. One of the most effective ways to assess the trustworthiness and honourability of a partner or agent was by means of regular epistolary correspondence; Francesca Trivellato, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven; London: Yale University Press, 2012).

ultimately paved the way for the emergence of impersonal markets, where information was evenly distributed.[64]

However, the ontological opposition between formal official institutions, either market-oriented or bureaucratic, and interpersonal forms of collective agency (i.e. networks) is problematic, to say the least, for the period under study.[65] Empires such as Portugal were structured like a network, or to be more precise, as a bundle of networks. More than the top-down directives of higher-up government boards, the interests of a plethora of stakeholders, ranging from the urban elites, magistrates and office holders, the religious orders and the aristocracy, but also of monopolistic traders and financiers on contract with the Crown, shaped the empire.[66] Even within the decision making centres where Crown officials could in principle be more closely monitored and controlled, the royal bureaucracy was permeated by *esprit de corps* and percolated by patronage.[67] Moreover, the political culture of the period did not see the use of office to further one's personal interests as a problem, and encouraged the king to be gracious to his vassals by rewarding them with posts in the royal administration and other sinecures. When it came to appoint someone to a post in the government apparatus, competence and technical preparation often took a back seat to the need to secure the loyalty of an influential stakeholder and reward individuals (and their lineages) for their services.[68]

This logic is seen at work in government contracting too. Contracts were not always adjudicated on the basis of strictly economic rationales; i.e. those who offered more money for a tax-farm or pitched to supply credit or goods at lower rates. Instead, the decision on who would be the recipient was at times made with the intent of creating a long-lasting bond between the Crown and a certain group of contractors. The repeated interactions between business syndicates and the royal administration would allow for further credit to be extended and additional services to be performed, if the circumstances so demanded.[69] Moreover, prolonged business intercourse allowed for pending debts to contractors to be partially cleared by the sovereign's gracious grants, or by providing them with new opportunities to invest in royal farms and supplying contracts. Such a quid-pro-quo was much harder to enforce with new-comers on the contracting scene, who were inexperienced in the inner-works of royal contracting and court banking, and who had not yet build a track-record at the king's service.

While the full-extent of the employment of public-private partnerships by the state and rationale behind adopting this organizational form of state-building and overseas undertaking is starting to become clearer to historians, the perspective of the contractors, particularly their strategies and organization, remains elusive. Aside from the reconstruction of the intricate family trees around which firms were constituted, and one or two exemplary case studies of individual entrepreneurs, historians have not yet come to grips with the impact of government contracting in the development, triumph and demise of business enterprises. Further, they remain oblivious to the ways firms organized themselves to embark on and

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64 Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge University Press, 2006); Avner Greif, 'The Fundamental Problem of Exchange: A Research Agenda in Historical Institutional Analysis', *European Review of Economic History* 4, no. 3 (2000): 251–284.

65 Regina Grafe, 'On the Spatial Nature of Institutions and the Institutional Nature of Personal Networks in the Spanish Atlantic', *Culture & History Digital Journal* 3, no. 1 (30 June 2014): 1–10.

66 Grafe and Irigoin, 'A Stakeholder Empire'; Bethencourt, 'Political Configurations and Local Powers'.

67 Sharon Kettering, *Patrons, Brokers, and Clients in Seventeenth-Century France* (Oxford University Press, 1986); Antonio Feros, *Kingship and Favoritism in the Spain of Philip III, 1598-1621* (Cambridge ; New York: Cambridge University Press, 2006), 121–28; António Manuel Hespanha and Ângela Barreto Xavier, 'As Redes Clientelares', in *História de Portugal. O Antigo Regime (1620-1807)*, vol. 4 (Lisbon: Editorial Estampa, 1993), 339–50.

68 António Manuel Hespanha, *As Vésperas do Leviathan: Instituições e Poder Político : Portugal, séc. XVII* (Coimbra: Livraria Almedina, 1994).

69 Fernando Dores Costa, 'Capitalistas e Serviços: Empréstimos, Contratos e Mercês No Final Do Século XVIII', *Análise Social* XXVII, no. 116–117 (Autumn 1992): 441–60.

operate these undertakings.[70] It is thus important to start by unveiling who were the social actors that normally bid for the overseas contracts. Fredric Mauro developed a social typology of the Portuguese mercantile class in the seventeenth century[71] that set the standard for the more ambitious works that followed. These later works included the prosopographic study of Lisbon and Bahia merchant groups during the apex of the Brazilian sugar trade by David Grant Smith,[72] the thorough mapping out of lineages and activities of the Portuguese merchant-banking families of the Habsburg period by James Boyajian,[73] or the profiling of Portuguese mercantile elites during the 1500 and 1600s by Leonor Freire Costa, are cases in point.[74]

Mauro, Grant Smith, Boyajian and Costa identified three sub-groups within Portugal's merchant class before the eighteenth century. At the bottom was the "medium merchant" specialized in a specific commercial sector, or taking part in small credit-giving operations. The members of this sub-group were either wholesale or retail merchants, who distinguished themselves from shopkeepers by the scale of their investments and the geographic scope of the goods and commodities they traded in. The second group were the "large merchants", who managed more financially burdensome (but more profitable) enterprises and were deeply integrated in international flows of capital and transcontinental commodity chains. They dealt in a vast array of products and staples, and were reluctant to stick to the trade of a fixed set of commodities. Some members of this group regularly engaged in private credit operations too. Finally, the third-group, the top-tier of the Portuguese mercantile world was populated by the "merchant-bankers". While they took part in all types of commercial and financial ventures in the "private sector", as the second group, they set themselves apart by first and foremost by contracting tax-farms and dabbling in public credit. This group evolved from private investment in long distance trade of commodities and staples, the majority of which from the empire and international European markets, into the management of royal monopolies and government affairs. Mauro's typology, although accurate in many regards, is, as some historians have pointed out, ultimately too functionalist. It downplays some important features of the merchant-banker strata, particularly the strategies aiming at upward social mobility followed by the merchant-bankers, which involved mimicking the aristocratic ethos.[75]

Jorge Pedreira also discerned a similar internal hierarchy within the mercantile elite of Lisbon during the second half of the eighteenth century and first quarter of the nineteenth century, not only in terms of the strategies of capital accumulation, but also in terms of the group's self-representation *vis à vis* the rest of society. Pedreira argues for a distinction between the few merchant houses that monopolized the farming out of royal contracts as a

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70 The study of the operations of royal contractors of the Portuguese Crown has made important strides recently, albeit beyond the chronological limits of this dissertation. Susana Münch Miranda, 'Risk and Failure in Tax Farming: De Bruijn & Cloots of Lisbon and the Portuguese Tobacco Monopoly, 1722–1727', *Itinerario* 43, no. 1 (2019): 122–45; Salvado, 'The Rise and Fall of a Lisbon Family Business, 1710–1773'. It must be said that the lack of internal records of firms during the early modern period seriously impairs this type of research.

71 Frédéric Mauro, 'Marchands et Marchands-Banquiers Portugais Au XVIIème Siècle', *Revista Portuguesa de História*, no. 9 (1960): 63–78.

72 David Grant Smith, 'The Portuguese Mercantile Class of Portugal and Brazil in the Seventeenth Century: A Socioeconomic Study of the Merchants of Lisbon and Bahia, 1620-1690' (Austin, University of Texas at Austin, 1975).

73 Boyajian, *Portuguese Trade in Asia under the Habsburgs, 1580-1640*; James C. Boyajian, 'New Christians and Jews in the Sugar Trade, 1550-1750: Two Centuries of Development of the Atlantic Economy', in *The Jews and the Expansion of Europe to the West, 1450-1800*, ed. Paolo Bernardini and Norman Fiering (New York, Boston: Berghahn Books, 2001), 471–84; Boyajian, *Portuguese Bankers at the Court of Spain, 1626-1650*.

74 Leonor Freire Costa, 'Elite Mercantil Na Restauração: Para Uma Releitura', in *Optima Pars. Elites Ibero-Americanas Do Antigo Regime*, ed. Nuno Gonçalo Monteiro, Mafalda Soares Cunha, and Pedro Cardim (Lisbon: Imprensa de Ciências Sociais, 2005), 100–127; Leonor Freire Costa, *Império e grupos mercantis: entre o Oriente e o Atlântico (século XVII)* (Lisbon: Livros Horizonte, 2002).

75 Some of these criticisms were made already pointed out in Smith, 'The Portuguese Mercantile Class'.

result of their closeness to the court and the monarch, and those who made their (comparatively smaller) fortunes in purely commercial endeavours, particularly in colonial trade.[76]

The upper echelon of the Portuguese business class as defined by current historiography shares many similarities with Sanjay Subrahmanyam and Christopher Bayly's concept of "portfolio capitalism". Although it describes a specific type of economic and political agent of the Hindustan Peninsula and the Indian Ocean, I find it easily translatable to the early modern Iberian world and I consider that it lends itself particularly well to the Portuguese Crown contract-holders.[77]

A portfolio-capitalist was simultaneously a major business entrepreneur and an influential political actor. He used his economic and financial prowess as a political tool, while relying on his proximity to the centres of decision to achieve a significant accumulation of capital. He was able to marshal, through international networks of credit, great amounts of capital, which he and his associates channelled to a multitude of financial and commercial activities. His mercantile house was proficient in credit operations and currency exchange practices, well versed in the use of bills of exchange and in the employment of complex systems of account keeping. Politically speaking, the port-folio capitalist developed tight bonds with the sovereign power. Firstly, by gravitating near the centres of power, the court and its councils, as well as the informal decision-making circles, where he or his associates were in a position to influence decision making. Furthermore, he recurrently supplied credit to the hard-pressed state finances, either through an important participation in short-term forms of government borrowing, or by acquiring government-bonds, or advancing lump-sums in exchange for concessions of exclusive state prerogatives. Aside from financial returns on their investments, his services to the sovereign were expected to be rewarded with symbolic grants and titles, which would allow him to come nearer the traditional military and landed elites, among whom he aspired to be.[78] Last, but not least, the proximity to royal power could also work as a shielding strategy against business rivals and political foes who took advantage of less flattering social background to undermine the portfolio-capitalist's upward trajectory.

The characterization of the prototypical government contractor as a portfolio-capitalist does not, however, mean that only merchant-bankers with access to the court secured outsourcing deals from the government. As explained above, government contracts were underwritten at different levels of the state (empire's) administration and there were various sorts of royal concessions, each involving different requirements and levels of difficulty to fulfil, and each promising different returns on the investment made by

[76] Pedreira, 'Os Homens de Negócio Da Praça de Lisboa, de Pombal Ao Vintismo (1755-1822): Diferenciação, Reprodução e Identificação de Um Grupo Social'.

[77] Sanjay Subrahmanyam and C. A. Bayly, 'Portfolio Capitalists and the Political Economy of Early Modern India', *Indian Economic & Social History Review* 25, no. 4 (1988): 401–424.

[78] The notion that economic resources could also be allocated to obtain social status and prestige, and that such investments were "rational" in the context of the values system of a particular society has been stressed in numerous works on pre-industrial aristocracies and business-oriented groups all over Eurasia. See for example; Oscar Gelderblom and Francesca Trivellato, 'The Business History of the Preindustrial World: Towards a Comparative Historical Analysis', *Business History* 0, no. 0 (12 February 2018): 1–35; David Washbrook, 'Merchants, Markets, and Commerce in Early Modern South India', *Journal of the Economic and Social History of the Orient* 53, no. 1–2 (1 January 2009): 266–89; The influence of Bourdieu's theory of different and convertible types of 'capital' on this literature has been far-reaching. Pierre Bourdieu, *La Distinction. Critique Sociale Du Jugement* (Paris: Les Éditions de Minuit, 1979); An example of the use of Bourdieu's framework in historical analysis is: Bartolomé Yun-Casalilla, 'Reading Sources throughout P. Bourdieu and Cyerth and March. Aristocratic Patrimonies vs. Commercial Enterprises in Europe (c. 1550-1650)', in *Dove va La Storia Economica? Metodi e Prospettive. Secc. XIII-XVIII/ Where Is Economic History Going? Methods and Prospects from the 13th to the 18th Centuries*, ed. Francesco Ammannati (Firenze: Firenze University Press-Fondazione Instituto Internazionale di Storia Economic 'F. Datini', 2011), 325–37.

contractors. For instance, a middle merchant, to borrow from the typology described above, could enter into a business agreement with the local town council to collect municipal rents or to supply goods to the urban administration, relying on regional networks of producers and suppliers to achieve those goals. Other merchants could, from time to time, be granted very politically sensitive supplying contracts by the central apparatus, which could involve international purchases and the freighting of merchant vessels abroad. However, only the upper echelon of the business class was in the position to take part in the most demanding, and therefore most potentially lucrative, public-private partnerships. While economically (and politically) rewarding, these were often the riskiest state contracts, capable of inflicting serious financial damage to the contractor if things did not go as planned.[79] These type of contracts were at the core of this dissertation. Unlike other groups who dabbled in trade and related activities, only the merchant-bankers operating in the shadow of the political centre had the financial muscle, the international operational structure, and also the political clout, to pursue these contracts on a regular basis.

## Sources

This dissertation draws from the analysis of three types of primary sources. The first and more familiar are the institutional sources produced by the government agencies that oversaw fiscal-financial, commercial and military matters. These reveal the "posturings in print" of the contracts, the names, durations and dates of the different concessions, as well as the appraisal of the tenders and decision making process on who would be the recipient of the concession. These primary sources also reveal whether public-private partnerships were fulfilled by the concessionaires or if they were terminated before their due conclusion date. To be more precise, these sources reveal whether or not concessionaires were punctual with the lease payments or deliveries of funds and materials, and careful about the quality of the goods and services they provided.

This first type of sources is the consultations (*consultas*), that is, the dispatches summarizing the different opinions, objections and recommendations of viceroys, governors and the royal councils on matters of state. These consultations were composed by the Portuguese Council of the Exchequer (*Conselho da Fazenda)*, the government board with jurisdiction over financial and military affairs in the kingdom and the empire, but also the minutes and correspondence issued by the kingdom's governors and viceroys. In addition to these materials, which are kept for the most part at the *Arquivo Histórico Ultramarino,* the archival collections of the *Biblioteca Nacional de Portugal* and the *Biblioteca da Ajuda*, the recommendations of the Madrid-based Council of Portugal and informal deliberative committees (*juntas*) that were created from time to time at the Spanish court were also analysed. Many invaluable primary sources were destroyed during Lisbon's 1755 earthquake, such as the customs' records for Lisbon, or the records of the House of India (*Casa da Índia*), the agency that oversaw overseas trade and taxation and where the books of contracts ratified between the Crown and the private contractors kept. To make up for these irreparable losses, I was left with the sources kept in the *Archivo General de Simancas*. The books of the section *Secretarias Provinciales*, where the paperwork produced by the Portuguese-related agencies based at the Spanish court is to be found, contained manuscript and printed copies of the actual contracts, as well as copies of the bids made by the merchant-bankers. Although some of these sources also existed in the Lisbon archives, they are few and far between, and the

[79] Salvado, 'The Rise and Fall of a Lisbon Family Business, 1710–1773'; Edgar Pereira, 'The Ordeals of Colonial Contracting: Reactions to and Repercussions of Two Failed State-Private Ventures in Habsburg Portugal (1622–1628)', *Itinerario* 43, no. 1 (2019): 63–87; Miranda, 'Risk and Failure in Tax Farming'.

collections from Simancas revealed many public-private partnerships I could not trace back in the Portuguese archives. Finally, as far as the archive of Simancas is concerned, valuable complementary information on public-private partnerships involving the Portuguese Crown can be found in the collections of the *Contaduría Mayor de Cuentas,* the general account-auditing board of the Hispanic Monarchy, and the *Consejo de Hacienda,* the Castilian counterpart to the Council of the Exchequer. These collections provided crucial information about the activities of Pedro de Baeça, the man that stands as an example of a major merchant banker, during his brief stint at Spanish court in the late 1620s and early 1630s.

The second type of primary source is the records of the Portuguese Inquisition kept in the *Arquivos Nacionais da Torre do Tombo* in Lisbon. The trials held by this ecclesiastic court and the investigations that preceded them are an extremely rich source of biographical information on contractors, revealing their origins and their family background. For the purposes of this dissertation, the inquisition records are not relevant as sources of evidence for the religious beliefs and day to day habits of the contractors, their partners and agents, but rather as a window into their allegiances, personal and business, as well their enmities. Regarding the latter, the list of the denunciations in the *livros do Promotor* (records of the inquisitorial district attorney), as well as the replies by those on trial when accused and informed of their accusers, are invaluable. They provide biased clues, but clues nonetheless, on the rivalries between different merchant-monopolists and reveal the high-levels of competitiveness between people who made a living and fortune bidding for government contracts. The documentation produced by the three military orders, Santiago, Avis and Christ, whose membership served as a vehicle for social-upward mobility by the mercantile class, also provides revealing insights on the relationships between tax-farmers and purveyors under contract and the state. Applicants for the insignia and commanderies of these prestigious orders were subject to an examination by a royal council, the *Mesa da Consciência e Ordens.* These examinations involved not only the candidates, but also their living and deceased relatives. They were meant to clarify whether the applicants were free from blood taints (if they descended from Jewish converts, Muslims or blacks) or if they had been involved in manual labour occupations, two criteria that would in theory disqualify them from these royal grants. The fact that numerous royal contractors were New-Christians and were nonetheless able to secure these symbolic rewards demonstrates how contracts offered avenues for social promotion by affluent, but politically underprivileged groups in society.

The last type of primary sources I analysed are notarial contracts. They offer a glimpse at the inner-works of the contractors' operations, shedding light on how individual recipients and consortia of merchants were organized to run and exploit their business deals with the monarchy.[80] I have looked at three notarial archives for three different port-cities, Lisbon, Antwerp and Amsterdam. Given the convoluted present day state of the Lisbon's notarial archives and, even more importantly, the paucity of merchant account-books and correspondence, Antwerp and Amsterdam notarial contracts were essential to probe into the intra-imperial and international practices of the contractors. In Antwerp, I plough through the deeds issued by the notarial office of Gilles van den Bosch, who worked closely with the city's Portuguese community and with Northern European merchants who had business in Iberia.[81] As far as the Amsterdam notarial archive is concerned, I relied extensively on the

[80] A select few scholarly works have relied on notarial contracts to prove into the implementing of Portuguese royal contracts by their recipients. Cátia Antunes, Rob Post, and João Salvado, 'Het omzeilen van monopoliehandel: Smokkel en belastingontduiking bij de handel in brazielhout, 1500-1674/Circumventing monopolized trade: Contraband and tax evasion in the brazil wood trade, 1500-1674', *Tijdschrift voor Sociale en Economische Geschiedenis* 13, no. 1 (2016): 23–52; Torrão, 'Rotas Comerciais, Agentes Económicos, Meios de Pagamento'.

[81] These notarial deeds have already been utilized in the studies by Pohl and Goris, on Antwerp's Portuguese nation. These and other authors made allusions to the marketing of colonial monopolies in Antwerp and to deals involving the Portuguese Crown, and as such, I used their works as entry-door into the original materials,

English summarizes composed by Koen on the activities of the Portuguese Nation before 1639.[82]

## The Structure of the Dissertation

My dissertation aims to make an overall assessment of government contracting in Portugal and its overseas empire, during the first decades of seventeenth century and clarify to what extent and to what end were contracts leased-out by the Portuguese state to business networks who wished to pursue a venture of this sort. The dissertation is divided in two parts, each containing one or more chapters devoted to a specific aspect of the Portuguese contractor empire and its contractors.

The Portuguese contractor empire is fleshed out in the first five chapters, which can be said to comprise part one of the dissertation. Each chapter delves into a specific type of public-private partnership and offers insightful case studies on the different governance tasks the Crown entrusted to merchant-bankers. Chapters 1 to 3 devote attention to how public-private partnerships underpinned the up keeping of the state sponsored inter-oceanic shipping linking Portugal to Asia, whereas chapter 4 tackles how the bastions located at the Northern African frontiers of the Spanish monarchy largely depended on these contracts for their survival. After analysing these military provisioning and logistics contracts, chapter 5 looks into tax-farming and monopoly leases. It assesses how the king's monopoly over one of his prized colonial staples, brazilwood, was leased-out and exploited by private parties. This chapter will illustrate how the Crown relied on the lease of revenue yielding economic assets to achieve four goals: obtain up-front and relatively stable revenue inflows, be relieved from the nuisance of running the trade of a (re)exportable colonial commodity, contain the contraband of that same commodity, and use it as trade-off for military provisioning operations.

All the chapters in part one are structured along similar lines. Following a contextualization of the geographical area or sector of the empire's economy that the contracts pertained to, their clauses are analysed, the way the Crown serviced them in case of the provisioning contracts is clarified, and it is outlined how the recipients of these royal concessions implemented them. It will be shown how the individuals who put their signatures on the contracts never ventured into these endeavours on their own, since they relied on an array of partners, commission agents, suppliers and skippers, without whom these challenging yet potentially lucrative investments could not be brought to fruition.

While the chapters on part one allow for an x-raying of the morphology of this contractor empire, they do not say much about the place that public-private partnerships occupied in the portfolio of the leaseholders and recipients. Why did they take part in these form of investments, and why did merchant-bankers tried to secure royal contracts for long stretches of time? The contractors will be explored in part two of the dissertation, which focuses on a portfolio-capitalist who made a career advancing funds, exploiting the Crown's monopolies, collecting its taxes and providing an array of services and commodities. The business pursuits of Pedro de Baeça da Silveira are considered as illustrative of the longstanding involvement of merchant-bankers with the finances and military operations of the Portuguese Crown. In Baeça's case, as in the case of most of his counterparts,

which I have consulted. Hans Pohl, *Die Portugiesen in Antwerpen (1567 - 1648): zur Geschichte einer Minderheit* (Wiesbaden: Steiner, 1977); J. A. Goris, *Etude Sur Les Colonies Marchandes Méridionales (Portugais, Espagnols, Italiens) à Anvers de 1488 à 1567*, Librairie Universitaire (Lovain, 1925).

[82] E. M. Koen, "Notarial Records relating to the Portuguese Jews in Amsterdam up to 1639", *Studia Rosenthaliana"*, vol.1, no. 2 (1967) up to vol. 33, no. 1 (1999).

government contracting was conduit to social upward mobility and enabled political ties between the recipients and influential decision-makers, namely members of the king's (or his favorites') retinue to be deepened. Moreover, Baeça's case provides an illuminating account of the political ramifications of government contracting and of how far established *contratadores* could go to ensure that a relationship of credit, business and political favor continued undisturbed by political events and regime changes. In the case of this case study, it included plotting and directly financing a coup to bring back Phillip IV of Spain onto the Portuguese throne a mere couple of months after John, Duke of Braganza had claimed the Crown and taken Portugal out of the Spanish Monarchy.