

The Ordeals of Colonial Contracting: Reactions to and Repercussions of Two Failed State-Private Ventures in Habsburg Portugal (1622–1628)¹

EDGAR PEREIRA *

E-mail: e.f.pereira@hum.leidenuniv.nl

Among the solutions devised by early modern Western European states to engage with the private sector in the governance of their overseas empires, the adjudication of revenue farms and colonial monopolies was often dismissed by historians on the grounds of being coercive, inefficient, and risk-exempt for the contractors. In reality, however, the threat of financial hardship and insolvency was very real, and not infrequently led to contractual removal, the seizure of collateralized assets, and even the imprisonment of the concessionaires.

This article approaches the neglected topic of failure in big business in early seventeenth-century Portugal, an overlooked case of a contractor state that relied extensively on the adjudication of government contracts to finance and rule its overseas empire. By looking into the downward trajectories of two tax-farmers and the collapse of their contractual dealings, light will be shed on how the Crown and private entrepreneurs reacted to the repercussions of failure in these early modern public-private partnerships. It will also be shown how the road leading to termination was very much shaped by the political relationships between the Crown and its contractors and can only be understood in the context of wider relationships of brokerage, credit, and service between the two.

Keywords: government contracts, tax-farming, brokerage, merchant banking, failure

Historical accounts of business enterprise in the early modern period tend to be triumphalist, while studies of commercial, manufacturing, and banking endeavours that failed to take off, crashed with a bang, or fell short of succeeding are somewhat rare in scholarly literature. But, as any work tackling the fundamental problems of exchange (and the solutions devised to resolve them) will acknowledge, failed expectations and debacle are part

of any trade, regardless of the economic sector.² Business success is the tip of a deeper iceberg, with every endeavour meeting or exceeding expectations being matched by many more instances of the contrary. But little is usually said about the fallout when examining the factors leading to business collapse.

What happened, for instance, when foreseeable risks materialized or a business was unexpectedly struck by a string of bad luck? How did parties react when insolvency became a reality rather than merely a possibility?³

A perfect example of unfavourable business outcomes occurred in the Portuguese Atlantic during the truly *annus horribilis* of 1624,⁴ when a series of military setbacks plunged an already struggling economy further into the abyss, inflicting a major blow on government finances and private business alike. In May 1624, the Dutch West India Company (WIC) attacked São Salvador da Bahia, briefly capturing the capital of the colony of Brazil. Although a swift Luso-Castilian counteroffensive the following year (the “Voyage of the Vassals”) meant the Dutch did not hold Salvador for long, the shockwaves endured.⁵ One group hit particularly hard by this military setback were the private entrepreneurs who had aligned their interests with the Portuguese state by contracting royal monopolies, supplying credit and provisions, or handling logistics for the armed forces and government bureaucracy. And these entrepreneurs are at the heart of this article.

Shortly after securing the government contract for the Portuguese Crown’s commercial monopolies and taxation rights in Angola and adjacent trading districts in West Central Africa, Loango, and Benguela, Henrique Gomes da Costa experienced difficulties in fulfilling his contract, with losses in the very first year of the concession. Around the same time, the proceedings from the tax-farming contracts managed by Gil Fernandes de Aires were far below even the most pessimistic projections, resulting in several successive payment deadlines being missed and an arrears to the exchequer accumulating. It soon became apparent that these inauspicious starts were no temporary setback as both Gomes da Costa and Fernandes de Aires were ultimately stripped of their contracts, imprisoned, and deprived of assets pledged as collateral, with neither ever able to join another public-private partnership with the Crown.⁶

These men’s downward trajectories showcase the difficulties of pursuing a government contract in the early seventeenth-century Portuguese Atlantic, as well as the consequences of not achieving the intended outcomes. This article discusses how the state and businessmen handled foreseeable risks and unfavourable turns of events, how both responded to growing strife in the contracting ventures that brought them together, and the action taken once their contracts were terminated.

Although a longer chronology or quantitative assessment of contractual breakdown⁷ would undoubtedly be productive, the primary evidence available is simply too inconsistent for such treatment. While there are many references to contractual ruptures for some periods, others periods make little or no mention of such phenomena. However, and despite some aspects and outcomes remaining obscure, the issue has been addressed sufficiently often in correspondence between government institutions to justify investigating these case studies.

A micro-historical analysis shows that what may be lost in chronological reach can be compensated by analytical coherence, colour, and nuance.⁸ Inspired by recent micro-historical forays into business encumbrance in the past, this article is structured around two case studies during a fairly brief period. It emphasizes human agency, chance, and also less economically deterministic factors (political culture, for instance), which are more clearly observable through smaller analytical vignettes such as case studies, while also raising awareness of cultural and political values underpinning business failure.⁹

The meaning attached here to contractual failure firstly requires clarification. A distinction can be made between parties explicitly requesting release from government contracts they could no longer fulfil and contract terminations resulting from decisions by the Crown. As neither contractor in this study acknowledged his insolvency by requesting release from the contracts, failure in this article should be understood to mean the second scenario.

Given the current state of Lisbon's notarial archives¹⁰ and particularly the scarcity of merchant accounts and correspondence providing insight into enterprises' inner workings, the article is based primarily on institutional documentation. The ways the state and businesses tried to protect themselves against setbacks and contain any ensuing damage will be demonstrated through the paper trail left by the high courts able to adjudicate on and oversee contracts, such as the Council of the Treasury (*Conselho da Fazenda*), the Council of Portugal in Madrid (*Conselho de Portugal*), and the correspondence of the viceroyalty or governors running Portugal's day-to-day affairs during the Union of the Crowns.¹¹

The article first introduces the debates on government contracts and public-private partnerships in Western Europe prevailing during the early modern period, and contrasts these with the Portuguese experience. It then explains what a "contract" entailed in early modern Portugal and why these ventures comprised compelling, albeit potentially risky, investments. This is followed by the core of the article, which examines reactions to the contractors' impending failure by the state, by the concessionaires themselves, and by their supporting networks. The reasons for the Crown's differing treatment of struggling contracts take centre stage, with the complexities of managing and monitoring public-private partnerships in seventeenth-century Portugal being fleshed out.

Government Contracts in Early Modern Europe and Seventeenth-Century Portugal

Historians have long frowned on the exclusivist contracts awarded by Western European states in the sixteenth to eighteenth centuries.¹² Recently, however, more balanced and ultimately more favourable perspectives have gained momentum, thanks to a new banner (the "contractor state") and a fresh research agenda, with closer attention now being paid to governments' efforts to co-opt merchants, financiers, and industrialists to bear administrative burdens and promote a more efficient allocation of resources to the military and executive apparatus. Rather than focusing on the central power's coercive "sticks," or obsessing about "nationalization" of taxation and administrative operations, scholars have now started raising awareness of the "carrots" of economic mutual gain, portraying public-private partnerships not as symptoms of devolved authority, but instead as

pragmatic, logical solutions for overcoming the state's executive shortcomings. By partnering with certain economic groups on terms considered mutually beneficial, central powers could further their own interests while also strengthening their operational capacity in the military and administrative arenas.¹³

In Portugal, as elsewhere, the government contract was the prime means for aligning the state and private enterprise in pursuit of symbiotic goals. Despite various invaluable studies on specific partnerships over the years, and the widespread acknowledgement that contracts were at the core of its merchant elite's business portfolios, Portugal remains largely absent from many scholarly reflections on the contractor state,¹⁴ even though 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.¹⁵ Having been neglected by mainstream international scholarship, Portugal's role as a contractor state, let alone a contractor empire (given the great incidence of colonial public-private partnerships), has yet, therefore, to be acknowledged.

Contracts can be grouped by geographical scope, colonial economic sector or, for example, financial importance. This article makes a broad distinction between contracts of revenue and contracts of expenditure and provisioning. The first type of contracts entailed the temporary, and therefore reversible, transfer by the state of the right to collect specific taxes or to operate and exploit the king's patrimonial monopolies. Those awarded these contracts were granted exclusive prerogatives to barter and sell colonial commodities and to access coveted markets and routes overseas. The second type involved executive operations otherwise performed by the exchequer and the Crown's administrative apparatus, including the provision of credit, victuals, equipment, labour, and logistics.

Although the reciprocal rights and obligations differed, the divide was never so clear-cut in practice: firstly because merchant bankers pursued both types of contracts indiscriminately and often in tandem, and secondly because the two types of partnerships could not help but be linked, given that supplying *assentistas* were paid from the lump sums generated by other contracts and not from the tax receipts collected by the state. Links between the two could be even stronger as sometimes the Crown used the prospects of a tax or monopoly farm to persuade merchant-monopolists to provide certain services, credit, or commodities. A royal farm then served both 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 any third party being involved. Other contracts were in reality a means to redeem the state's outstanding debts to a contractor. Unable to offset the indebtedness directly, the government granted the contractor the opportunity to obtain payment through potentially lucrative revenue-farming.

Demise of Contracting Enterprises

The reality of contracting does not always reflect the conventional wisdom that exclusivist concessions bestowed by a government guaranteed high, long-term returns, with little or no risk for custodians. Despite the prospective advantages, these contracts offered no

guarantee of private entrepreneurs' success. As Richard Bonney asked in respect of tax-farming in Colbert's France, "Is it any wonder, given the extent of the difficulties and the broad range of talents required, that relatively few tax-farmers were successful in the long-term, that profits were uncertain, and bankruptcies frequent?"¹⁶

While all forms of tax-farming and government supplies involved risks and uncertainty, those involving indirect fiscal receipts, particularly from long-distance trade within territorially (and juridically) scattered empires, were particularly exposed to potential negative outcomes and imponderables and were relatively costly for the state.¹⁷

One obvious way for businesses to limit these risks was to diversify across different investments and assets. According to scholarship on mercantile and financial elites in early modern Portugal, no trend of specializing in specific contracts or monopolized economic sectors is discernible. Instead, the upper business echelons diversified their state-private investments by bidding for contracts across a wide spectrum.¹⁸

This was definitely the case for Gil Fernandes de Aires¹⁹ and Henrique Gomes da Costa,²⁰ both of whom contracted for revenue-raising *contratos* and expenditure-allocating *assentos*. As the following tables show, their range was extremely varied, also geographically.²¹

Contracts Managed by Gil Fernandes de Aires

Contract	Dates	Value (réis)
Supplying nails to Cape Route carracks ²²	1622	Unknown
Supplying cordage and nails		
Supplying caskets for India cargoes	1622	Unknown
Building India Run carracks (two for each voyage) ^{23/24}	1623, 1624	1624: 23,500/carrack
<i>Consulado</i>	1623–1628	70,000,000 annually

Contracts Managed by Henrique Gomes da Costa

Contract	Dates	Value (réis)
Construction of galleons ²⁵	Late 1610s–early 1620s	Unknown
Mazagan garrison provisioning ²⁶	Concluded by 1623	Unknown
Angola contract	1624–1628	40,000,000 annually

After some *assentos* supplying the Crown's naval stores and a brief spell as a ship-builder under contract, Fernandes de Aires won a six-year contract for the *consulado* duty-farm, starting on 31 December 1623 and ending on the same day in 1629. The *consulado* was a 3 percent *ad valorem* tariff on cargoes coming through or leaving Portugal's littoral customs houses. The proceeds (one of the main fiscal innovations introduced under the Habsburgs) were used to equip a squadron that would patrol the Portuguese

coast and defend it against pirates and enemy states' navies.²⁷ The maritime customs house, where the *consulado* and other duties were levied, constituted one of the Portuguese state's main sources of revenue. The customs houses in Lisbon in particular (the staple port for trading with the kingdom's prized overseas possessions and the port most visited by other European nations' merchant marines) were the golden goose of the royal treasury's metropolitan receipts.²⁸

The prospect of operating the *consulado* farm had sparked avid interest among the business elite since 1591,²⁹ while the annual flat sums paid by contractors for the privilege of collecting the tariff increased steadily in the years leading to 1623. The auction preceding Fernandes de Aires' contract was exemplary in being fairly competitive, while the negotiation of the previous *consulado* contract in 1617 had also involved five candidates.³⁰ But by the time this latter concession ended and the Crown started looking for new leaseholders, a deflationist crisis of colonial goods was in full swing³¹ and the Eighty Years' War had recommenced after the Twelve Years' Truce. The resumption of hostilities between the Spanish monarchy and the Dutch Republic in April 1621 and the reinstating of trade embargoes could have been expected to cool investors' optimism, thus causing the value of the revenue farm to stagnate or even shrink. Instead, the public auction preceding the awarding of the contract saw its value rise by almost 11 percent to the highest level since the tariff was introduced in 1591 and the highest value (seventy million *réis*) ever reached by the *consulado* contract during the Union of the Crowns.³²

The reasons for this uninterrupted and seemingly unlikely growth are not entirely clear. Competition between bidders is likely to have inflated the contract's value, even if the economic climate would normally have suggested caution. The possibility that the economic climate was not properly assessed cannot be excluded. Could businesses have viewed this contract as immune from the worsening economic climate, and hence a safe investment? While an individual merchant banker's judgment may be queried, it is hard to imagine the same miscalculation being made by all the other businesses negotiating and accepting government contracts around that time. Yet this was precisely what happened with Henrique Gomes da Costa.

Gomes da Costa's final contract, and arguably the highlight of his involvement with the royal apparatus, was the Angola contract. This started in May 1624, the month that the WIC seized Bahia. Of the Angola contracts negotiated during the 1600s, Gomes da Costa's 1624 contract had by far the highest value. Never before or since in that century was this fiscal monopoly contracted for as much as forty million *réis*. Previously, the contract was awarded for around twenty to twenty-five million *réis*, and it was not until the 1740s that the price set in the Gomes da Costa contract was surpassed (excluding the effects of inflation, and with new taxes collectable in Angola added to the royal farm).³³ The timing of events meant that when Gomes da Costa and the Crown formally concluded negotiations, the former was still unaware of events in Brazil, with the news not reaching Lisbon until late July, a month after the usual starting date for contractual leases.

The Angola contract revolved around the Portuguese Crown's monopolies in its outposts in West Central Africa, including the right to collect slaving duties in Luanda, the

administrative capital and seat of the colony's trading factory and fiscal agencies. It also allowed the leaseholder to operate the licensing system used to grant private enterprises access to the bartering districts on the African coast. By purchasing a permit (*avença*) from the contractor, traders could sail to and barter in areas within the contract's scope. Other than the few licences set aside by the king for individuals he wanted to grace with royal favour, the contractor enjoyed exclusive rights to sell these licences.³⁴ A combination of indirect tax-farming and the outsourcing of trading licences therefore constituted the two pillars of the Angola contract.³⁵

In exchange for the right to operate the royal monopoly on export trade, along with the farm of the trade tariffs levied on the settlement, Gomes da Costa was required to pay the Crown an annual lump sum in instalments. These payments were due both in the metropolis and in Angola, and were instrumental to the colony's administrative and economic livelihood. The wages of officials and clerics, the military apparatus, and the public infrastructure all depended on the receipts paid by the contractor to the local exchequer.

For any merchant-monopolist, the biggest catch in these public-private partnerships was the opportunity to levy duties and tolls and thus to stage manage flows of the Angolan slave trade and Portuguese trading incursions in Loango to the north and Benguela to the south. By the second decade of the seventeenth century, these regions had become the leading supplier of slaves to Brazil and Spanish America, accounting for two-thirds of all African slaves shipped across the Atlantic.³⁶ To reap these rewards, however, the leaseholder had to make sizeable investments and run operations ranging from Lisbon and other Iberian ports to coastal West Central Africa, Brazil, and the Indies of Castile. And as a vital commercial and fiscal player who was simultaneously a licence seller and duty collector, the contractor was also exposed to economic fluctuations and political turmoil on both sides of the South Atlantic, including in slaving "production" outlets (where Portugal had some influence, but certainly not control, despite its best military efforts) and in consumer markets in the New World.³⁷

In response to the mounting difficulties, the two contractors asked the royal authorities for an understanding of their situation. The contractors presented similar arguments, with both referring to the deteriorating political and economic climate in the Iberian Atlantic that had made it virtually impossible for them to fulfil their contractual obligations.

Both separately argued that they were prevented from enjoying "free use" (*uso livre*) of their government concessions. Given the Portuguese-Dutch war in the South Atlantic and the resultant commercial embargoes, the contractors claimed they stood no chance of fulfilling their obligations to the Crown, let alone generating profits. They considered that, for the sake of fairness, their contractual burden should be proportionally relieved to reflect the losses attributable to anomalous circumstances and that the exchequer was morally obliged to safeguard contractors' interests in times of unforeseen duress, even if these problems had not been directly caused by the Crown and its officials.

In support of these claims, both contractors referred to contractual clauses contemplating the possibility of renegotiating their financial obligations in the event of unforeseen turmoil.³⁸ Addressing tax-farming in mid-seventeenth-century France, Noel Johnson

claims that adjusting lease prices to changing political and climatic circumstances (such as the outbreak of war, epidemics, or bad harvests) made income inflows from revenue farms less “stable” and predictable than one might assume.³⁹ Making such an inference for the Portuguese case is problematic, as it is unclear how often periodic tranches were changed during the tenure. What can be ascertained, however, is that, by the 1630s, contractual provisions started including adjustment provisions in case war was declared, trade embargoes were imposed, or, after Pernambuco was captured by the WIC and the colony of Dutch Brazil was founded in 1630, if the Portuguese regained control of northeastern Brazil. If any of these scenarios materialized, the financial obligations would either increase or decrease at a predetermined rate.⁴⁰ However, this innovation in the terms of public concessions was not introduced until after the farms of Fernandes de Aires and Gomes da Costa failed, which explains why the value of their contracts was not automatically downgraded after the loss of Salvador da Bahia, and why they had to fiercely argue for this at the Council of the Treasury.

How then were the contractors’ pleas and justifications received by the government institutions? Before deciding whether to accept a write-down, the government first had to ascertain whether the losses were caused by events beyond the contractor’s control or by negligence and miscalculation. Not surprisingly, assessments were always subjective as no predefined criteria existed for determining where human error started and the context ended. The problems in gathering information on transaction volumes carried out by distant fiscal agencies also meant assessments were based on unreliable empirical data. Consequently, it was by no means certain that the contractor could enforce such a clause.

Triggering Rescission or Cushioning a Faltering Contract

Despite legislation stating that the royal administration had to be expedient in rescinding government contracts if their terms were breached, the government’s stance changed depending on the circumstances surrounding each contract.⁴¹ The Crown could opt to be more lenient and flexible and accept changes to contractual provisions. It could also choose to strictly enforce financial clauses, while leaving timings, locations, and amounts unchanged. When addressing Fernandes de Aires’ pleas for less stringent financial obligations, the Council of the Treasury believed a struggling contractor should continue to be liable for his commitments, but in a way palatable to both sides. While the Crown should abandon the “anticipations” it had promised on signing the contract, at least for a while, it should remain steadfast in demanding additional collateral for the accumulating liabilities.⁴²

Alternatively the Crown could opt to stick scrupulously to the public-contracting procedures and not grant any leeway. The choice between these two approaches was generally determined by the availability of contractors and the political links between the Crown and the merchant. If the Crown considered a certain public-private partnership worthwhile, despite a contractor’s current difficulties, the timing or amounts of lump sums would be renegotiated, and the merchant banker allowed to remain in business

until his full contractual dues were settled. If, however, the royal administration no longer wished to remain associated with an underperforming contractor on the verge of defaulting, it could use this opportunity to replace him with a new, financially well-endowed and well-connected partner.

The Crown often preferred to continue doing business with an otherwise reliable contractor with whom it had been in partnership for some time. This reliability often related more to the contractor's general ability to fulfil obligations without incident and the willingness to do whatever it took to remain in the king's favour and in business with the sovereign. From the Crown's perspective, it was better to favour dependable bidders than those promising financially attractive terms, but whose ability to maintain them was untested and could potentially be questioned.

These relationships should not therefore be seen along impersonal and technocratic lines, based on the narrow criterion of economic-efficiency demonstrated by the auctions. This feature of the political economy of contracting is particularly evident in the language and rhetoric used by contractors when applying for government concessions and who claimed they were bidding for the sake of the king and the well-being of the monarchy.⁴³ If contractors were granted concessions other than for financial reasons, it is hardly surprising that these other reasons also came into play when the authorities had to deal with contractors in peril and close to default.

While the logic of service-reward and personal bonds between the king, his closest entourage, and merchant bankers certainly permeated the negotiating and monitoring of contracts,⁴⁴ it would be wrong, given the numerous examples of the contrary, to claim that public tendering was not used to select contract recipients during this period, and that all legal dispositions regarding the negotiation of government concessions were a dead letter.

Neither, however, should these political calculations and contracting ideology suggest that the monarchy pulled the rug from under contractors' feet at the earliest sign of difficulty or as soon as they proved expendable. Quite the opposite. The royal administration normally disowned a disgraced financier or supplier only if someone else was ready to step into the outsourcing on terms at least as advantageous as those offered by the individual facing bankruptcy. If no obvious replacement was in sight, the decision-makers might reconsider pulling the plug on their fraught *assentistas* and *contratadores*, and grant them another chance on easier terms.⁴⁵

In some cases, however, and despite the Crown's best efforts, little could be done to salvage a contractor in dire financial or operational straits because of not complying with contractual requirements or offering a below-par service, failing to provide the quality stipulated in a provisioning arrangement, or repeatedly renegeing on instalments, while the contract continued to lose money. However stellar the leaseholder's track record may have been or however close his links with the Crown, their relationship outside the sphere of the contract was ultimately one of convenience. Regardless of past accomplishments, if a contractor proved to be a liability and a factor of uncertainty, the Crown would seize the opportunity to discard him and use the full bearing of the law to extract as much satisfaction from the inconvenience as possible.

However, the Crown's input in the fallout of a public-private partnership extended beyond monitoring concessionaires' performance and granting them more or less leeway to meet requirements. Indeed, the Crown itself could become a disruptive force and act in ways detrimental to the contractor, whether intentionally or otherwise. This is evidenced by the fact that although tax-farmers and monopoly leaseholders sometimes struggled to pay their lump sums promptly, the state, too, could find it difficult to muster the revenues needed to service its supplying and logistics-handling *assentos*. The state's incapacity to punctually honour its financial commitments to providers of services, commodities, or credit caused financial problems that not infrequently threatened the completion of contracts.

Fernandes de Aires witnessed first-hand the nefarious side effects of the state's treasury problems. These did not even relate to the tariff farm he was managing, but instead to previous contractors whose accounts had not yet been settled. In autumn 1624, when the finances of his *consulado* contract were worsening by the day, he requested payment for having supplied barrels and caskets for the India carracks a couple of years earlier.⁴⁶ For that service, he had been promised 1,151,000 *réis* payable from revenues of the Sete Casas de Lisboa fiscal agency.⁴⁷ In 1625, however, he owed the barrel-makers 500,000 *réis*, and blamed this unpaid sum on the Crown's cash-flow problems that prevented him from being paid for previous supplies. Unimpressed, the barrel-makers increased the pressure on Fernandes de Aires by taking him to court. After the latter was imprisoned in the Limoeiro penitentiary, he wrote to the Council of the Treasury requesting immediate payment of what was owed him, so that he could settle his accounts with his suppliers and be released from prison.⁴⁸

Apart from payment delays, the state could be also be detrimental to public outsourcing in other ways. In the case of revenue farms linked to maritime trade (such as the *consulado* and the Angola contract), the government also meddled by requisitioning merchant vessels in the event of military emergencies. According to Fernandes de Aires, the enlisting of merchant vessels for the relief fleets equipped for military purposes was one of the most damaging effects of the outbreak of war with the Dutch in the South Atlantic. Indeed this was a recurring complaint among contractors involved in collecting trade tariffs throughout the Union of the Crowns.⁴⁹

Henrique Gomes da Costa's case was no different as when he pleaded his case before the Crown, he, too, protested against the requisitioning of private trading ships for the Voyage of the Vassals. Contractors regarded the requisitioning of their vessels, or those of *avençadores*, as a blatant infringement of contractual stipulations, and urged the Crown to include clauses in contracts to prevent this. Unfortunately for them, one emergency situation was all it took to turn such clauses into a dead letter, and thus expose the contractors to problems that should have been prevented.⁵⁰

A third problem was the intransigence of the royal officials who monitored all commercial transactions at the ports and the taxes collected on contractors' behalf. Ever since the end of the Twelve Years' Truce, the enforcing of the embargoes decreed by the Habsburg monarchs on all ships and cargoes from the Dutch Republic had caused tensions between the local Portuguese authorities and tax inspectors appointed directly by

authorities at the Spanish court. Sceptical of the Portuguese officials' effectiveness and zeal in fighting contraband, the cabinet of the Count-Duke of Olivares, Phillip IV's *privado*, decided to place officials trusted by Madrid in Lisbon and other Lusitanian ports.⁵¹ In pursuing the goals for which they were appointed, these much vilified civil servants were bound to interfere in contractors' operations, be they imports of equipment and raw materials from the North Sea and the Baltic, or the collection of custom duties on maritime traffic. In early 1624, Fernandes de Aires complained about being harassed by Spanish embargo inspectors regarding a cargo-laden German ship prevented from docking in Lisbon after being suspected of being a Dutch vessel in disguise. Whether these officials were overzealous or simply committed to their task, their work prevented *consulado* farmers from reaping the substantial proceeds of taxing the ship's valuable cargo.⁵²

The Council of the Treasury's response to the pleas of Fernandes de Aires was largely identical to its response to Gomes da Costa. The merchants' requests for respite in the payment schedule and a partial easing of arrears were not accepted, on the grounds that the contracts had started only a few years earlier and there was still time to remedy the financial predicament before the lease expired. The Council saw no reason why losses in one year could not be offset by gains in subsequent years.

Although the Crown tried to mediate the dispute between Fernandes de Aires and his creditors and suppliers, it eventually simply shrugged its shoulders. The exchequer's priority was to ensure the financial contributions due from the contractor continued flowing into the royal coffers, and that the logistic services required of the contractor were provided. These objectives could not be achieved with the contractor imprisoned and his creditors in hot pursuit. Providing there were signs that a contractor could turn things around, the state could show a modicum of flexibility, particularly if the Crown was partially to blame for the payment arrears. It was better, in other words, to lose some money in the short term by enforcing a contract's financial clauses leniently rather than risk its premature end through being overzealous. However, money could not be conjured up from thin air and, with no revenues available, the exchequer was powerless to rescue Fernandes de Aires, however solicitous a contractor he was.

While this was not what struggling contractors wanted to hear, the Crown's verdict is hardly surprising, considering contractors went into these negotiations and stood against the exchequer alone. Although the two contractors faced largely identical problems and requested the same, there is no evidence that they presented their cases together or attempted to garner other contractors' support for the changes. Lacking strength of numbers or the coordinated power of a financiers' cartel, they had less chance of obtaining their desired outcome than if they had acted collectively.⁵³

Despite the two contractors' difficulties, the Crown did not abandon the tax-farms and the two merchant-bankers immediately. Although refusing to ease their financial obligations, the authorities did not terminate the contracts or accuse the contractors of mismanagement, but instead reiterated their confidence in a successful outcome. It is easy to understand why the two were not discharged from their contracts or relieved of their commitments. The unfavourable political and economic climate meant that replacing them

would not be easy, and even if a replacement were found, the financial returns from the subsequent farms were bound to fall short of those under the existing contracts.

However, despite the Crown's best intentions, or wishful thinking, it soon became clear that the *consulado* and Angola *contratos* could not be saved, and that the state would have to end the two contractors' operations. This marked a tactical shift in the Crown's relations with its contractors as, from then onwards, interactions centred on the collateral provided and the Crown's attempts to seize this.

Risk and Collateral

While government -outsourcing was not a risk-free affair for contractors, the state, too, had something to lose if a contract failed to produce the desired revenues. Governments were not particularly fond of the unpredictability surrounding the highly complex licensing and taxation of overseas trade, while they also found long-distance remittances of funds off-putting.⁵⁴ This volatility of receipts and the costs of collecting taxes ranked among governments' most cumbersome operational problems, and this was why contract-farming was such a palatable and frequently used option.

Having shown how contracts were no guarantee of success, I will now discuss the serious toll that defaulting on their obligations took on contractors, as well as examining how the Crown sought to insulate itself against unfavourable outcomes in public-private partnerships by holding contractors accountable for their shortcomings.

Given the sizeable sums involved and the political costs of farming contracts out (i.e., the devolving of sovereign powers and loss of authority in the eyes of subjects), the Crown needed warranties. A comprehensive set of regulations, including strict provisions on collateral,⁵⁵ was therefore devised to minimize the state's losses and to compensate the royal treasury if a contractor defaulted or grossly breached obligations.

By law, contractors had to pledge assets representing between one-tenth and one-quarter of the contract's annual worth to the treasury, although some warranties were for up to half the contract's value. Contractors were expected to pledge their own possessions and also to appoint warrantors to vouch, personally and with their own assets, for the contractor's competence and integrity. This meant that those interested in pursuing a contract needed to have not only capital of their own, quick access to credit, and sufficient personal assets to pledge, but also people willing to pledge their own assets as collateral. The assets most frequently pledged were real estate, moveable assets, and government bonds.⁵⁶

But while attempting to protect itself against defaults and ensure that only wealthier merchants became tax-farmers, the Crown sometimes ended up burdening its *contratadores* by requiring them to command more resources than they could reasonably muster. Collateral thus became a further pressurizing variable that could itself contribute to contract failure.

The challenge of assembling sufficient collateral can be seen from the assets pledged by Fernandes de Aires and Gomes da Costa and their attempts to satisfy the exchequer's requirements.⁵⁷

Gil Fernandes de Aires's *Consulado* Contract

Pledged assets	Value (<i>réis</i>)	Pledger (warrantor or contractor)
Estate (<i>Quinta da Brouca</i>)	6,000,000	Jerónimo Correia and Fernão de Aires Correia
Government bond (<i>juro</i>)	1,000,000	João Rodrigues de Olivares
Bill	2,000,000	Pedro Gomes Pais
Houses	650,000	António Peres
Subcontracting, Viana do Castelo customs branch	2,600,000	Gil Fernandes de Aires (paid only half)
Subcontracting, Paço da Madeira branch	900,000	Gil Fernandes de Aires (paid only half)
Unspecified	1,200,000	Gil Fernandes de Aires
Unspecified	2,000,000	Luís Real de Gouveia
Algarve branch	1,100,000	Gil Fernandes de Aires
Total	17,453,200	

Henrique Gomes da Costa's Angola Contract

Pledged assets	Value (<i>réis</i>)	Warrantor	Fate of assets and warrantor
Estate in Chelas (outskirts of Lisbon); two houses in Rua das Arcas (Lisbon)	1,200,000	António Travassos	Arrested for failing to present ownership certificate.
Two houses in Rua de São Boaventura and Anjos	1,197,000	Simão da Cunha	Irregularities with ownership certificates. Court dispute with Convent of São Domingos (Azeitão) about ownership of houses. Simão da Cunha was imprisoned.
Windmills on the outskirts of Serpa	1,600,000	Manuel Soares Vilasboas	Arrested for not presenting ownership certificate.
Share in above houses	258,000	Miguel de Sampaio	Assets seized and auctioned.
Estate on São Miguel (Azores), Houses near Pelourinho Velho (Lisbon)	1,800,000	Francisco Barros de Vasconcelos (<i>fidalgo</i>)	
Houses in Rua Nova de Palma (Lisbon); vineyards near Benavente	1,600,000	Pedro Pinheiro da Costa	Arrested for collateral irregularities. From jail, presented ownership certificate for Lisbon house (seized for auction in 1627).
Houses under construction and cultivated land at Desterro (Lisbon); house in Rua da Padaria	4,000,000	Pedro da Silva Cabral	Fled from Portugal after hearing of imminent arrest for asset irregularities.

(Continued)

(Continued)

Henrique Gomes da Costa's Angola Contract

Pledged assets	Value (réis)	Warrantor	Fate of assets and warrantor
(Lisbon) and four vineyards estates and enclosure in Azeitão			
Estate with vineyards, woods, and agricultural plots in Cadaval; plots on outskirts of Óbidos	2,400,000	Baltasar de Abreu (<i>alcaide</i> in Cadaval)	
Total	14,055,000		

The collateral deployed by contractors and their warrantors was often troublesome and not infrequently plagued by irregularities, as the above tables show. By law, all assets pledged had to be fully owned by those submitting them. This was so the state would not become involved in ownership disputes with third parties if it decided to seize assets. The collateral was also not permitted to be used other than for vouching for the contractor as it would otherwise be impossible for the Crown to sell the collateral to recoup losses inflicted by the contractors on the royal purse.⁵⁸

The need to pledge assets could easily create problems as even if contractors had sufficient capital to start and sufficient liquidity to sustain their contract when business was bad, they did not necessarily have assets to spare. Sometimes, therefore, even the most affluent businessmen had already mortgaged assets for other purposes, or had assets tied up in inheritance disputes with relatives or other ownership quarrels with former business partners. Delays in enlisting mortgaged estates were also fairly common as assets suitable as collateral were hard to come by at short notice, not to mention the time needed to persuade potential warrantors to back a bid.

Other times, assets were presented with a degree of wishful thinking, such as when warrantors presented an asset they did not yet own, but hoped to do so soon. In the early seventeenth century, Cristovão de Moura, three times viceroy of Portugal and Marquis of Castelo Rodrigo, warned about the common practice of bidders promising assets they did not own when the contract was being auctioned and later using the contract proceeds to purchase those very same assets.⁵⁹

Assembling assets of sufficient value and finding people willing to provide backing with their own possessions was no straightforward undertaking. Several of Fernandes de Aires' warrantors ultimately decided to withdraw the collateral they had promised to provide. Fearing this would prompt the authorities to select another bidder, Fernandes de Aires concealed these last-minute withdrawals from treasury officials and simply listed these names in his bid.⁶⁰

Gomes da Costa, in turn, illustrates the efforts that went into submitting and ultimately getting collateral approved by the authorities. After lengthy negotiations, the Crown

agreed to cap the collateral at twenty million *réis* (half the value of the annual concession). It was also agreed that arrears from a previous and unrelated public-private partnership and involving a Crown debt of 9,536,200 *réis* for provisioning the Mazagan garrison town (present day El Jadida) in North Africa⁶¹ should be converted into collateral for a new public-private partnership. Both parties welcomed the decision to include an unpaid sum from a previous contract in a new partnership. It meant that Gomes da Costa had to muster ten million *réis* less in collateralized assets (half of what would otherwise have been needed), while the exchequer was relieved from its duty to repay that amount to the merchant banker in the short term. While the state effectively turned a liability into an asset, for the contractor it meant turning what was likely to be a long wait for financial compensation into a potentially rewarding business opportunity and entering into the next chapter in a career at the king's service. With half of the estimated value covered, Gomes da Costa proceeded to provide collateral bonds worth 9,805,000 *réis*, while his warrantors were able to raise assets worth 10,463,800 *réis*.⁶²

While some of the problems in compiling collateral could be resolved, matters were no more straightforward when the Crown decided to seize pledged assets. This could easily turn into an extremely thorny and lengthy procedure, often worsened by protracted litigation, because, as these two contractors' examples show, the pledging of assets was plagued by all sorts of irregularities and swindles that often made it impossible for the Crown to achieve timely financial satisfaction.

The collateral bond irregularities that were only discovered afterwards included the case of the warrantor Pedro Pinheiro da Costa. None of the assets he pledged on behalf of Henrique Gomes da Costa proved to be in order. Neither the contractor nor the warrantor were able to provide ownership certificates for the houses in Lisbon that Pinheiro claimed to own, and it was only after being imprisoned that he was able to muster some kind of document attesting to his ownership of these houses. According to a document sent by his father-in-law to the Crown, several of the vineyards he had pledged did not actually exist. And, lastly, the houses he owed in Benavente were subject to a legal dispute with a third party who claimed to own them.⁶³

Given the intricacies of providing collateral for these partnerships, the pledged assets should perhaps be seen less as pecuniary compensation for the state, and more as a pressure mechanism for maximizing a contractor's commitment, or rather as a testament to his liquidity and his ability to command additional resources in the event of downturns. Whether extra capital was needed for managing the contract or for enduring periods of dwindling revenues, such merchants indicated they had reserves they could draw on.

As well as burdening the contractors, however, the perils of contract-leasing often spilled over to the warrantors, as the contractual ordeals in Gomes da Costa's Angola contract show. In summer 1631, for example, several years after that colonial contract ended, one of Gomes da Costa's warrantors, António Travassos, was sent to the Limoeiro (Lisbon's civil prison) and the exchequer seized all his assets because of irregularities detected. Despite fears that his collateralized bonds might be irretrievable, the Crown was able to seize two houses in the Rua das Arcas in Lisbon and place them

on the rental market.⁶⁴ Pero Pinheiro da Costa, mentioned above, who had allegedly committed assets he either did not fully own or that did not actually exist, was also sent to jail.⁶⁵

Rather than asking why warrantors resorted to such practices, it is worth considering why they were willing to risk their possessions to vouch for a contractor in the first place. My assumption is that this was primarily in exchange for a share of the returns, or the right to manage part of the public-private partnership themselves through subcontracting arrangements. Fernandes de Aires, for example, sublet the right to collect duties at specific customs houses, which he then drafted as collateral for his own concession.⁶⁶ By passing on shares in a tax-farming enterprise to others, the principal recipient was able to pool resources from a series of associates. Unfortunately, the primary evidence on the subcontracting of revenue farms is too flimsy to permit a more in-depth study of this practice, or to use as a proxy for assessing private-capital markets in Portugal during the first half of the seventeenth century.

Regrettably, our knowledge of government collateral and the appointment of warrantors is similarly patchy. Only a few inventories of pledged assets and lists of warrantors that shed light on patterns for assembling collateral during the period have surfaced (including the two examined in this article). Consequently other relevant questions, such as the types of assets most commonly used or the social profile of warrantors, cannot yet be answered conclusively.

Conclusion

As this article explains, colonial and maritime tax-farming could provide attractive returns on investment. However, they were not instantly profitable and required quite some effort and organizational skill to succeed. Meanwhile, business failures could have extremely destructive implications for contractors and warrantors. While the staple problems of exchange permeating these contracts, combined with sheer misfortune, played a significant role in leaseholders' inability to achieve the desired outcomes from their tax-farms, these were not the sole causes. The state also has to accept its share of blame as, owing to administrative and financial shortcomings, the Crown did not always keep its side of the bargain and could end up wearing down a contractor, and thus involuntarily precipitating the venture's collapse.

It would be a gross oversimplification, however, to portray contractors' relationship with the state as being characterized by powerlessness. Although some contractors could do little but wait long and hard (sometimes in vain) for payment from the Crown, other entrepreneurs demonstrated a more proactive approach. Contractors could exploit the Crown's payment arrears, for example, by turning liquidity shortages into opportunities to secure a new contract, as in the case of Henrique Gomes da Costa, who was awarded the Angola contract partially to compensate him for arrears under a previous contract for provisioning a Portuguese stronghold in Barbary. But entrepreneurs' causes were not helped by their entering into these renegotiations alone, without the support of other contractors in similarly dire straits.

Lastly it was argued that contracting as whole, and the way defaults were handled in particular, should be seen in the context of a system of exchange of political and social capital between the monarch and the merchant bankers.

Bibliography

Unpublished Primary Sources

Arquivo Histórico Ultramarino, Lisbon (AHU)

– Conselho Ultramarino (CU)

– Códices (cod.)

– 001 (Angola)

Biblioteca da Ajuda, Lisbon (BA)

Arquivos Nacionais Torre do Tombo (ANTT)

– Arquivo Distrital de Lisboa (ADL)

– Cartórios Notariais de Lisboa

Archivo General de Simancas (AGS)

– Secretarias Provinciales (SSP)

Published Primary Source

Silva, J. J. Andrade e. *Collecção Chronologica da Legislação Portuguesa*. 11 vols. Lisbon: Imprensa de F. X. de Souza (1856).

Secondary Sources

Alencastro, Luiz Felipe de. “The Economic Network of Portugal’s Atlantic World.” In *The Portuguese Oceanic Expansion, 1400–1800*, edited by Francisco Bethencourt and Diogo Ramada Curto. Cambridge: Cambridge University Press, 2007.

Alencastro, Luiz Felipe de. *O Trato dos Videntes. Formação do Brasil no Atlântico Sul. Séculos XVI e XVIII*. São Paulo: Companhia das Letras, 2002.

Almeida, A. Marques de, ed. *Dicionário Histórico dos Sefarditas Portugueses. Mercadores e gente de Trato*. Lisbon: Campo da Comunicação, 2009.

Antunes, Cátia, João Paulo Salvado, and Rob Post. “Het omzeilen van monopoliehandel: Smokkel en belastingontduiking bij de handel in brazielhout, 1500–1674.” *Tijdschrift voor Sociale en Economische Geschiedenis* 13:1 (2016): 23–52.

Bernal, Antonio Miguel. *La Financiación de la Carrera de Indias (1492–1824). Dinero y crédito en el comercio con América*. Sevilla: Fundacion El Monte, 1992.

Bethencourt, Francisco. “The Iberian Atlantic: Ties, Networks, and Boundaries.” In *Theorizing the Ibero-Atlantic*, edited by Harald E. Braun and Lisa Vollendorf, 15–36. Leiden: Brill, 2013.

Bonney, Richard. “The Failure of the French Revenue Farms, 1600–1600.” *Economic History Review* 32:1 (February 1979): 11–32.

Borucki, Alex, David Eltis, and David Wheat. “Atlantic History and the Slave Trade to Spanish America.” *American Historical Review* 120:2 (2015): 433–61.

Bowen, Hugh. “Forum. The Contractor State, c. 1650–1815.” *International Journal of Maritime History* 25:1 (June 2013): 239–74.

Boyajian, James. *Portuguese Bankers at the Court of Spain: 1626–1650*. New Brunswick, N.J.: Rutgers University Press, 1983.

—. *Portuguese Trade in Asia under the Habsburgs, 1580–1640*. Baltimore: John Hopkins University Press, 1993.

- Caldeira, Arlindo Manuel. "Angola and the Seventeenth-Century South Atlantic Slave Trade." In *Networks and Trans-Cultural Exchange: Slave Trading in the South Atlantic, 1590–1867*, edited by David Richardson and Filipa Ribeiro da Silva, 101–42. Leiden: Brill, 2015.
- Cohen, Zelinda. "Subsídios para a História Geral de Cabo Verde. Os Contratos de Arrendamento para a Cobrança das Rendas e Direitos Reais das Ilhas de Cabo Verde (1501–1560)." *Studia* 53 (1994): 317–64.
- Costa, Fernando Dores. "Capitalistas e serviços: empréstimos, contratos e mercês no final do século XVIII." *Análise Social* 27:116–7 (1992): 441–60.
- Costa, Fernando Dores, and Fernanda Olival. "Elites econômicas." *História Económica de Portugal. 1700–2000*, vol. 1, *O Século XVIII*, edited by Pedro Lains and Álvaro Ferreira da Silva, 323–43. Lisbon: Imprensa de Ciências Sociais, 2010.
- Costa, Leonor Freire. *Império e Grupos mercantis. Entre o Oriente e o Atlântico (século XVII)*. Lisbon: Livros Horizonte, 2002.
- . "Informação e incerteza: gerindo os riscos do negócio colonial." *Ler História* 44 (2003): 103–25.
- . *Naus e Galeões na Ribeira de Lisboa. A Construção Naval no século XVI para a Rota do Cabo*. Cascais: Patrimónia, 1997.
- . "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 1550*, edited by Lucia Coppolaro and Francine Mckenzie, 38–61. Basingstoke: Palgrave-Macmillan, 2013.
- Costa, Leonor Freire. "State Monopoly or Corporate Business: Warfare in Early Modern Europe." *Journal of European Economic History* 2 (2009): 219–61.
- . "Tax Farming and Uncertainty: Making Profits from War." In *Grown in the Shadow of an Empire: How Spanish Colonialism Affected Economic Development in Europe and in the World (XVIIth–XVIIIth Century)*: 43–58. Milan: Franco-Angeli, 2012.
- . *O Transporte no Atlântico e a Companhia Geral do Comércio do Brasil (1580–1663)*, vol. 1. Lisbon: Comissão Nacional para as Comemorações dos Descobrimentos Portugueses, 2002.
- Cruz, Maria Leonor Garcia da. *A Governação de D. João III. A Fazenda Real e os seus Vedores*. PhD diss., Faculdade de Letras, Universidade de Lisboa, 1998.
- Dias Farinha, António. *História de Mazagão durante o período Filipino*. Lisbon: Centro de Estudos Históricos Ultramarinos, 1970.
- Drelichman, Mauricio, and Hans-Joachim Voth. *Lending to the Borrower from Hell: Debt, Taxes and Default in the Age of Phillip II*. Princeton, N.J.: Princeton University Press, 2014.
- Eagle, Marc. "Chasing the Avença: An Investigation of Illicit Slave Trading in Santo Domingo at the End of the Portuguese Asiento Period." *Slavery & Abolition: A Journal of Slave and Post-Slave Studies* 35:1 (2014): 99–120.
- Fridenson, Patrick. "Business Failure and the Agenda of Business History." *Enterprise & Society* 5:4 (2004): 562–82.
- Fusaro, Maria. "After Braudel: A Reassessment of Mediterranean History between the Northern Invasion and the Caravanne Maritime." In *Trade and Cultural Exchange in the Early Modern Mediterranean: Braudel's Maritime Legacy*, edited by Maria Fusaro, Colin Heywood, and Mohamed-Salah Omri, 1–22. London: Tauris Academic Studies, 2010.
- Fynn-Paul, Jeff, ed. *War, Entrepreneurs and the State in Europe and the Mediterranean, 1300–1800*. Leiden: Brill, 2014.
- Godinho, Vitorino Magalhães. "Finanças públicas e estrutura do Estado." In *Ensaios*, vol. 2, 31–74. Lisbon: Sá da Costa, 1978.
- Grafe, Regina, 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*, edited by D'Maris Coffman, Adrian Leonard, and Larry Neal, 199–227. Cambridge: Cambridge University Press, 2013.

- Greif, Avner. "The Fundamental Problem of Exchange: A Research Agenda in Historical Institutional Analysis." *European Review of Economic History* 4:3 (2000): 251–84.
- Halikowski Smith, Stefan. "'Profits Sprout Like Tropical Plants': A Fresh Look at What Went Wrong with the Eurasian Spice Trade c. 1550–1800." *Journal of Global History* (2008): 389–418.
- Heintze, Beatrix. *Angola nos séculos XVI e XVII. Estudos sobre fontes, métodos e história*, Luanda: Kilombelombe, 2007.
- Heintz, Beatrix. *Fontes para a História de Angola no Séculos XVII*, 2 vols. Wiesbaden: Steiner-Verlag, 1985.
- Hespanha, António Manuel. *As Vésperas do Leviathan. Instituições e poder político. Portugal—séc. XVII*. Coimbra: Almedina, 1994.
- Heywood, Linda M., and John K. Thornton. *Central Africans, Atlantic Creoles, and the Foundation of the Americas, 1585–1660*. Cambridge: Cambridge University Press, 2007.
- Hoppit, Julian. *Risk and Failure in English Business, 1700–1800*. Cambridge: Cambridge University Press, 2002.
- Israel, Jonathan. "Spain, the Spanish Embargoes, and the Struggle for the Mastery of World Trade, 1585–1660." In *Empires and Entrepreneurs: The Dutch, the Spanish Monarchy, and the Jews, 1585–1713*, 189–212. London: Hambledon Press, 1990.
- Johnson, Noel D. "Banking on the King: The Evolution of the Royal Revenue Farms in Old Regime France." *Journal of Economic History* 66:4 (December 2006): 963–91.
- Johnson, Noel D., and Mark D. Koyama. "Tax Farming and the Origins of State Capacity in England and France." *Explorations in Economic History* 51 (2014): 1–20.
- Kellenbenz, Herman. "Autour de 1600: le commerce du poivre des Fugger et le marché internationale du poivre." *Annales E.S.C.* 9:1 (January–March 1956): 1–28.
- Kiser, André. "Markets and Hierarchies in Early Modern Tax Systems: A Principal-Agent Analysis." *Politics and Society* 22:3 (September 1994): 284–315.
- Knight, Roger, and Martin Wilcox. *Sustaining the Fleet, 1793–1815: War, the British Navy and the Contractor State*. Woodbridge: Boydell Press, 2010.
- Lobato Franco, "El negocio de Indias y la quiebra mercantil en el siglo XVII. La quiebra de Juan Ochoa de Iurretauria, comprador de oro y plata." In *El Sistema Atlántico Español (siglos XVII-XIX)*, edited by Carlos Martínez Shaw and José María Oliva Melgar, 203–22. Madrid: Marcial Pons, 2005.
- Machado, Margarida Vaz do Rego. "Contratos e Contratadores Régios: Açores. Segunda metade do século XVIII." *Arquipélago-História*, 2ª série, 8 (2004): 37–46.
- Mauro, Frédéric. *Portugal, o Brasil e o Atlântico. 1570–1670*. 2 vols. Lisbon: Editorial Estampa, 1997.
- Mendes, António de Almeida. "The Foundations of the System: A Reassessment of the Slave Trade to the Spanish Americas in the Sixteenth and Seventeenth Centuries." In *Extending the Frontiers: Essays on the New Transatlantic Slave Trade Database*, edited by David Eltis and David Richardson, 63–94. New Haven, Conn.: Yale University Press, 2008.
- Miller, Joseph C. *The Way of Death: Merchant Capitalism and the Angolan Slave Trade, 1730–1830*. Madison: University of Wisconsin Press, 1988.
- Moreira, Maria Cristina, 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: 1659–1815*, edited by Richard Harding and Sergio Solbes Ferri. Las Palmas: Ministerio de Ciencia e Innovación-ULPGC, 2012.
- Moreira, Maria Cristina, Margarida Vaz do Rego Machado, and José Manuel Lopes Cordeiro. "The Portuguese Empire (1760–1815): The Contractor State in Peace and Wartime." In "Forum: The Contractor State, c. 1650–1815," *International Journal of Maritime History* 25 (2013): 265–70.
- Olival, Fernanda. *As Ordens Militares e o Estado Moderno. Honra, Mercê e Venalidade em Portugal (1641–1789)*. Lisbon: Estar, 2001.

- Parrott, David. *The Business of War: Military Enterprise and Military Revolution in Early Modern Europe*. Cambridge: Cambridge University Press, 2012.
- Pedreira, Jorge. "Custos e Tendências Financeiras do Império Português, 1415–1822." In *A Expansão marítima Portuguesa, 1400–1800*, edited by Francisco Bethencourt and Diogo Ramada Curto, 53–91. Lisbon: Edições 70, 2010.
- Pedreira, Jorge. *Os Homens de Negócio da Praça de Lisboa de Pombal ao Vintismo (1755–1822). Diferenciação, Reprodução e Identificação de um Grupo Social*. PhD diss., Lisbon, Faculdade de Ciências Sociais e Humanas, Universidade Nova de Lisboa, 1995.
- . "Mercadores e formas de mercantilização." In *O Tempo de Vasco da Gama*, edited by Diogo Ramada Curto, 157–78. Lisbon: Comissão para as Comemorações dos Descobrimentos Portugueses, 1998.
- Pedreira, Jorge. "Tratos e contratos: actividades, interesses e orientações dos investimentos dos negociantes da praça de Lisboa (1755–1822)." *Análise Social* 31:136–7 (1996): 355–79.
- Phillips, Carla Rahn. *Six Galleons for the King of Spain: Imperial Defense in the Early Seventeenth Century*. Baltimore: John Hopkins University Press, 1986.
- Rodney, Walter. "Portuguese Attempts at Monopoly on the Upper Guinea Coast, 1580–1650." *Journal of African History* 6:3 (November 1965): 307–22.
- Safley, T. M. "Business Failure and Civil Scandal in Early Modern Europe." *Business History Review* 83 (2009): 35–60.
- Salvado, João Paulo. "O Estanco do tabaco em Portugal: Contrato-Geral e consórcios mercantis (1702–1755)." In *Política y Hacienda del Tabaco en los Imperios Ibéricos (siglos XVII–XIX)*, edited by Santiago de Luxán, 133–53. Madrid: Centro de Estudios Políticos y Constitucionales, 2014.
- Salvador, José Gonçalves. *Os Magnatas do Tráfico Negreiro*. São Paulo: Editora Pioneira, 1981.
- Schaub, Jean-Frédéric. *Le Portugal au Temps du Comte-Duc d'Olivares (1621–1640). Le Conflit de Jurisdiction comme Exercice de la Politique*. Madrid: Casa de Velázquez, 2001.
- Schaub, Jean-Frédéric. "A Falência de Henrique Sinel. Insucesso comercial ou desafio político?" *Penélope. Fazer e Desfazer a História* 9/10 (1993): 151–62.
- Schwartz, Stuart. "The Voyage of the Vassals: Royal Power, Noble Obligations and Merchant Capital before the Portuguese Restoration of Independence, 1624–1640." *American Historical Review* 96: 735–62.
- Silva, Álvaro Ferreira da. "Finanças Públicas." In *História Económica de Portugal, 1700–2000*, vol. 1, *O século XVIII*, edited by Pedro Lains and Álvaro Ferreira da Silva, 235–61. Lisbon: Imprensa de Ciências Sociais, 2010.
- Silva, Filipa Ribeiro da. *Dutch and Portuguese in Western Africa: Empires, Merchants and the Atlantic System, 1580–1674*. Leiden: Brill, 2011.
- Smith, David Grant. *The Portuguese Mercantile Class of Portugal and Brazil in the Seventeenth Century: A Socio-Economic Study of the Merchants of Lisbon and Bahia, 1620–1690*. PhD diss., University of Texas at Austin, 1975.
- Subtil, José. "Governo e administração." In *O Antigo Regime (1620–1807)*, coord. António Manuel Hespanha, 141–73. Vol. 6, *História de Portugal*, dir. José Mattoso. Lisbon: Editorial Estampa, 1993.
- Thompson, I. A. A. *War and Government in Habsburg Spain, 1560–1620*. London: Athlone Press, 1976.
- Torrão, Maria Manuel Ferraz. "Rotas Comerciais, Agentes Económicos, Meios de Pagamento." In *História Geral de Cabo Verde*, edited by Maria Emília Madeira Santos, vol. 2, 17–124. Lisbon: Instituto de Investigação Científica Tropical and Instituto Nacional de Cultura de Cabo Verde, 1995.
- Torres-Sánchez, Rafael, et al. "Business of War," *Business History*, special issue, vol. 60, issue 1 (2018).

- Torres Sánchez, Rafael. *Military Entrepreneurs and the Spanish Contractor State in the Eighteenth Century*. Oxford: Oxford University Press, 2016.
- Vila Vilar, Enriqueta. *Hispanoamerica y el Comercio de Esclavos*. Seville: Escuela de Estudios Hispano-Americanos de Sevilla, 1977.
- Wirta, Kaarle. "Rediscovering Agency in the Atlantic: A Biographical Approach Linking Entrepreneurial Spirit and Overseas Company." In *The Biographical Turn: Lives in History*, edited by Hans Renders, Binne de Haan, and Jonne Harmsma, 118–28. New York: Routledge, 2016.

Notes

- * Edgar Pereira is a PhD candidate at Leiden University, the Netherlands. His master's dissertation, "Pombalismo, Jesuítas e a Terra nas Velhas Conquistas: Confisco e Redistribuição da Propriedade Fundiária na Goa Setecentista)," was awarded the Marc Bloch Prize for best master's thesis in Early Modern and Modern European History 2015 by the European University Institute. Pereira is currently finishing his doctoral dissertation on seventeenth-century Portugal as a contractor state. In his dissertation Pereira highlights the pivotal role of revenue farms, monopolistic concessions, and supply contracts made with private entrepreneurs in the administrative and financial governance of the country's overseas empire.
- 1 This article is part of the ERC-funded project "FIGHT- Fighting Monopolies, Defying Empires 1500–1750: A Comparative Overview of Free Agents and Informal Empires in Western Europe and the Ottoman Empire," ERC-2012-StG-312657-FIGHT.
 - 2 Greif. "The Fundamental Problem of Exchange."
 - 3 In a state-of-the-art overview on business failure, Patrick Fridenson found a lacuna, asking "What happens in the bankruptcy process itself and becomes afterwards of the people, the capital and the institutions?" Fridenson, "Business Failure," 565.
 - 4 For conceptualization of the niche carved out by the Portuguese in the early modern Atlantic world, see Bethencourt, "The Iberian Atlantic," and Alencastro, "The Economic Network" and *O Trato dos Videntes*.
 - 5 Schwartz, "The Voyage of the Vassals."
 - 6 AHU, CU, cod. 39, fl. 164, "*Consulta sobre Gil Fernandes Aires pede seja solto da prisão em que está por ordem do desembargador António de Abreu Coelho pela ordinária que deve ao hospital de Santo António dos Portugueses*"; *ibid.*, Bahia (Inventário Luísa da Fonseca), cx. 5, doc. 581, "*Requerimento de Isabel e Violante Correia, filhas do contratador do Consulado, Gil Fernandes Aires ao rei [D. Filipe III], sobre a execução que se lhes fez por dividas.*"
 - 7 Hoppit, *Risk and Failure*; Bernal, *La Financiación de la Carrera*.
 - 8 Wirta, "Rediscovering Agency in the Atlantic"; Fusaro, "After Braudel," 8–10.
 - 9 Safley, "Business Failure."
 - 10 My perusal of the notarial archives in Lisbon (Arquivos Nacionais Torre do Tombo, hereafter ANTT), Antwerp (Felix Archief) and Amsterdam (SAA) found numerous instances of business deals involving Portuguese government contracts, but as yet no specific references to Henrique Gomes da Costa or Gil Fernandes de Aires. For examples of scholarly works using these primary sources to examine Portuguese colonial contracts for the relevant period, see Antunes et al., "Het omzeilen van monopoliehandel"; Torrão, "Rotas Comerciais, Agentes Económicos."
 - 11 Schaub, *Portugal au temps du Comte d'Olivares*, 15–25; Subtil, "Governo e administração."
 - 12 According to Grafe and Irigoien, "The Stuarts employed high levels of coercion not just in the form of tax farmers but more importantly through force 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 Irigoien, "Bounded Leviathan," 203.
- 13 Recent contributions can be found in the special issue Torres-Sánchez et al. "Business of War," *Business History*, special issue, vol. 60, issue 1; Bowen, "Forum. The Contractor State"; Torres Sanchez, *Military Entrepreneurs*; Fynn-Paul, *War, Entrepreneurs and the State*; Wilcox and Knight, *Sustaining the Fleet*; Parrott, *The Business of War*.
 - 14 Moreira et al., "The Portuguese Empire"; Moreira and Eloranta, "Contracts and the Role of the State."
 - 15 For sectorial contributions on specific colonial contracts, see Salvado, "O Estanco do tabaco em Portugal"; Machado, "Contratos e Contratadores Régios." Among the seventeenth-century government concessions, the West African contracts, especially the Cape Verde/Upper Guinea Coast slaving farm, have received most coverage; see Cohen, "Subsídios para a História," Torrão, "Rotas Comerciais, Agentes Económicos"; Rodney, "Portuguese Attempts at Monopoly," Salvador, *Os Magnatas do Tráfico*. For public-private partnerships involving naval logistics, see Costa, *Naus e Galiões* and "Portuguese Resilience in Global War." For royal contracts involving Portugal's trade with Asia and particularly the state's monopoly on pepper imports and marketing, see Halikowski Smith, "Profits Sprout Like Tropical Plants," 392–6; Boyajian, *Portuguese Trade in Asia*; Godinho, *Os Descobrimentos*, vol. 3; Kellenbenz, "Autour de 1600." Freire Costa has provided some aggregated insights into Portuguese government contracts; see Costa, "State Monopoly or Corporate Business" and "Tax Farming and Uncertainty." For an Atlantic leaning perspective, see Mauro, *Portugal, o Brasil e o Atlântico*, vol. 1. In their prosopographical overview on the Luso-Braslian mercantile class, Smith and Boyajian address public-private enterprises. Smith, *The Portuguese Mercantile Class*, chap. 4; Boyajian, *Portuguese Trade and Portuguese Bankers*. The eighteenth century has received a more comprehensive overview; see Costa, "Capitalistas e serviços"; Pedreira, "Tratos e contratos."
 - 16 Bonney, "The Failure of the French Revenue Farms," 24.
 - 17 Johnson and Koyama, "Tax Farming" 10, 17, 18; Kiser, "Markets and Hierarchies."
 - 18 Smith, *The Portuguese Mercantile Class*; Freire Costa, *Império e Grupos mercantis*; Pedreira, "Mercadores e formas de mercantilização." Invaluable insights are available from the literature on the upper echelons of late-eighteenth-century businesses; Costa and Olival, "Elites económicas"; Pedreira, *Os Homens de Negócio*.
 - 19 The earliest references to Gil Fernandes de Aires show him in Seville in the late 1500s, where he served as factor of the contractor for the provisioning of Spanish America with African slaves, Pedro Gomes Reinel. Maria Manuel Torrão shows how, in 1601, he marketed 150 import licences for slaves bartered in the Upper Guinea Coast as part of Reinel's contract. Vila Vilar. *Hispanoamerica*, 69, 99; Torrão, "Rotas Comerciais," 81.
 - 20 For biographical information on Henrique Gomes da Costa, see Almeida, *Dicionário Histórico*, 202. His brother Manuel had a fairly lengthy career as a public contractor in both Portugal and Castile and made a name as a naval contractor for the Spanish monarchy, provisioning the armada del Mar Oceano, the Strait of Gibraltar fleet, and the royal galleys in the 1590s and 1620s. He also farmed the Lisbon customs and the *consulado* duty in the early 1600s. See Phillips, *Six Galleons for the King*, 94–5; Thompson, *War and Government*, 227–32; AGS, SSP, libro 1472, fl. 52, 52v.
 - 21 These tables seek to illustrate these men's contracting versatility, a feature

- consequential with their profile as merchant-bankers, along the lines of Mauro's and Smith's typologies, rather than providing an exhaustive list of all their contracts.
- 22 AHU, CU, cod. 35 A, fl. 146v, 147, "*Sobre o pagam[ento] dos 575 496 r[eis] que pede M[anuel] Moreno de Chaves, q se lhe esta devendo do cobre q deu p[era] artelharía da Armada.*"
 - 23 AHU, CU, cod. 35 A, fl. 142, "*sobre Gil Fernandes Ayres, que pede a conservação de seu crédito.*"
 - 24 *Ibid.*, cod. 35, fl. 102–7, "*Sobre os lanços que Gil Fnz Ayres e Chr(istovão) Mendes de Sousa fizerao na fabrica das naus*"; *ibid.*, cod. 35, fl. 110, "*Sobre as consignações q sua magestade tem applicadas a fabrica das naus novas*"; *ibid.*, cod. 35 A, fl. 95v, "*Sobre o estado em que estão as fianças que dá Gil Fernandes Ayres ao contrato do consulado que tomou.*"
 - 25 Boyajian, *Portuguese Trade*, 187.
 - 26 AHU, CU, 001 (Angola), cx. 2, document 153; AGS, SPP, libro 1516, fl. 90, 90v.
 - 27 Hespanha, *As Vésperas do Leviathan*, 120.
 - 28 Ferreira da Silva, "As finanças públicas," 245, 247; Godinho, "Finanças públicas."
 - 29 I was unable to find a copy of Fernandes de Aires' contract. For an example of a concession for the same duty, see the 1639 concession "*Contrato do Consulado do Reyno de Portugal, & Algarve, que se fez na Corte de Madrid com Iorge Fernandes de Olyveira, em seu nome, & de Francisco Botelho Chacô, Duarte Sylua, & Alvaro da Sylueira seus cõpanheiros: por tempo de tres annos, que hão de começar do primeiro de Janeiro que vem do Anno de mil & seiscentos & quarenta, & hao de acabar por fim de Dezembro, do anno de mil & seiscentos & quarenta & dous,*" Biblioteca da Ajuda, Lisbon (henceforth BA), 44-XIII-42, no. 43, fl. 356–65, published in Silva, *Collecção Chronologica*, 5: 204–11.
 - 30 The following private entrepreneurs bid for the *consulado*: André Lopes Pinto, Cosme Dias, Pedro Fernandes de Melo, Henrique Gomes da Costa and Fernão Lopes (who won the bid, undertaking to pay the Crown around sixty-two million réis a year). All five had a proven track record as state contractors. This auction was fairly competitive, as shown by the number of participants and also the higher lump sum. Starting at around fifty million réis, it was awarded for just over sixty-two million réis annually. AHU, CU, cod. 31, fl. 24v–25v, "*Consulta sobre o contrato do consulado*"; *ibid.*, fl. 37–38v, "*sobre o contrato do consulado.*"
 - 31 Costa. *O Transporte no Atlântico*, 61–2.
 - 32 The next contract for which information was available was awarded approximately ten years later in return for annual payments of under fifty million réis.
 - 33 On the value of the Angola contracts in the seventeenth century, see Salvador, *Os Magnatas do tráfico*; for the eighteenth century, Miller, *The Way of Death*, Table 15.1, "Summary of Slave Duty Contracts, 1674–1769," 555–6.
 - 34 Eagle, "Chasing the Avença," 102–3; Mauro, *Portugal, o Brasil e o Atlantico*, 1:220–1. For the *avenças* issued by the slaving duties contractor of Cape Verde, see Torrão, "Rotas comerciais," 78–9. For the key features of the contract, where the issuing of the *avença* took pride of place, see Silva, *Dutch and Portuguese in Western Africa*, 89–92; Miller, *The Way of Death*, devotes chapter 15 to the Angola slave duty contracts, but does not refer to the *avença*.
 - 35 For an example of an Angola contract that can serve as a proxy, see that of Gomes da Costa's predecessor, Duarte Dias Henriques: AGS, SSP libro 1473, fl. 184–90.
 - 36 Caldeira, "Angola"; Borucki et al., "Atlantic History and the Slave Trade," 446; Mendes, "Foundations of the System," 66–7.
 - 37 Heintze. *Angola*; *ibid.*, *Fontes para a história de Angola*, vol. 1. For another political and economic overview on the Portuguese engagement in the region during the period, see Heywood and Thornton, *Central Africans, Atlantic Creoles*, chap. 3, particularly 123–45.

- 38 AHU, CU, cod. 36, “*Sobre Gil Frez Ayres contract[ador] do Consulado que pede nao seja executado plo excesso da perda dos cinco contos de r[eis] q ouve em seu contrato e do mais em q foy alcançado,*” fl. 46v-47v; AHU, CU, cod. 36, “*Sobre Anrique Gomez da Costa contrat[ador] de Angola, que pede provisao p[era] citado o Procurador da faz[enda] poder liquidar as perdas e dannos e interesses e descontos que por causa da tomada da Bahia, e outros resp[eitos] teve neste prim[eiro] anno de seu contracto,*” fl. 143; Salvador. *Os Magnatas do Tráfico*, 42–3.
- 39 Johnson and Koyama, “Tax Farming,” 4; Johnson, “Banking on the King,” 964–5.
- 40 Costa. “State Monopoly,” 235.
- 41 “*Alvará—mada executar e remover os Contratadores, Rendeiros e assentistas, que não fizerem pagamentos nos tempos devidos, ou os provimentos para as fronteiras,*” December 1605, in Silva, *Collecção Cronológica*, 1:147
- 42 In some cases, colonial contractors also promised advances (“anticipations”) to the treasury, which were detailed in the contract. In some cases, the Crown formally requested these advances, while in others candidates suggested down-payments framed as donations to the Crown (which, rhetorically, strengthened their case for receiving royal grants). The way such advances were serviced varied. Sometimes principal was repaid without accrued interest, whereas on other occasions repayment was by means of government bonds, thereby consolidating the debt. In other cases, down-payments were in anticipation of tranches due at a later stage. Johnson and Koyama, “Tax Farming,” 4.
- 43 Costa, “Capitalistas e serviços.”
- 44 For these fringe benefits of contracts and their generalized use throughout Western and Central Europe, see Parrott, *Business of War*, 249–59. For the Portuguese case, see Boyajian. *Portuguese Bankers*, chap. 5; Olival, *As Ordens Militares*, 283–345.
- 45 One case involved Fernão Lopes Lopes, the Brazil wood monopoly contractor (1627–1632) and predecessor of Gil Fernandes de Aires for the *consulado* farm. Upon hearing of the difficulties, the king wrote from Madrid to the governor in Brazil that the ongoing concession should be extended to ensure the contract could reach its due conclusion. Mauro, *Portugal, o Brasil*, 1:180.
- 46 On the logistics of shipping connections between Lisbon and the Portuguese off-shoots around the Indian Ocean rim, see Costa, “Portuguese Resilience in Global War” and *Naus e Galeões*.
- 47 The fiscal agency in charge of collecting excise duties in Lisbon was subdivided into seven branches (*casas*), each responsible for taxing a specific product or commodity. Ferreira da Silva, “Finanças Públicas,” 243; Hespanha, *As Vésperas do Leviathan*, 119.
- 48 AHU, CU, cod. 36, fl. 120, “*Sobre se sobestar na execução que se faz em Gil Frz Ayres Contrat[ador] do Consulado plo que deve aos Tanoeiros desta cidade.*”
- 49 There are obvious parallels between these cases and that of Henrique Sinel, the monopolist supplying salt to Galicia and Asturias in the 1630s. Being contractually obliged to ship Portuguese salt to those northern Spanish regions, Sinel blamed his default on the military requisitioning of the vessels he freighted to ship the commodity. The enlisting of these ships made it much harder and more costly to meet the provisioning quotas of his *asiento*. Schaub, “A Falência de Henrique Sinel,” 155.
- 50 AHU, CU, cod. 36, fl. 143.
- 51 The Castilian officials’ appointment was commonly seen as a violation of the political status quo of Portugal within the Spanish monarchy. According to its critics, in a polycentric-composite polity such as the Hispanic monarchy, officials from fellow kingdoms were not eligible to hold office outside their own realms, and only nationals of the Kingdom of Portugal could hold these administrative posts.

- Schaub, *Portugal au temps du Comte-Duc*, 285–327.
- 52 AHU, CU, cod. 35 A, fl. 16, *sobre o protesto que fez Gil Fernandes Aires contratador do Consulado acerca do embargo que se faz nas naus estrangeiras pela Coroa de Castela*.
- 53 Johnson and Koyama, “Tax Farming,” 6–7; Drelichman and Voth, *Lending to the Borrower from Hell*.
- 54 Costa, “Tax Farming and Uncertainty.” Noel Johnson questions this old Weberian assumption that governments turned to tax-farming for risk-aversion reasons; see Johnson, “Banking on the King.”
- 55 The public tenders preceding the adjudication were not designed only to increase the value of the revenue farms (and decrease the provisioning concession rates), but also to assess candidates’ soundness and reliability and to separate more speculative tenders from those more likely to meet the commitments to the Crown in the long run. In that sense they also served to contain risk. The issue was how such assessments were conducted.
- 56 Costa and Olival, “Elites Económicas,” 332–3.
- 57 AHU, CU, cod. 35A, fl. 95v- “*sobre o estado em que estão as fianças que dá Gil Fernandes Ayres ao contrato do Consulado que tomou*.”; *ibid.*, “*Sobre as fianças q tem dado Anrique Gomes da Costa, e alvara de correr q pede no contracto de Angola, Congo, e Loango*.” F1.143v-145.
- 58 Cruz, *A Governação de D. João III*, 130–2; Silva, *Dutch and Portuguese in Western Africa*, 90, 91; Cohen, “Subsídios para a História,” 332–4.
- 59 Torrão, “Rotas Comerciais,” 45.
- 60 AHU, CU, cod. 35 A, fl. 95v.
- 61 Dias Farinha. *História de Mazagão*.
- 62 AHU, CU, cod. 35A. fl. 144, “*Sobre as fianças q tem dado Anrique Gomes da Costa, e Alvará de Correr q pede no contracto de Angola, Congo, e Loango*.”
- 63 AHU, CU, cod. 37, fl. 45v-50v, “*sobre se por em segurança o que Henrique Gomes da Costa, contratador de Angola, deve a Faz[enda] de S[ua] M[agestade] daquele contrato*”; AHU, CU, cod. 38, fl. 145v, “*sobre Pero Pinheiro da Costa, pede seja solto da prisão em que está pela fiança que deu por Henrique Gomes da Costa, por ter satisfeito as dívidas que se lhe poem*.”
- 64 AHU, CU, cod. 39, fl. 89v, “*sobre a lembrança que fez o procurador da fazenda de S. M. Sobre os alugueres das Casas que se tomaram a António Travassos que ficou por fiador de Henrique Gomes da Costa que foi contratador de Angola cujos alugadores estão penhorados a instância do dito António Travassos*.”
- 65 AHU, CU, cod. 38, fl. 145v.
- 66 See clauses IV and XXIX of the 1640–1643 *consulado* contract. For a subcontracting arrangement brought before a public notary, see ANTT, ADL, Cartórios Notariais de Lisboa n° 3 (antigo 11), caixa 60, livro no. 214, fl. 45, 45v.