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Risk and Failure in Tax Farming: De Bruijn & Cloots of Lisbon and the Portuguese Tobacco Monopoly, 1722–1727

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By examining how a Dutch firm in Lisbon operated two Portuguese tobacco tax farms from 1722 to 1727 and failed subsequently, this article brings together, on the one hand, research on the relationship between state and business groups through a monopolistic rent provided by the empire and, on the other hand, a growing literature discussing institutional and economic variables, as well as human agency, in business failure in early modern Europe. The article aims to achieve two goals. The first is to shed light on the perspective of the Dutch tax farmers, highlighting why they chose to incur the risks of managing a nationwide sales monopoly and the business model they implemented to maximize profits and mitigate risks, while the second is to examine the general and specific reasons behind their ultimate downfall. It concludes that, despite the organizational innovations they introduced and that led them to exploit interconnected businesses, the Dutch partners were unable to overcome the negative effects of conjunctural and contingent factors that temporarily squeezed the domestic consumption of tobacco.

Keywords: monopolistic rent, Portuguese empire, political economy, business model, organizational changes

Introduction

On 16 November 1721, King John V farmed out the Portuguese tobacco monopoly to De Bruijn & Cloots, a Dutch trading house established in Lisbon, after a competitive auction at the royal palace sometime in October. Under the agreement, De Bruijn and Cloots and their partner Arnaldo van Zeller, a merchant of Dutch origin, were assigned the exclusive right to sell Brazilian tobacco in the domestic market for a period of three years (1722–1724) in exchange for paying the royal treasury an annual fee of 720 million *réis*.[1] In fiscal terms, this sum made the tobacco monopoly the single most valuable source of income for the Portuguese state, accounting for almost one-fifth of its total revenue.[2]

Originally from Amsterdam, Willem de Bruijn and Paulo Cloots emerged on the Lisbon business scene in 1713, and their decision to farm the tobacco monopoly marked the beginning of their interaction with the Portuguese Crown. As stated in a letter to the merchant banking firm Jean-Baptiste & Egidio Cloots of Amsterdam, this decision was taken after careful consideration and under the assumption that the tobacco business would yield one billion *réis* annually. The prospect of amassing a significant fortune and of forging close bonds with the royal court, thus creating an opportunity to consolidate the firm's business in Lisbon, were incentives that De Bruijn & Cloots could not forego. They hoped in this way to be able to "repatriate blessed" within a few years.[3] The tobacco monopoly proved, however, to be a high-risk business and ultimately caused the collapse of the firm as, upon completion of a second contract (1725–1727), the Dutch partners faced insolvency. Despite efforts to repay the outstanding debts to the state treasury and to fellow merchants, Willem de Bruijn and Paulo Cloots decided subsequently to flee the country in 1741. As a result, their business archive was confiscated, while Arnaldo van Zeller, who chose not to leave the country, was thrown into jail.

De Bruijn, Cloots, and Van Zeller's assumption that a fortune could be amassed through tax farming was not unreasonable. Being assigned the right to collect royal revenues could be a lucrative business and a significant source of private wealth, provided that the total revenue outweighed the combined total of the annual fee payable to the treasury and the collection costs. Although the rates of profit-taking varied significantly and depended on a number of variables, not least on favourable economic circumstances, micro-level analyses suggest that fiscal intermediation tended to yield higher investment returns than trading activities.[4] These assertions have been highlighted for most early modern monarchies, where tax farming was widely used to collect revenue.[5] In the case of Portugal, opportunities to farm taxes expanded as a result of the Brazilian gold mining cycle (1695–1780), which inflated fiscal revenues both in the metropole and the empire, thus expanding the conditions under which the monarchy and businessmen could share fiscal income. Within the framework of a colonial monopoly, tax farming in the colonial offshoots was reserved for Portuguese vassals, whereas no such barrier existed in mainland Portugal. An in-depth study for the late eighteenth century showed that foreign merchants were not excluded from this activity in Portugal and that the domestic tobacco monopoly, where income was routinely raised through tax farmers from 1702 onwards, was also available to foreign businessmen.[6] Of the twenty general tobacco tax farms leased between 1702 and 1755, nine were awarded to business consortia headed by foreign merchants.[7] King John V's decision to transfer the right to collect the tobacco excises to a Dutch partnership in 1722 was not, therefore, unparalleled.

While the tobacco monopoly may have been open to foreigners because it applied exclusively to domestic consumption, it equally well encapsulated the political economy of the Portuguese empire, which sought to reconcile colonial and metropolitan interests and, as such, to strike a balance between colonial and fiscal objectives.[8] On the one hand, and in an effort to reinforce economic integration between the colony and the mother country, interests of colonial planters and overseas traders came together in 1649, when Brazilian tobacco became the exclusive source of supply to the monopoly. By then, domestic cultivation in Portugal was prohibited, while colonial production was also encouraged by legislation that banned imports of Spanish and Virginian tobacco. As a result, the domestic tobacco tax farmers depended exclusively on the raw product cultivated in the area around Bahia (Salvador) and on their producer prices, which were persistently high until the 1730s.[9] On the other hand, given the steady flow of Brazilian tobacco that was shipped to the African coast as part of the slave trade, the government also intervened to reconcile Bahian and metropolitan interests by requiring the higher-quality tobacco to be supplied to the mother country, whereas tobacco of lesser quality was to be shipped to the African markets. A further attempt to reconcile conflicting interests of planters, overseas traders, and domestic tax farmers took the form of price controls, whereby a price ceiling was imposed on producers, albeit with limited success.[10] Portugal proved, nevertheless, to be more successful than Spain or France in developing a tobacco supply able to satisfy both the domestic and the re-export markets and to afford the state a significant source of revenue.[11] In doing so, the Portuguese state established the institutional rules within which tobacco tax farmers operated, as well as the boundaries within which net profits could be obtained: in addition to the mandatory supply of Brazilian tobacco, this was a monopoly with administered retail prices to ensure the collection of the excise tax on domestic tobacco consumption.

Despite these strict institutional rules, the tobacco monopoly is depicted in the historiography of eighteenth-century Portugal as a clear case of a monopolistic rent closely linked to the empire and which allowed a clique of tax farmers to accumulate massive wealth.[12] By the late eighteenth century, these tax farmers were able to reap high profits of around 20 percent, thus signalling their ability to exploit the opportunities offered by a state-owned monopoly.[13] However, this depiction does not tally with evidence from earlier decades, when cases of success among tobacco tax farmers alternated with those of clamorous failure, suggesting that, at that time, the state was able to internalize part of the profits accruing to the tax farmers. Not surprisingly, running the tobacco monopoly in this earlier phase was seen as a risky and demanding business, a perception that is probably best mirrored in the fact that the wealthiest Lisbon merchants did not venture into farming it until after 1765.[14] A recent study has made a significant contribution by positing that organizational changes and an increase in per capita tobacco consumption both played a key role in explaining the exorbitant profits reaped by tax farmers in the late 1700s.[15]

By examining how the two tobacco tax farms held by De Bruijn, Cloots, and Van Zeller operated from 1722 to 1727, this article brings together, on the one hand, research on the relationship between state and business groups through a monopolistic rent provided by the empire and, on the other hand, a growing literature discussing institutional and economic variables, as well as human agency, in bankruptcies in early modern Europe.[16] The article aims to achieve two goals. The first is to shed light on the perspective of the Dutch tax farmers, highlighting why they chose to incur the risks of managing a nationwide sales monopoly and the business model they implemented to maximize profits and mitigate risks, while the second is to examine the general and specific reasons behind their ultimate downfall. I argue that, despite the organizational innovations they introduced and that led them to exploit interconnected businesses, the partners were unable to overcome the negative effects of conjunctural and contingent factors that temporarily squeezed the domestic consumption of tobacco.

This inquiry into the failure of De Bruijn & Cloots makes use of the firm's business archive, which is currently held in the Portuguese National Archive of Torre do Tombo. Consisting of approximately fifty volumes, it comprises merchant account books, correspondence, and diaries covering the period from 1713 to 1741.[17] Given its size and range, it is in all likelihood the most complete and integrated surviving archive of a merchant house operating in Portugal in the first half of the eighteenth century.[18] The collection has not previously been explored by scholars, and this article is among the first efforts to reconstruct the story of this Dutch firm, its large-scale international business operations, and its dealings with the Portuguese Crown.[19] This inquiry into the firm's failure also uses quantitative data compiled by the Tobacco Board, the bureaucratic overseer of the monopoly (*Junta da Administração do Tabaco*).

The article is structured as follows. The first section highlights the role Lisbon played in European and global trade throughout the first few decades of the eighteenth century so as to understand why the Portuguese capital was an attractive place for foreign merchants to settle. The second section examines the establishment of the firm De Bruijn & Cloots in Lisbon, looking into the partners' family connections in Amsterdam and Antwerp, as well as the firm's initial years of business activity. The final section outlines the main features of the tobacco monopoly and the business model the Dutch partners designed for their two consecutive tax farms, before exploring the results they achieved and discussing the reasons for their downfall.

Portuguese Foreign and Colonial Trade in the First Half of the Eighteenth Century

Lisbon developed into a leading port city during the first five decades of the eighteenth century owing to its role as a trading centre in European and global trade. The city's increasing importance as a port was rooted in the growth of colonial trade, pushed by the discovery of Brazilian gold in the final years of the seventeenth century. This gold rush prompted unprecedented migration flows to the colony, which in turn bolstered the colonial market. In the framework of long-standing mercantilist policies, it is hardly surprising then that Brazil became Portugal's leading overseas market from the early 1700s, representing 80 to 90 percent of the homeland's colonial trade.[20] Trade surpluses with the colony translated into massive inflows of gold being unloaded in Lisbon throughout the eighteenth century, with an estimated worth of 271 billion *réis* (equivalent to around seventy-five million pounds sterling), of which an estimated 70 percent was transferred to other parts of Europe to offset the Portuguese foreign trade deficits, given that demand from the colonial market far outstripped the capacity of Portugal's domestic industries.[21]

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While Brazilian gold was a driving force, Lisbon's development as a major European port also needs to be understood within the legal framework of Portuguese colonial trade, which reserved a special role for the capital city. Since 1649, when trade flows with the three major Brazilian ports (Bahia, Pernambuco, and Rio de Janeiro) were placed under a compulsory convoy system of protection, Lisbon had been strengthening its role as a hub of colonial merchandise.[22] This feature was added to an exclusive trade system that had been in place since 1591 and that was explicitly extended to include commercial relations with Brazil in 1605.[23] While it may be true that, under the diplomatic treaties established in the context of Portugal's war with Spain (1641–1668), foreign merchants—more specifically the English—were allowed some degree of direct participation in the Brazilian trade, foreigners' access to the colonial market was gradually limited against the backdrop of the Brazilian gold cycle. However, like the Spanish trade with the Americas, the Portuguese colonial trade was porous enough to permit interloping by foreign merchants.[24] There were also other reasons Lisbon was an attractive place for settlement in the first half of the eighteenth century. Home to around 140,000 inhabitants in 1700, it was not only the largest city in Portugal, but also the wealthiest, owing to its role as the administrative capital of the kingdom and empire, as well as being the seat of the royal court. It was therefore the preferred seat of the major noble households and the place where significant shares of seigneurial revenues accrued, while also being home to the most important trading houses. Substantial revenues flowed to and were spent in the capital, which thus played a significant role in shaping the domestic market.[25]

As a result of this openness, Lisbon attracted many newcomers from other countries. Although settlement by foreigners was not a new phenomenon, historiographical insights point to an increase in the number of English, Dutch, Italians, French, and Germans residing in Lisbon at this particular juncture.[26] In 1730, the English merchant community, comprising around thirty to forty trading houses, some of which were very wealthy, was the largest both in number and trading volumes. Although less numerous than the French merchants, the Dutch probably came second to the English in terms of their involvement in Portuguese foreign and colonial trade, mainly as a result of diplomatic agreements signed in 1661 and 1669.[27] The favourable legal and political privileges accorded to the Dutch had prompted merchant communities to settle in Lisbon and Porto, while the diplomatic and commercial agreements of 1703 and 1705 during the Spanish War of Succession further expanded Dutch-Portuguese commercial relations. Indeed, the Treaty of 1705 granted the Dutch the same competitive advantages accorded to the English for imports of woollen textiles.[28] While the Dutch may not have been able to fully exploit these advantages, given that, by 1729, Britain accounted for an overwhelming share (67 percent) of Portugal's estimated trade deficit,[29] this new diplomatic and institutional framework created favourable conditions for the Dutch to conduct business activities, an assertion that is supported by the 25 percent increase in the number of ships sailing from Amsterdam and calling at Lisbon.[30]

Given that no in-depth study of this subject has yet been conducted for the first half of the eighteenth century, we lack detailed information on the size of the Dutch merchant community in Lisbon, as well as on its share in Portuguese foreign trade. The extant primary sources from before 1755 show an estimated nine to twelve Dutch trading houses to have operated concurrently, of which perhaps a handful were from well-off wholesalers, mainly engaged in mercantile intermediation between Portugal and Europe. On the eve of the arrival of De Bruijn & Cloots in Lisbon, the most prominent Dutch trading houses belonged to Jan van Zeller (1660–1734) and Anthony Cremer. The former was born in Amsterdam and established himself as a businessman in Porto in the late seventeenth century before moving to Lisbon, where he eventually became resident minister of the King of Prussia (1717–1734).[31] Born in Ootmarsum, Anthony Cremer took up residence in Lisbon during the Spanish War of Succession as commissioner of the admiralty and was most notably in charge of overseeing the logistical support provided to the Dutch and allied war fleets in the port of Lisbon.[32] The families became linked through marriage when Van Zeller's eldest daughter, Catarina Sofia, married Anthony Cremer. Upon their arrival in Lisbon towards the end of December 1712, Willem de Bruijn and Paulo Cloots were warmly welcomed by a vibrant merchant community.[33]

The Firm De Bruijn & Cloots in Lisbon

Closely connected through personal and business ties to the merchant banking firm of Jean-Baptiste and Paulo Jacomo Cloots in Amsterdam, Willem de Bruijn and Paulo Cloots set up an independent merchant house in Lisbon. Although the terms of their partnership are yet to be fully understood, their establishment in Lisbon clearly seems to have been part of a wider strategy of the Amsterdam firm to expand business operations in the Iberian Peninsula. The rise of the Cloots family dates back to Paulo Cloots (1633–1705), a Catholic burgher originally from Maastricht who married Catherina de Pret, from a well-off Antwerp family, in 1662. Among their offspring, Jean-Baptiste (1670–1747) and Paulo Jacomo (1672–1725) fared particularly well and managed to further the family's economic and social rise. The success of their firm rested in a wide and international network of business partners and agents. In the 1710s, the scale of their business connections encompassed Hamburg, London, Antwerp, Paris, Nantes, Madrid, Cadiz, Genoa, and Venice.[34] The connection to Antwerp deepened in 1717, when Paulo Jacomo settled in the city after marrying his cousin Jeanne de Pret, sister of the famous merchant banker Jacomo de Pret.[35] The latter was made a baron in 1719 in return for financial services provided to the emperor Charles VI and later became one of the first investors in the Ostend Company, founded in 1722.[36] A third brother, Egidio Cloots, took up residence in Cadiz, probably in the early 1700s, thus expanding the family's network to the Iberian Peninsula.[37]

In the case of Lisbon, the family connection was ensured by a nephew, Paulo Cloots. Born on 24 November 1690, he was taken under his uncles' wing at an early age, following the premature death of his father Thomas Cloots (1663–1699). As Paulo had not yet completed his training when he arrived in Lisbon at the age of twenty-two, Willem de Bruijn, the other partner, served as head of the Lisbon firm. Willem de Bruijn had also been born into a family of merchants in Amsterdam, probably in 1687. Before moving to Lisbon, he worked as a business clerk in Amsterdam at the *comptoir* of the Cloots in Amsterdam, where he honed his mercantile skills and developed his networks of contacts.[38]

Throughout their first years of operations in the Portuguese capital, De Bruijn and Cloots not only traded for their own account, but also served as commission agents for other foreign merchant firms, as was common practice in the eighteenth century.[39] Like most of their countrymen, they took on the traditional role of intermediaries in importing mostly Northern European goods and re-exporting Portuguese domestic and colonial goods. They handled a wide range of commodities, including wool, olive oil, sugar, tobacco, tea, naval supplies, and all sorts of fabrics. They were also involved in shipping and financial activities, thanks to their wide international network. On the eve of their involvement in the state's finances, their business connections extended to Archangel, Hamburg, London, Bristol, Amsterdam, Antwerp, Paris, Nantes, La Rochelle, Bayonne, Lyon, Bilbao, Madrid, Badajoz, Seville, Cadiz, Turin, Genoa, and Livorno, while their domestic market comprised dealings with merchants in Porto, the second largest city in Portugal, as well as in Beja, Elvas, and Estremoz (in the southern province of Alentejo). While wholesale trade may have been their main activity, De Bruijn & Cloots also developed a network of connections with Portuguese merchants in Lisbon and Brazil, through whom they could interlope in the protected colonial markets.[40]

By March 1721, the firm was firmly rooted in the Lisbon business scene and the Dutch community, as can be seen from Paulo Cloots' marriage to Maria Luísa van Zeller (1705–1777), daughter of Jan van Zeller.[41] Later that year Willem de Bruijn and Paulo Cloots entered into partnership with Arnaldo van Zeller, Paulo Cloots' brother in-law, to farm the tobacco monopoly. Even though the terms of their partnership agreement are not known, all the indications suggest that Arnaldo held only a minor share in the tobacco farm. Yet his association brought added value because of the wide-reaching family and business ties the Van Zeller family had in the city of Porto, which De Bruijn and Cloots were planning to make use of.[42] Indeed, it was common knowledge among businessmen that running a monopoly with nationwide scope demanded a well-established network in the second largest city of Portugal. Thus by teaming up with Arnaldo van Zeller, De Bruijn and Cloots followed the standard practice of previous tax farm holders by including businessmen connected to Porto.[43]

The Portuguese Tobacco Monopoly

When De Bruijn, Cloots, and Van Zeller took over the tax-farming contract, the Portuguese tobacco monopoly (*estanco do tabaco*) was governed by institutions that had been established in the 1670s, while the introduction of the *estanco* dated back to 1634.[44] Against the background of financial hardship that marked the final years of Habsburg rule in Portugal, the monopoly was designed as an exclusive right for the processing and retail sale of

Brazilian tobacco in the domestic market (including the Atlantic islands of Madeira and the Azores). Fuelled by a rampant increase in imports from the colony, tobacco sales expanded quickly over the following decades. However, their importance to the treasury did not become decisive until 1674.[45] This was when the central government, under financial pressure because of growing military and diplomatic expenditure, decided to impose an extraordinary levy of 200 million *réis* on the final consumer price of tobacco. This novelty called for institutional changes. Soon after, therefore, the Tobacco Board (*Junta da Administração do Tabaco*) was formed and entrusted with the task of organizing distribution to the wholesale and retail outlets and also overseeing the collection of the tobacco excise tax.[46] Under the jurisdiction of the *Junta*, several other institutions emerged in Lisbon, such as a separate customs house (*Alfândega do Tabaco*), a warehouse for storing tobacco rolls (*Jardim do Tabaco*) and a royal factory for processing and packing for distribution. Three decades later, four other factories in Porto, Madeira (Funchal), and the Azores (Terceira and S. Miguel) were also processing tobacco leaves into snuff.[47] To ensure the tobacco excise was collected across the domestic market, the *Junta* divided the monopoly into portions, taking the *comarcas de provedoria* as the basic territorial unit for that purpose.[48] Each of these units was then subleased to local businessmen (*comarqueiros*), who went on to sell retail licences to smaller operators (*estanqueiros*). Under the governance of the *Junta*, revenues from tobacco rose significantly from 32 million *réis* in 1674 to 290 million *réis* in 1681.

The tobacco excise tax was further increased in 1700 in order to raise money to fund defence expenditure, as the Spanish succession crisis meant the prospects of a new war in Europe loomed large. By then, King Pedro II had also decided to farm out the tobacco monopoly of mainland Portugal and the islands of Madeira and Azores to businessmen. This was done under a legal contract that was awarded by public tender and usually went to the highest bidder, provided the latter had adequate collateral to back the fixed fee. From then on, a general-farmer (*contratador-geral*) ran the monopoly. This involved managing the royal factories and overseeing the sub-farming of the *comarcas*, under the supervision of the Tobacco Board. Under this new arrangement, the value of the contract increased almost twofold between 1702 and 1721.[49] The open competition between bidders clearly benefitted the Crown and, by the latter date, the rent the contract generated accounted for nearly 20 percent of the state's total fiscal revenue.

The new institutional framework that governed the monopoly from 1674 onwards went hand in hand with a set of procedures that were already in place when De Bruijn, Cloots, and Van Zeller became general-farmers. These procedures began with the unloading of the Brazilian tobacco rolls (*rolos*), bound in leather casings, in the port of Lisbon, from where they were taken to the *Alfândega do Tabaco* for counting and registration before being stored in the royal tobacco warehouse.[50] Once there, the general-farmer selected the rolls needed to supply the domestic market. The chosen rolls were then brought back to the customs house for weighing and for assessing the intrinsic value and amount of duties to be paid, and subsequently sent to the royal factory. Most of the processing involved grinding the leaves into snuff, with only a small proportion remaining in the form of leaf. The factory also handled the distribution by

Table 1. Tobacco Prices per Pound (*réis*)

	Wholesale			Retail					
	1701–1721	After 1722		1701–1721		After 1722			
Type / Quality	Portugal	Portugal	%	Lisbon	Portugal	Lisbon	%	Portugal	%
First (*Amostra*)	2,000	2,000	-	2,560	2,560	2,560	-	2,560	-
Second (*Cidade*)	1,000	1,600	60.0	1,600	1,920	1,920	20.0	1,920	-
Third (*Simonte*)	500	1,200	140.0	1,280	1,280	1,536	20.0	1,536	20.0
Leaf	600	800	33.3	800	800	800	-	800	-

Source: ANTT, JAT, bundle 30.

dispatching snuff and dried leaves to the regional sub-farmers and the rolls to the other royal factories for processing.

To ensure the collection of the tobacco excise, and after the transformation process, prices were administered both at the wholesale (*grosso*) and retail (*miúdo*) levels, thus setting the boundaries within which the general-farmer and sub-farmers could derive their profits. Wholesale and retail prices both varied, depending on which of the four types of tobacco the products were classified as: the three quality-related grades of snuff (*amostra*, *cidade*, and *simonte*) and leaf. Prices were first regulated in 1701, and increased again when De Bruijn, Cloots, and Van Zeller undertook their first general farm. A royal decree enacted in August 1721 and that came into effect in January 1722 resulted in a rise in both wholesale and retail prices, on a varying scale. Depending on the grade quality, wholesalers were subjected to increases of between 33.3 percent and 140 percent on tobacco bought at the royal factories, and this significantly eroded their gross profit margins. In the case, for example, of the cheapest and most frequently consumed type of snuff (*simonte*), gross margins fell by approximately two-thirds despite the increase in the retail price. Consumers also faced an increase of 20 percent in the price of third-grade quality tobacco, while the decision to standardize prices across the country especially hit consumers in Lisbon, who had previously enjoyed the privilege of paying less for second-grade quality tobacco (Table 1).

Having successfully bid for the contract, Willem de Bruijn and his partners were given the exclusive right to sell tobacco in the domestic market and on the Atlantic islands of the Azores and Madeira. In exchange for this right, they had to pay an annual fee of 720 million *réis* in monthly instalments of 46 million *réis*, supplemented by quarterly instalments of 42 million *réis*. The Dutch partners also undertook to pay the operating costs, which mainly comprised the costs of purchasing the raw product and the manufacturing costs incurred by the five royal manufactures. As part of the trade-off negotiated with the Crown, the partnership also received various economic benefits, which were typically granted to the monopoly holders. These comprised firstly the exclusive right to supply the Spanish tobacco monopoly, using earnings derived from re-exporting approximately nine hundred thousand to one million pounds of tobacco annually, and secondly, and more importantly, the prerogative each year to dispatch a ship to Brazil outside the convoy system.[51] Besides bypassing the intermediation of tobacco traders, this prerogative created opportunities for better prices, owing to the lack of competition, both when selling domestic and European commodities and when buying colonial goods.[52] Furthermore, it represented an opportunity for the Dutch tobacco tax farmers to openly participate in the Portuguese colonial trade. De Bruijn & Cloots consequently expected gross revenues from the monopoly and the interconnected businesses to yield a total of one billion *réis* annually. These high expectations led them to offer an additional 120 million *réis* on top of the lease price for the previous contract (1719–1721) in an effort to outbid the competition and secure the monopoly.[53] In doing so, their decision entailed certain additional risks, given that a state monopoly with administered prices meant that successfully managing the contract depended on being able to tailor operating costs to the expected revenues or on being able to increase sales. However, it was impossible to foresee how consumers would react to the 20 percent increase in retail prices due to come into effect in January 1722.

In late 1721, the partners took various managerial decisions on operating the monopoly, based on the three business segments into which it was divided: raw material acquisition, processing, and distribution. With regard to processing the leaves into snuff, one of their first concerns was to decide on management of the royal factories in Lisbon and Porto. The Lisbon factory was of paramount importance, not only because it acted as the sole buyer of Brazilian tobacco and it was from that factory that raw materials were distributed to the other four royal factories (Porto, Madeira, Terceira, and S. Miguel), but also because it was responsible for producing the highest share of snuff distributed in the domestic market. As for the factory in Porto, its relevance derived from the role it played in processing and distributing tobacco consumed in the northern regions of the country. The partners appointed managers (*administradores*) to run day-to-day operations in both factories, while responsibility for supervision was divided among the partners. De Bruijn and Cloots took on responsibility for managing the Lisbon factory and entrusted Arnaldo van Zeller with day-to-day management of the Porto factory and the monopoly in the northern districts. Van Zeller was nevertheless regularly monitored by his partners.[54]

In the distribution segment, and following standard practices, the Dutch resorted both to subleasing and to directly exploiting the twenty-one units into which mainland Portugal was divided for the purpose of the monopoly.[55] They sub-farmed twelve units and kept the remaining nine under direct exploitation, which involved appointing *administradores* closely monitored by the partners. It is hardly surprising that Lisbon and Porto were included in this latter group as these two cities represented a major share of domestic market sales. The southern districts of Alentejo and Algarve, where De Bruijn & Cloots had already established a network of correspondents, were also managed through *administradores*. Whether subleased or directly run, the territorial units were regularly supplied with snuff or leaves dispatched by land, river, or sea. In return for these advances, sub-farmers had to make monthly payments to the Dutch contractors, as stipulated in the subleasing agreements, while the local managers channelled the net revenue from the tobacco sales. Delays in receiving these payments or, even worse, defaults by sub-farmers were undoubtedly one of the risks involved in running the monopoly.

If in both the manufacture and distribution segments the partners followed standard practices, they proved innovative in the raw material acquisition. Their innovation was to vertically integrate the supply chain, which they achieved by teaming up with a Portuguese merchant, through whom they imported large quantities of tobacco to undercut the intermediation of tobacco importers.[56] Despite this innovative business model, turnover from tobacco sales fell short of the partnership's expectations at the end of the first contract. Sales dropped across the country as consumers reacted negatively to the hike in the price of *simonte*, consumption of which accounted for approximately 74 percent of the market. Meanwhile sales in the northern districts contracted further as a result of some two hundred thousand pounds of tobacco being dumped in late 1721, a few weeks before the expected increase in retail prices.[57] Although this illegal practice had also affected farmers in the past, it attained an unusually high level in 1722, representing 23 percent of the tobacco injected annually into the domestic market from the Lisbon factory.[58] Since consumers reacted by building up stocks of the lower-priced tobacco, the Dutch clearly seem to have faced an overflowing and stagnant market from the start of their first contract.

As turnover from sales fell short of their expectations, it became even more evident that the lease price that they had offered was disproportionate and had led to serious problems. Indeed, the partners declared a huge loss of two hundred and eighty million *réis* at the end of the first contract. According to the statement of income and expenditure presented to the Tobacco Board, the monopoly yielded annual turnover of around 821 million *réis*, which was insufficient to cover the lease price and the operating expenses of around 895 million *réis* (Tables 2 and 3).

The accuracy of this financial statement still needs to be verified by cross-checking with the firm's accounts, especially because the reported revenues of the interconnected businesses (the tobacco supplied to Spain and the licenced ships to Brazil) must surely be understated. The total losses are therefore likely to have been lower than reported. Nevertheless, the partners complied with the terms of the agreement and paid the lease price in full. How the partners covered the losses has still to be investigated, but they are likely to have used a combination of earnings generated from operating the businesses connected to their tobacco monopoly, such as importing and re-exporting tobacco, and the cargoes sent to Brazil through the licensed ships on the one hand and, on the other hand, borrowings from their international network and from the local network in which they had become entwined.

Having squared the accounts relating to the first contract, De Bruijn, Cloots, and Van Zeller negotiated a second three-year contract, albeit with a reduced annual fee of 680 million *réis*.[59] By accepting a lower fee, the Crown thus acknowledged that the rise in retail prices and the dumping of stocks in late 1721 had adversely affected the Dutch partnership. As for the partners, undertaking a second farming of the tobacco monopoly

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Table 2. Gross Revenue from Tobacco Monopoly, 1722–1724 (*réis*)

		%
Azores	55,680,000	2.26
Algarve *	63,363,656	2.57
Beja and Campo de Ourique *	83,137,904	3.37
Castelo Branco and Pinhel	75,168,800	3.05
Coimbra and Esgueira	170,188,762	6.90
Elvas *	65,013,711	2.64
Estremoz *	49,688,671	2.02
Évora *	60,296,211	2.45
Guarda	52,133,200	2.11
Leiria	43,040,200	1.75
Lisbon *	683,724,915	27.74
Madeira	17,693,717	0.72
Minho	196,451,400	7.97
Portalegre *	51,850,710	2.10
Porto *	325,356,400	13.20
Santarém	58,195,200	2.36
Setúbal *	57,978,704	2.35
Tomar	62,540,206	2.54
Torres Vedras	95,765,800	3.88
Trás-os-Montes and Lamego	141,907,180	5,76
Viseu	43,252,580	1.75
Tobacco supplied to Castile	6,736,620	0.27
Ships sent to Brazil	6,000,000	0.24
Total	2,465,164,547	100.00
Annual average	821,721,516	-

Source: BNP, bk. 235, fols. 23–24v.
*Territorial units administered directly by the Dutch partners.

was regarded as a means to recoup the financial loss they had incurred under the first contract. This was because even though the costs and the risks of running the monopoly were high, it provided them with a steady stream of revenue that could be used to pay off debts and to stay in business. Moreover, as stated earlier, benefits inherent to the position of tax farmers provided added sources of profit, on which the contractors were also counting as a means to offset the losses previously incurred. However, the burden of these losses weighed on the partners and they entered the second contract in 1725 in a position of financial stress.

In the absence of a statement of income and expenditure for the second contract, the volumes of tobacco distributed by the Lisbon factory both in 1722–1724 and 1725–1727 provide insight into the comparative level of sales (Tables 4 and 5).[60]

A comparison between the first and second contracts displays a positive variation of 3.8 percent of the tobacco distributed by the Lisbon factory, with consumption in Lisbon

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Table 3. Operating Costs of Tobacco Monopoly, 1722–24 (*réis*)

Category		%
Lease price	2,160,000,000	80.42
Tobacco leaf	434,190,977	16.17
Tobacco (from the previous farmer)	8,606,948	0.32
Operating costs	68,527,072	2.55
Interests on loans	7,899,188	0.29
Administrative expenses	3,115,401	0.12
Other expenses	3,600,000	0.13
Total	2,685,939,586	100.00
Annual average	895,313,195	-

Source: BNP, bk. 235, fols. 23–24v.

and in the southern districts resuming during the second period. How this translated into revenue actually collected by the Dutch, however, is a different matter. From what can be gathered from the correspondence, remittances from the administrators in the southern districts arrived regularly, but the same cannot be said for the northern districts, where sub-farmers were chronically late in making payment or even defaulted because of having to operate under the lower profit margins resulting from the new wholesale prices in 1722 (Table 1). Adjusting to these new circumstances required either higher sales volumes or lower distribution costs, which was difficult to achieve on a regional scale without changes in how the sub-farmers organized their business. As payment problems mounted in the northern districts, tensions within the partnership increased, with De Bruijn and Cloots holding Arnaldo van Zeller responsible for not monitoring the sub-farmers effectively. Given the increasing financial constraints in the second contract, with liabilities carried over from the previous contract and with credit also becoming increasingly difficult to obtain as 1727 drew to a close, a regular inflow of revenue from the monopoly was of paramount importance.

By August of that year, the Dutch partners were struggling to meet the monthly payments to the royal treasury, and the relationship between them came to a head when Paulo Cloots moved to Porto in an effort to collect the debts from the sub-farmers.[61] The final rift between the three occurred in November 1727, when Van Zeller informed the authorities of his partners' intention to flee the country, leaving him to account for the debts owed not only to the royal treasury, but also to other businessmen in Lisbon.[62] As a result, De Bruijn, Cloots, and Van Zeller were put under house arrest, only to be released a few days later.[63] Albeit short, their imprisonment was taken as a sign of financial hardship, and their business reputation suffered accordingly.[64] As the damaging news spread quickly across the European marketplaces, their creditors demanded to be paid in full, which made it increasingly difficult for the Dutch to meet the final instalments under the monopoly contract.

Table 4. Tobacco Distributed by the Lisbon Factory, 1722–1724 (lbs)

Territorial units	*Rolls/Leaf*	*Simonte*	*Cidade*	*Amostra*	Total	%
Azores	103,748	0	0	0	103,748	3.92
Algarve*	13,616	35,583	50	0	49,249	1.86
Beja and Campo de Ourique*	7,424	56,774	100	0	64,298	2.43
Castelo Branco and Pinhel	6,912	57,385	0	0	64,297	2.43
Coimbra and Esgueira	960	4,050	150	0	5,160	0.19
Elvas*	8,800	38,850	430	0	48,080	1.82
Estremoz*	5,760	30,480	780	0	37,020	1.40
Évora*	7,040	37,560	428	0	45,028	1.70
Guarda	3,060	40,450	180	162	43,852	1.66
Leiria	1,815	34,022	473	6	36,315	1.37
Lisbon and outskirts*	90,716	305,830	119,503	6,192	522,241	19.74
Madeira	50,687	0	0	0	50,687	1.92
Minho	0	0	0	0	0	0
Portalegre*	4,320	33,300	155	0	37,775	1.43
Porto*[1]	1,190,922	146,172	140	0	1,337,234	50.53
Santarém	7,328	41,135	1,375	47	49,885	1.89
Setúbal*	30,837	27,697	2,387	0	60,921	2.30
Tomar	2,432	43,470	340	4	46,246	1.75
Torres Vedras	6,724	22,518	1,703	3	30,948	1.17
Trás-os-Montes and Lamego	160	12,035	1,052	6	13,253	0.50
Viseu	0	0	0	0	0	0.00
Total	**1,543,261**	**967,310**	**129,246**	**6,419**	**2,646,236**	**100.00**

Source: ANTT, JAT, bk. 85.
*Territorial units administered directly by the Dutch partners.
[1] Porto received the bulk of the tobacco leaf to be transformed and distributed among the northern territorial units (Minho, Trás-os-Montes, Viseu, Coimbra, and Esgueira).

Upon completion of the second tax farm, De Bruijn, Cloots, and Van Zeller were given time to settle their account with the royal treasury, as was customary, and went on to collect debts from regional sub-farmers through both judicial and extra-judicial means. By May 1730, however, they still owed 140 million *réis*. In an attempt to settle the debts, they filed a petition, requesting the Board of Tobacco to accept deductions totalling one hundred million *réis* and to discharge them from responsibility for the remainder.[65] Although this request was denied, the authorities could not confiscate the partners' assets as long as cases involving debts payable to them were still pending in the courts. Therefore, De Bruijn and Cloots were able to stay in business for the time being and later went on to reduce their outstanding debts. By 1741, however, these still amounted to eighty million *réis*, an exorbitant amount for any business. Heavily burdened by these debts, as well as by debts to other merchants, the firm's business operations in Lisbon became increasingly difficult. Moreover, the Dutch were well aware that, under the existing legal framework, any debts to the state treasury incurred by

Table 5. Tobacco Distributed by the Lisbon Factory, 1725–1727 (lbs)

Territorial units	*Rolls/Leaf*	*Simonte*	*Cidade*	*Amostra*	Total	%
Azores	100,166	0	0	0	100,166	3.64
Algarve	17,120	46,231	1,245	0	64,596	2.35
Beja and Campo de Ourique	11,000	81,600	5	0	92,605	3.37
Castelo Branco and Pinhel	6,288	53,480	12	0	59,780	2.18
Coimbra and Esgueira	286	720	16	0	1,022	0.04
Elvas	15,758	48,721	1,413	25	65,917	2.40
Estremoz	7,145	40,929	1,920	2	49,996	1.82
Évora	10,730	51,151	644	0	62,525	2.28
Guarda	3,704	40,854	36	0	44,594	1.62
Leiria	2,966	37,154	992	6	41,118	1.50
Lisbon and outskirts	104,480	345,016	105,474	5,181	560,151	20.38
Madeira	48,071	0	0	0	48,071	1.75
Minho	0	0	0	0	0	0
Portalegre	6,264	47,037	202	0	53,503	1.95
Porto	1,270,647	0	0	0	1,270,647	46.24
Santarém	9,970	46,125	1,735	441	58,271	2.12
Setúbal	32,996	36,002	2,940	0	71,938	2.62
Tomar	4,224	44,728	981	23	49,956	1.82
Torres Vedras	6,182	25,351	2,222	3	33,758	1.23
Trás-os-Montes and Lamego	160	16,903	6	0	17,069	0.62
Viseu	1,280	1,200	0	0	2,480	0.09
Total	**1,659,437**	**963,201**	**119,843**	**5,681**	**2,748,162**	**100.00**

Source: ANTT, JAT, bk. 57.

partnerships for the purpose of tax farming would continue to exist until paid in full. This meant that they would also automatically be transferred to heirs in the event of a partner's death.[66] Seeing no prospect of any improvement, Willem de Bruijn and Paulo Cloots consequently chose to flee the country. Their remaining assets, including receivables still pending in the courts, were seized shortly afterwards, and Arnaldo van Zeller, who chose not to flee, was arrested. His imprisonment lasted until 1742, when he was released on bail, following the acknowledgement that the judgements in the pending court cases would cover a substantial amount of the remaining debts.[67]

Although spectacular, the failure of the Dutch partnership was not unique. Three of the six merchant partnerships that had previously taken on the tobacco farm ended up bankrupt and, as recent scholarly work has shown, three more—including De Bruijn, Cloots, and Van Zeller—failed in the years to 1755.[68] Successfully running this state-owned monopoly, where prices were administered and fixed monthly instalments had to be paid, depended on a series of variables, including the business decisions taken by the general-farmers to organize sales on a nationwide scale and to monitor the agents (administrators and sub-farmers) in order to minimize the risks of defaulting on the monthly payments. Although an in-depth survey of the general and specific reasons that led to six of the thirteen general tobacco tax farmers failing in the first half of the eighteenth century has yet to be made, poor business decisions, mismanagement, and lack of capital seem to have been some of the common factors. These, however, do not fit the case of the Dutch partnership, as their contemporaries commonly acknowledged.[69] On the contrary, the insertion of De Bruijn and Cloots into the transnational networks and their state-of-the-art business and accounting skills would seem to have equipped them with some of the qualities needed in order to succeed. Moreover, their approach to the monopoly was innovative in that, in an effort to maximize profits, they had introduced an organizational change by vertically integrating the supply chain, while the high number of territorial units they directly exploited in the distribution segment was intended to mitigate risks derived from principal-agent problems. The reasons for their failure must consequently be sought elsewhere.

From the outset, the success of the Dutch consortium's endeavours was compromised by the excessive annual fee the partners offered to pay the royal treasury for the monopoly. Pinpointing the reasons for this miscalculation relative to the monopoly's gross yield and, as such, to the level of tobacco consumption in the Portuguese market is not an easy task, given the lack of details on the bidding process and the backstage negotiations accompanying it in late 1721. Lack of market information could be a possible explanation, were it not for the fact that, as the bureaucratic overseer of the monopoly, the Tobacco Board was kept regularly informed of the volumes of raw material supplied to the factory of Lisbon and the quantities of snuff and dried leaves distributed to the wholesale and retail outlets, as well as the value of the regional licences and sub-farms. Moreover, after almost ten years of successfully operating in Lisbon, and thanks to a network of local fellow merchants, including, by their own admission, an agent they kept at the royal court, De Bruijn and Cloots at least had access to the available market information. They were probably also acquainted with a rumour circulating among tobacco traders in the mid-1710s, according to which the tobacco tax farm had been overvalued.[70] In the competitive tender for the farm, the Dutch partners nevertheless offered to pay 20 percent on top of the previous lease price, thus signalling their intention to outbid their competitors and secure the business for themselves. Such a push needs first and foremost to be understood against the backdrop of the newly set prices that were due to be enforced from January 1722, and which certainly translated into higher bids overall. Secondly, and perhaps more importantly, the Dutch partnership, unlike previous monopoly holders and the other bidders, had an integrated view of the tobacco tax farm and aimed to fully exploit its interconnected businesses. Not only did they expect to draw profits from the annual ship they could send to Brazil and from the exclusive right to supply Brazilian tobacco to Spain, but they also aimed to use their position as tax farmers to gain advantages over competitors, both in the importing and re-exporting of tobacco, and so further boost their revenue. This integrated view led the Dutch consortium to estimate the whole range of business activities under the tobacco monopoly at one billion *réis*, an amount that they were confident would cover the lease price offered, as well as the operating costs, and still leave a surplus. This ultimately led them to outbid

Table 6. Tobacco Leaf Bought for the Lisbon Factory, 1719–1737 (lbs)

3-year periods	
1719–1721	3,602,125
1722–1724	3,527,450
1725–1727	3,555,263
1728–1730	3,743,470
1731–1733	3,552,247
1735–1737	3,244,948
Average	3,537,584

Sources: ANTT, JAT, bks. 2, 6–7, 13, 17, 20.

their direct competitors and to overlook the risks of running the monopoly against the background of an increase in retail prices.

Consumers responded to the increased prices by reducing consumption at a rate that the Dutch partners had not foreseen. In the absence of data on quantities of tobacco consumed during the previous farm, the extent to which demand contracted has to be derived from estimates of the annual per capita consumption, which show consumption falling from 0.58 pounds (1719–1721) to 0.49 pounds (1722–1724).[71] Consumption later resumed, pushed by growth in Lisbon and all the *comarcas* directly exploited by De Bruijn, Cloots, and Van Zeller. However, consumption patterns continued to remain relatively low until the 1750s, especially compared to other European countries, and this worked against any tobacco tax farmer seeking to drive up profits by increasing the level of sales.[72] The quantities of raw material supplied to the Lisbon factory between 1719 and 1737 are also indicative of a market in which consumption levels fluctuated within a narrow band (Table 6).

As the resumption of demand in 1725–1727 and the lower lease price alone were barely sufficient to make up for the losses incurred under the first contract, the question of how the partnership fared in exploiting the businesses connected to the tobacco monopoly has to be addressed if we are to gain an overall understanding of the reasons for its failure. While a comprehensive quantitative assessment is limited by the fact that some of the corresponding accounting ledgers are missing or have become damaged beyond repair, indications can nevertheless be gathered from the sources, and these point to mixed results from these interconnected businesses. The partners proved successful at interloping in the Brazilian tobacco trade, given that they were able to secure the supply of 70 percent of the raw material processed in the Lisbon factory between 1722 and 1727. Moreover, they used this dominant share in the import business and their preferential right to select tobacco rolls at the royal tobacco warehouse to become major re-exporters, with 3.1 million pounds of tobacco being re-exported to various markets, mainly to Italian port cities and to Spain, during their six years as contractors.[73] Profits derived from these activities, however, may have been squeezed by an upward trend in producer prices that lasted until the 1730s, at a time when prices were falling elsewhere in

Europe.[74] As for the annual licensed ship to Brazil, exploiting this privilege proved to be tricky. Despite the partners' efforts to obtain information about market conditions in Salvador (Bahia), where tobacco was procured, matching supply to demand was difficult and, more often than not, the market was overstocked when the ship arrived shortly after the annual fleet.[75] As a result, turnover was slow and invested capital remained tied up for years, while opportunistic behaviour from agents based in Salvador brought added risks, a common complaint among Portuguese and foreign merchants in their dealings with Brazil.[76]

Concluding Remarks

Aiming simultaneously to achieve both fiscal and colonial goals, the Portuguese tobacco monopoly imposed a number of constraints on tax farmers, thus turning management of this monopoly into a risky and demanding venture. High investments had to be made, both to cover operating costs and to fulfil the commitments to the state treasury, while a high degree of coordination and monitoring of sales was also paramount for the successful outcome of the contract. More importantly, given that retail prices were administered, the net profits accruing to tax farmers depended on their being able to adjust operating costs relative to the contract price or on being able to increase gross revenues through higher tobacco sales. In the late 1700s, both determinants worked in favour of the clique of businessmen who were able to successfully run the monopoly and extract exorbitant profits. This was not the case, however, for De Bruijn, Cloots, and Van Zeller.

The Dutch partners combined an extensive international network, from which they could draw capital, with an innovative business organization geared not only to more efficient monitoring of sales, but also to obtaining profits from interconnected businesses. Although aware that retail prices would increase, they pushed up the contract price to an economically dangerous level in an effort to outbid their competitors and secure the contract for themselves. In doing so, they clearly overlooked the risks of running the monopoly in an environment of higher retail prices, probably because the partners were confident that they could generate additional earnings from their organizational innovations and from exploiting the businesses interconnected with their tobacco activities. However, the scale of their business model demanded high levels of investment and, although this aspect still needs to be further investigated, earnings from both the Portuguese Atlantic trade and tobacco re-exports must have fallen short of the partners' expectations. After the financial losses incurred under the first contract, and despite the lower annual fee and better sales performance under the second contract, the partners faced liquidity problems and difficulties in raising short-term credit, especially as the second contract drew to a close. By examining the management and outcome of the two tobacco contracts entered into by De Bruijn, Cloots, and Van Zeller, this article has shown how, in a competitive bidding context for a monopolistic rent, miscalculation of the future revenue streams and unfavourable economic circumstances combined to result in the tax farmers' failure.

Abbreviations

ADL: Arquivo Distrital de Lisboa
ANTT: Arquivo Nacional da Torre do Tombo, Lisbon
BNP: Biblioteca Nacional de Portugal
JAT: Junta da Administração do Tabaco
RPL: Registos Paroquiais de Lisboa

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Notes

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1 The *real* (plural: *réis*) was the Portuguese monetary unit from 1437 to 1911.

2 Calculation based on a 1716 budget showing total fiscal revenues of 3,828 million *réis*. Macedo, *Problemas de História*, 209.

3 ANTT, JAT, bk. 199, fol. 93–93v, letter to Jean-Baptiste & Egidio Cloots, 18 November 1721.

4 See Ianeva, "Financing the State?," 209–24; Pamuk, "Changes in Factor Markets," 107–36.

5 There is an ample body of literature within the "new fiscal history" regarding the practice of tax farming in early modern Europe. See the collection of essays in Bonney, *Economic Systems and State Finance*; Bonney, *The Rise of the Fiscal State*. On the reasons for the widespread use of tax farming, see also White, "From Privatized to Government-Administered Tax Collection"; and Johnson and Koyama, "Tax Farming and the Origins of State Capacity."

6 Pedreira, "Tratos e contratos," 355–79.

7 Salvado, "O estanco do tabaco," 142, 153.

8 Pedreira, "To Have and to Have Not"; Costa et al., *An Economic History of Portugal*, 193–210.

9 Nardi, *O fumo brasileiro*, 112–3.

10 Schwartz, "Colonial Brazil"; Nardi, *O fumo brasileiro*, 106–7.

11 On this comparison, see Price, "Tobacco Use and Tobacco Taxation."

12 Pedreira, *Os homens de negócio*, 153–4.

13 Madureira, *Mercado e privilégios*, 102–6.

14 Salvado, "O estanco do tabaco," 145–7.

15 Costa and Salvado, "Consumo, inovação organizacional e fiscalidade."

16 On the first strand of literature, see Ekelund and Tollison, *Politicized Economies*; Gauci, *Politics of Trade*; Zahedieh, *The Capital and the Colonies*. For recent studies on early modern bankruptcies, see Safley, *The History of Bankruptcy*; Cordes and Schulte Beerbühl, *Dealing with Economic Failure*.

17 João Paulo Salvado unveiled this collection, which remains scattered across the records of the *Junta da Administração do Tabaco*, the institution that oversaw the tobacco monopoly. The collection is all the more valuable, considering that it survived the Lisbon earthquake of 1755, which was responsible for the destruction of huge amounts of records of both a

private and official nature. Among the latter, the records of the customs house (*Alfândega de Lisboa*), the Treasury Council (*Conselho da Fazenda*) and the House of India (*Casa da Índia*) were all lost, while the majority of the archives of the Lisbon public notaries also did not survive, thus narrowing the empirical data available for the period before 1755.

18 Scholarly work has thus far focused on the case of Francisco Pinheiro (1668–1749), a merchant who operated in Lisbon in the first half of the eighteenth century, and whose correspondence and papers are extant today. This collection, however, is much smaller and less diversified than the De Bruijn & Cloots archive. On Francisco Pinheiro, see Lisanti, *Negócios coloniais*; Donovan, *Commercial Enterprise*; Furtado, *Homens de negócio*.

19 Cátia Antunes (Leiden University) and João Paulo Salvado (CIDEHUS, University of Évora) are also members of this project. See Antunes et al., "The Resources of Others."

20 Costa et al., *An Economic History of Portugal*, 206–7.

21 Costa et al., *O ouro do Brasil*, 72. See also Costa et al., "Social Capital," 1–27.

22 Lisbon had been the hub of trade with Asia since the inaugural voyage of Vasco da Gama (1498). On the convoy protection system, see Costa, *O transporte no Atlântico*; Pedreira, *Estrutura industrial*.

23 *Ordenações filipinas*, bk. 5, tit. 107; *Collecção chronologica de leis extravagantes*, 36–40.

24 Boxer, "Brazilian Gold and British Traders"; Pijning, "A New Interpretation of Contraband Trade"; Costa et al., "Social Capital." On the Spanish-American trade, see Crespo Solana, *El comércio marítimo*; Crespo Solana, "A Network-Based Merchant Empire," 139–58.

25 Costa et al., *An Economic History of Portugal,* 182.

26 Pedreira, *Os homens de negócio*; Fisher, "Lisbon as a Port Town," 703–29. On the English merchants, see Shaw, *The Anglo-Portuguese Alliance*. On the French, see Labourdette, *La nation française*.

27 *Colecção dos tratados,* 260–93 and 444–71. See also Antunes, *Globalisation*, 102–16.

28 Silva, *Collecção chronologica da legislação portugueza, 1657–1674*, 76.

29 Costa et al., *An Economic History of Portugal*, 195.

30 Antunes, *Globalisation*, 95, 102–16.

31 São Payo, "Uma linhagem cosmopolita do Porto," 105–6.

32 Antunes, *Globalisation*, 117, 137–8.

33 ANTT, JAT, bk. 193, fol. 1, letter to Jean-Baptiste & Paulo Jacomo Cloots, 3 January 1713.

34 ANTT, JAT, bk. 193. See also Stein d'Altenstein, *Annuaire de la noblesse de Belgique*, 278–82.

35 Following Paulo Jacomo's settlement in Antwerp, Jean-Baptiste Cloots associated his other nephew Egidio (1692–1726) with himself and the Amsterdam firm became known as Jean-Baptiste & Egidio Cloots.

36 On Paulo Jacomo Cloots and his involvement in colonial trade, see Parmentier, *De holle compagnie*, 11; Paesie, *Voor zilver en Zeeuws belang*, 22.

37 Egidio played a significant role in handling the logistics of shipbuilding materials sent from Amsterdam to supply the *Intendencia de Marina* during the years Paulo Jacomo held the contract. Crespo Solana, *El comercio maritimo*, 38.

38 ANTT, JAT, bk. 193, fol. 7, letter to Santini & Seignoret, 3 January 1713; ibid., fol. 12, letter to Poujol & Bardewisch, 17 January 1713.

39 On the commission business, see Price, "Transaction Costs," 279–80.

40 Antunes et al., "The Resources of Others."

41 ADL, RPL, Freguesia de S. Cristóvão, Casamentos, bk. 1, fol. 137.

42 The Van Zellers were linked through family ties to the Petersons (Pedro Sem) and Pipers, both wealthy families of patricians and businessmen in Porto. See Pereira, "Os Pedrossem," 103–39.

43 Salvado, "O estanco do tabaco," 147.
44 Almeida, *História de Portugal*, 208.
45 Costa, "Os primórdios do tabaco," 37–8; Nardi, *O fumo brasileiro*.
46 Hanson, "Monopoly and Contraband," 149–68.
47 On this subject, see Nardi, "Retrato de uma indústria," 323–5.
48 In the early eighteenth century, metropolitan Portugal was divided into twenty-one fiscal districts (*comarcas de provedoria*). Each was headed by a *provedor*, whose duties included overseeing the collection of revenues at a regional level and who connected the central institutions, based in Lisbon, with the local treasuries (*almoxarifados*). See Hespanha, *As vésperas do Leviathan*, 208, 213.
49 Salvado, "O estanco do tabaco," 135–45.
50 On the preparation of leaves in Bahia for export to Europe, see Lugar, "The Portuguese Tobacco Trade," 32–3.
51 Tobacco production from the Spanish empire was insufficient to supply the domestic monopoly, thus explaining this dependence on Brazilian tobacco. See Rodríguez Gordillo, "El abastecimento del tabaco"; and Torres Sánchez, "The Failure of the Spanish Crown's Fiscal Monopoly."
52 ANTT, JAT, bundle 11; *Regimento da Junta da Administração do Tabaco*, 85–95.
53 In 1719, the business consortium led by António Ribeiro had farmed the tobacco monopoly for six hundred million *réis*. Salvado, "O estanco do tabaco," 153.
54 ANTT, JAT, bk. 232, fol. 1.
55 Costa and Salvado, "Consumo, inovação organizacional."
56 António Gomes Figueiró, a middle-ranking Lisbon merchant, run this business segment for the Dutch partnership. ANTT, JAT, bk. 232, fol. 1.
57 ANTT, JAT, bundle 12, 6 May 1724.
58 ANTT, JAT, bundle 13, 13 May 1730.
59 ANTT, JAT, bk. 2, fol. 150.
60 Although some of the books are extant today, the ledger of the second contract has been damaged beyond repair.
61 ANTT, JAT, bundle 30, 30 August 1727; ibid., bundle 12; ibid., bk. 194.
62 ANTT, JAT, bundle 14, 28 June 1742.
63 The decision to release them rested upon a petition from the partners, who argued that they had not been formally removed as tax farmers (ANTT, JAT, bundle 52).
64 On this topic, see Mathias, "Risk, Credit and Kinship," 15–35.
65 De Bruijn, Cloots, and Van Zeller argued that, in the final months of their contract, they had supplied the royal factory in Lisbon with tobacco worth 80 million *réis* which they were unable to sell. The remaining 20 million *réis* were debts to be collected judicially (ANTT, JAT, bundle 13, 13 May 1730).
66 *Ordenações filipinas*, bk. 4, tit. 44, introduction.
67 ANTT, JAT, bundle 14, 28 June 1742.
68 Salvado, "O estanco do tabaco," 147–50.
69 ANTT, JAT, bundle 13.
70 ANTT, JAT, bundle 9, representation of tobacco traders to the Crown (ca. 1715).
71 Costa and Salvado, "Consumo, inovação organizacional."
72 Per capita consumption in Portugal fluctuated between 0.4 and 0.6 pounds during the first half of the eighteenth century. Costa and Salvado, "Consumo, inovação organizacional."
73 De Bruijn and Cloots openly admitted that, as tax farmers, they could select the best-quality tobacco leaf for export markets (ANTT, JAT, bk. 208, fol. 1, letter to Pedro da Gama da Silveira, 13 April 1722). See also Salvado, "Uma revolução de escala?"
74 Nardi, *O fumo brasileiro*, 112–3.
75 ANTT, JAT, bk. 208, letter to Jorge & Henry Jencquel, 11 July 1724.
76 ANTT, JAT, bk. 208, letter to Jacinto Barbosa, 21 October 1724. On the agency problems faced both by Portuguese and English merchants in Brazil, see Alden, "Vicissitudes of Trade" and Boxer, "Brazilian Gold and British Traders," 462–3.