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Communication Breakdown: Information and Risk in Spanish Atlantic World Trade during an Era of 'Free Trade' and War

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Spanish merchants engaged in long distance trade during the Early Modern era faced a multitude of risks and uncertainties. Inclement weather, enemy forces, piracy, unpredictable markets, and a panoply of other factors could devastate the commercial activities of these Atlantic world traders. Experienced merchants understood the many risks and took all precautions possible to reduce or eradicate them, securing insurance, sailing in armed convoys, or avoiding Caribbean voyages during hurricane season or Baltic expeditions during winter months, for example. Indeed a merchant's capacity to manage risk and uncertainty was a critical factor determining success or failure of his business.

In a classic and seminal work, economist Frank Knight argued that 'the most thoroughgoing methods of dealing with uncertainty [entail ...] securing better knowledge of and control over the future' (Knight 1921, 260). To manage risk and uncertainty, thus, required Spanish Atlantic world merchants to stay informed, to constantly obtain information of evolving international politics or changing markets both inside and outside of the Spanish empire. Information was the lifeblood of the merchant community, governing decisions about when to invest in one or another commodity as well as where and when to ship them. Without adequate information, merchants operated in the dark, increasing enormously what were already very risky ventures. Even under the best circumstances, the great distances and inadequate flows of information guaranteed only partial knowledge of the political or economic news that might have an impact on their business dealings. Limited information was by no means unique to the Spanish commercial world; it was a fundamental problem that plagued all long-distance merchants during this era, one that merchants recognized

and took means to minimize (see, for examples, Bailyn 1953; Lawson 1993, 21–22; Matson 2004; McCusker 2005; Musgrave 1996, 347; Steensgaard 1996, 446).

Communication between merchants in key Atlantic world ports provided the main source of intelligence that traders utilized to guide their commercial operations. One historian noted that ‘practically every letter of every merchant I have ever seen has a postscript telling the recipient the latest price for some commodity’ (McCusker 2005, 299). Stein and Stein observed that ‘personal market information formed the sole basis of business decision-making in the absence at Cadiz of government-sponsored or private-sector trade periodicals. Markets, after all are driven by information . . .’ (Stein and Stein 2003, 192). Xabier Lamikiz has argued that over the course of the eighteenth century, the importance of such correspondence in governing mercantile decisions in the Spanish empire grew sharply (Lamikiz 2007a, 232–37).

This article examines the networks of information that connected merchants in Cadiz, Spain with their agents and fellow traders located throughout the Atlantic world and beyond. The writing of letters occupied a significant portion of merchants’ time and effort, but this was by no means time wasted; remaining informed was an essential element of operating a successful business in Early Modern international trade. A host of risks and uncertainties plagued overseas trade, some of which could be reduced with adequate intelligence. Despite their best efforts to stay educated, however, merchants nonetheless endured the economic costs of poor information.

Information Networks

To increase their access to information, wealthier merchants placed permanent agents or factors in principal ports throughout the Spanish commercial empire. According to Jeremy Adelman, ‘the most successful [traders] operated on a large scale through a network of agents scattered around many trading centers . . . while smaller merchants had to rely on more specialized, and thus more risky and more precarious, businesses’ (Adelman 2006, 78). Such agents were often family members who could best be trusted to pursue the interests of their relations (see Adelman 2006, 44–46; Brading 1971, 112–13; Hoberman 1991, 64–68; Kicza 1983, 60; Pike 1972). In this regard the Spaniards acted little differently than their counterparts in other corners of the Atlantic world (Bailyn 1953, 380–82; Mathias 2000).

A good example of such a familial network operating in the Spanish empire in the late eighteenth century was the Marticorena clan, natives of the town of Echalar in the Kingdom of Navarra.¹ Beginning in the 1770s, five of the Marticorena brothers emigrated from northern Spain to important commercial ports within the Spanish Atlantic world. Juan Vicente de Marticorena took up residence in Cadiz, matriculating in its Consulado in 1776. His older brother, Juan Miguel de Marticorena, also joined the Cadiz guild in 1776 but then relocated to Lima, Peru.² Their younger brother, Juan Bautista de Marticorena, received a license to travel to Guatemala in 1782³ where he became a prominent merchant, ultimately marrying into that colony’s wealthiest family, the Aycinenas (Brown 1997, 70–71; Dym and Belaubre

2007; Martínez del Cerro González 2006, 228). In 1787 a fourth brother, Miguel Jacinto de Marticorena, was granted license to Veracruz where for a number of years he helped manage the trade of his siblings.⁴ Despite having begun preparations for a religious career, the youngest brother, Pedro Joseph, moved to Peru ostensibly to assume the family trade but died unexpectedly shortly after his arrival.⁵ This familial network also depended on other relatives. Cousin Juan Francisco de Goyeneche was the trusted factor in Mexico City. Another cousin, Juan Bernardo Larrain, operated in Caracas. The extensive correspondence received by Juan Vicente de Marticorena of Cadiz reveals how these relatives attempted to keep him informed of shifting supply and demand as well as the changing political climate in these diverse corners of the Spanish empire.⁶

Major Spanish merchants were also international traders; they acquired luxury goods in northern Europe to send to America, and they re-exported their colonial imports to commercial centers throughout Europe and beyond. Naturally, none but the largest trading houses could station agents, whether family members or employees, in all of the ports with which they conducted business. Instead most large merchants were forced to rely also on outsiders, establishing long standing ties with their counterparts in principal trading cities, perhaps employing one another as commission agents to forge and strengthen ties. The correspondence of the Cadiz-based veteran trader Francisco de Sierra reveals the international nature of his dealings. He engaged in regular communications with commercial houses in London, Genoa, Hamburg, Marseilles, Rouen, Amsterdam, Ostende, Bordeaux, Lisbon, and Philadelphia, among other locales, frequently receiving letters in French and sometimes in English, Italian, or Portuguese.⁷

Table 1 illustrates the geographical diversity of the correspondence received by Sierra during two years of the 1780s: 1781 and 1784. These years provide interesting comparison since the American Revolutionary War was being fought in the former year but had ended by 1784. In total for the years 1781 and 1784, Francisco de Sierra received 1225 letters, 438 from correspondents in Spain and 787 from all other locations. Nearly half of the total, 703, were sent from Europe (excluding Spain). Just under a quarter, 280, originated in America.

Significantly, the European letters arrived from a wide diversity of Atlantic world locations. Sierra exchanged regular communication with commercial houses in the large commercial centers of London and Amsterdam as well as the French port cities of Marseille, Bordeaux, Nantes, and Rouen. Sierra's correspondence with Genoa, Italy was amongst his most extensive. Sierra also communicated with some regularity with Lisbon. Further afield, Sierra communicated with traders in central Europe—Hamburg and Sohligen in Germany and Gdansk in modern-day Poland.⁸ Sierra's widely dispersed correspondence reveals the degree to which he operated as an international merchant. His interests and commercial ventures required him to keep abreast of events and trends throughout the Atlantic world and beyond.

Of course, Francisco de Sierra's commercial prominence was critically connected to the Spanish citizenship which allowed him access to the *carrera de Indias*. Sierra's

Table 1 Geographical Distribution of Correspondence Received by Francisco de Sierra, 1781 and 1784

Letter origin	1781	1784	Total	Letter origin	1781	1784	Total
Amsterdam	9	66	75	Bordeaux	47	2	49
Marseille	68	57	125	Buenos Aires	2	9	11
Martinique	14		14	Caracas		6	6
Mexico	6	1	7	Gdansk	5	4	9
Montevideo	1	4	5	Exon (Eng.)	1	3	4
Nantes	17	3	20	Ghent (Belgium)	4	2	6
Ostende	20		20	Genoa	38	49	87
Other America	1	3	4	Guarico (Haiti)	5		5
Other Europe	20	3	23	Hamburg	4	24	28
Other Spain	7	3	10	Havana	28	21	49
Paris	14	13	27	Lima	4	24	28
Rouen	4	12	16	Lisbon	1	13	14
Santo Domingo	2	3	5	Livorno (Italy)	6	2	8
Sohlingen (Germ.)		4	4	London	23	65	88
Spain	242	104	346	Madrid	50	32	82
Veracruz	19	31	50	Total	662	563	1225

Source: AGI, Consulados, legajos 421, 426–27.

business deals primarily entailed reexporting to principal European ports the colonial goods that he obtained from his factors throughout America. Grana cochineal from Mexico, indigo from Central America, cacao from New Granada, quina from Peru, and hides from Río de la Plata were the main commodities in which Sierra dealt. To obtain these items required Sierra to communicate with his agents and factors throughout Spanish America. As Table 1 further illustrates, Sierra received letters from many corners of the colonies, the greatest number from Veracruz, Lima and Havana. Sierra also communicated regularly with agents in Río de la Plata (Buenos Aires and Montevideo), New Granada (Caracas), and Hispaniola (Santo Domingo and Guarico).⁹

To function in this capacity necessitated either that Sierra be multilingual or employ the services of multilingual scribes. Table 2 illustrates the linguistic diversity of the correspondence received by Sierra in the two years 1781 and 1784. More than a third of the correspondence that Sierra received in these years was written in French, which seems to have been the *lingua franca* of these Atlantic world merchants. Most of the letters written to Sierra in Spanish were composed by native speakers resident abroad, including Sierra's primary correspondents in London and Amsterdam. Indeed, it was no coincidence that Sierra employed the services of commercial houses operated by fellow Iberians in these two principal ports. The two primary London commercial houses with which Sierra did business were the Spanish firm of Fermín de Tastet and Company, and a house belonging to the Mendes da Costa family, Portuguese Jews.¹⁰ In Amsterdam Sierra employed another Spanish firm named Echenique Sánchez and Company. Letters that arrived from France or Genoa were

Table 2 Languages of Letters Received by Francisco de Sierra in 1781 & 1784

French	437
Italian	3
Portuguese	13
Spanish	772
Total	1225

Source: AGI, Consulados, legajos 421, 426–27.

generally written in French as was the case for the majority from Germany. It is unknown whether Francisco de Sierra composed letters in French himself since his outgoing correspondence does not survive, only the letters that he received. Presumably, however, he responded to his French correspondents in French.¹¹ In addition to French and Spanish, Sierra received a small number of letters in Portuguese and Italian, which he could have naturally understood. In several years other than 1781 and 1784, Sierra had received a few letters in English from a firm in Philadelphia.

Information and Market Conditions

No matter in what language or from which location Sierra received correspondence, it all served the same purpose, to keep him better informed of conditions relevant to the governing of his business decisions. Valuable was the data on prices or supplies that he received from distant markets, such as in January 1786 when he learned from his London informants that cochineal was fetching 13/9 to 14 shillings, indigo 9/6 to 10/6, and that hides from Buenos Aires were in very short supply.¹² Sierra's far-flung correspondence provided him detail about markets throughout Europe and America. Frequent letters from Joseph Zengolio of Genoa delineated the prices and demand for Sierra's exports in that city and its connected hinterlands. Regarding hides Zengolio reported in July 1784 that 'this article is without demand, and I regret to inform you that the price is very miserable.' He further informed that while the demand for cochineal was improving, 'indigo is calm.'¹³ Virtually every letter that arrived to Sierra apprised him of market conditions and extant prices. In theory, if not always in practice, such information permitted merchants to operate with less uncertainty, guiding their commerce and helping them more intelligently navigate the uncertain and ever-changing world of business.

Merchants shied away from engaging in ventures for which they possessed little information. Possessing information about a distant market in no way eradicated the danger of a sudden market shift or an unexpected change in local economic conditions, but knowledge at least provided a modicum of security, allowing a merchant some basis with which to govern his business decisions. Encouraged in 1776 to reroute his ship *El Jason* to Louisiana, Francisco de Sierra refused stating: Louisiana is 'unfamiliar commerce and everyone flees from newness [if] there being alternatives that experience has shown to be very safe.'¹⁴ Sierra's caution was not that

of a pampered and privileged rentier who refused to engage in risky ventures, rather his reluctance stemmed from the knowledge that a smart merchant avoided operating with absolute ignorance.

While each of the Atlantic world empires jealously guarded its national commercial interests from foreign interlopers by erecting mercantilist, protectionist trade policies, markets were nonetheless integrated. The market for Spanish American commodities such as cochineal and indigo, to name only the most valuable, was widespread. Merchants in London, Amsterdam and other commercial centers watched closely the prices in other markets of these dyestuffs; indeed local prices were even quoted on the Dutch and English commodities exchanges.¹⁵ News about these commodities, thus, affected their prices throughout the Atlantic world. Despite the hostilities of the American Revolutionary War, merchants in London and Amsterdam stayed informed, as best they could, about the quantities of cochineal arriving to Spain. On 1 November 1781, for example, the Dutch commercial house of Echenique y Sánchez warned Sierra that the market for ‘cochineal is inactive and will probably be so until the convoy from Havana arrives there and a going price is established.’¹⁶ Just a week later, on 9 November 1781, the London house of Fermín de Tastet and Company informed Sierra that ‘the news of the arrival there of the fleet from Havana suspends entirely any trade in cochineal. The vendors do not know what to ask nor the buyers what to pay, but we presume it will not be long before a price is set.’ Several weeks later, the impact was clearer, allowing Fermín to advise Sierra that in fact ‘cochineal has not dropped as was expected with the arrival there of such a large portion.’¹⁷ Markets were integrated and information about conditions in all such marketplaces deeply affected the decisions made by merchants.

Speed and Predictability of Information Flows

Traders sought to obtain the most recent information to permit them to operate with the least uncertainty possible. Correspondents thus sent one another a regular flow of communication advising of any pertinent economic or political news. Because of the unpredictability of mail in the Atlantic world, experience dictated that multiple copies of important information should be sent, and so letters were sometimes sent in duplicate, triplicate or even quadruplicate to ensure safe and timely arrival. Sending duplicate copies could be complicated from less busy ports since weeks or even months might pass without the arrival or departure of more than a ship or two. This problem could be minimized somewhat by dealing through an intermediary. When Juan Bautista de Marticorena wrote from Guatemala to his brother Juan Vicente in Cadiz, the letters often traveled by way of a third brother, Miguel Jacinto, who resided in Veracruz. Since ships departing from Central America to Spain were relatively few in number, Juan Bautista directed Miguel Jacinto to open and make additional copies of the letters he sent to Cadiz via Veracruz whenever Miguel Jacinto felt that this might speed delivery. As Miguel Jacinto explained to Juan Vicente:

[Juan Bautista] advises me that whenever there is opportunity to direct [letters] to you aboard two boats that I can open them and make a copy or two if necessary . . . and as such it might arrive at that port at the same time or even earlier than the first, so that whenever I see two frigates departing 6 or 8 or 10 days apart from one another for that port [Cadiz], I will pursue the same course . . . because in this way I believe you might have news of [say] the arrival of your ship to Honduras more promptly than via the maritime mail.¹⁸

Certainly the poor flow of information was inevitable given the great distances and existing technologies of the day. But the problem was in no way mitigated by the poor quality of mail service within the Spanish empire. Despite efforts throughout the colonial era to establish a regular and reliable system of *correos*, even in the late eighteenth century information from the other side of the ocean was often stale, when available at all (Lamikiz 2007a, 241–44). The viceroy of Mexico, Juan Vicente Güemes y Pacheco, the second Conde de Revillagigedo, alluded to this in 1793 in a report about the ‘decadence’ of Mexico’s economy. According to the viceroy, Spanish merchants lacked adequate knowledge about consumer tastes (i.e. demand) and often exported to Mexico inappropriate items. The problem, he diagnosed, was due to the fact that mail boats made several stops *en route* to Mexico, allowing even merchantmen to make the voyage more rapidly. With experienced captains and direct service between Cadiz and Mexico, he estimated, mail would reach Veracruz in forty to fifty days, about one-third faster than occurred.¹⁹

Revillagigedo’s proposal to reduce the length of mail service between Spain and Mexico to forty or fifty days would have represented a significant improvement, much more, even, than the one-third he estimated. This conclusion is based on evidence from the transatlantic communication carried out between Cadiz merchant Francisco de Sierra and his American correspondents. Sierra owned several ships and maintained regular communication with his captains, commission agents and others throughout Spanish America. The timeliness of information was critical to Sierra’s business decisions, and so Sierra, like other merchants, dedicated considerable time to correspondence. Naturally, authors dated their letters so that a recipient could understand the timing of the information, highly useful given that posts arrived on irregular schedules. Perhaps his own innovation, Sierra also recorded the dates that he received most of his mail, a procedure that other merchants for whom correspondence survives did not follow. This practice of recording the dates on which letters were received permits computation of the length of time letters took to travel from America to Spain.

Tables 3a and 3b show the number of days correspondence took to arrive to Sierra from a handful of Spanish ports during the years 1776 through 1787.²⁰ The first of the two tables shows his correspondence during the years of the American Revolutionary War. Table 3b displays the roughly four years following the November 1782 signing of preliminary peace treaties that ended the hostilities. As Table 3b indicates, correspondence moved quite slowly between Spanish American ports and Cadiz even during peacetime. The most rapid letter from Veracruz, for example, took

Table 3a Time for Sample of Francisco de Sierra's Mail to Travel to Cadiz from Selected Ports (During American Revolutionary War)

Origin of letter	No. of letters	Min # of days to arrive	Average # of days to arrive	Max # of days to arrive	Median # of days to arrive	Standard deviation	Coefficient of variation
Buenos Aires	12	98	122	171	117	23	19.2%
Campeche	1	172	172	172		N/A	
Guarico (Haiti)	1	155	155	155		N/A	
Guatemala	2	245	263	281		25	9.7%
Havana	18	47	93	252	70	54	58.3%
Lima	9	157	299	426	271	97	32.4%
Montevideo	6	94	102	115	97	10	10.0%
Sto. Domingo	5	103	166	230	142	54	32.4%
Veracruz	27	92	135	265	122	38	28.3%

Source: AGI, Consulados, legajos 420–28, Cartas a Francisco de Sierra.

2.5 months to reach merchant Sierra in Spain. Even if Sierra responded immediately, a ship was ready to depart, and his own letter arrived as quickly, roughly five months would have elapsed before Sierra's response arrived in Mexico. And five months was under the best circumstances; the average correspondence from Veracruz during the era of peace required 109 days to Cadiz or just over seven months roundtrip.

Other routes experienced different delays. Mail in these peace years arrived from Caracas and Havana most quickly, the average duration from these ports being 83 and 88 days respectively, while letters to Sierra from Buenos Aires and Santo Domingo took a bit longer than those from Veracruz. Service from Montevideo was normally faster than from Buenos Aires, perhaps suggesting that ships from Buenos Aires stopped in Montevideo before continuing on to the Peninsula. Not surprisingly, the slowest correspondence occurred between Lima and Spain, the average duration

Table 3b Time for Sample of Francisco de Sierra's Mail to Travel to Cadiz from Selected Ports (End of American Revolutionary War to January 1788)

Origin of letter	No. of letters	Min # of days to arrive	Average # of days to arrive	Max # of days to arrive	Median # of days to arrive	Standard deviation	Coefficient of variation
Buenos Aires	10	100	130	167	134	20	15%
Caracas	5	65	83	103	86	16	20%
Cartagena	9	77	133	171	132	30	22%
Havana	17	55	88	176	73	34	38%
Lima	36	122	197	334	191	47	24%
Montevideo	8	77	123	226	107	48	39%
Sto. Domingo	13	96	118	165	109	21	18%
Veracruz	27	75	109	196	97	35	32%

Source: AGI, Consulados, legajos 420–28, Cartas a Francisco de Sierra.

during peacetime being 197 days, about 6.5 months, or well over a calendar year for information to voyage roundtrip.

International strife introduced additional hindrances to the already sluggish flows of information. Letters from Veracruz during the war years took, on average, an additional month to arrive to Sierra. From Santo Domingo the impact was even greater, adding nearly two months to the average voyage. Oddly and inexplicably, the correspondence from Rio de la Plata arrived more quickly to Cadiz during the war years. Finally, the data suggests that the war affected the Lima route most profoundly, adding 100 days to the average duration of the Lima to Cadiz voyage.

Not only was the movement of information slow under all circumstances, but it was unpredictable, as indicated by the standard deviations of the data. The average number of days for a letter to travel during peacetime between Veracruz and Cadiz was 109 days, but most correspondence deviated substantially from this mean, suggesting that there was great risk that a letter would fail to take the expected (mean) duration. The standard deviation for this route was 35 days, meaning that roughly two-thirds of the mail took from 74 to 144 days, assuming normal deviation, an indication of how very difficult it would have been to rely confidently on the collection of timely information.

The coefficient of variation quantifies the relative magnitude of the deviation from the average or expected duration; the higher the coefficient, the greater is the deviation as a percentage of the average.²¹ So, the risk that correspondence in peacetime would arrive extremely late (deviation from the mean) was much lower for letters sent to Buenos Aires or Montevideo. The riskiest or least predictable route was Havana with the remaining routes clustered between these locales. The unpredictability of mail was not unrecognized by merchants who took measures to try to minimize this risk. Juan Bautista de Marticorena, for example, observed that sometimes correspondence that departed from Veracruz on a later vessel might still arrive to Cadiz earlier, a claim borne out by the data. On 20 December 1782, for example, Miguel Ignacio de Miranda wrote to Sierra from Veracruz, but his letter took 192 days to reach Cadiz, arriving nearly a month after his subsequent post to Sierra, dated 10 March 1783, which only took 92 days. Obviously this created a potential problem since the information in the latter correspondence presumed knowledge of the former. Merchants sought to address this potential confusion by beginning letters with a duplicate of the prior dispatch. Regardless, the unpredictability of information flows reveal that traders could not enjoy absolute faith that their important correspondence would arrive to their destinations in time to have the desired impacts.

Merchants attempted to overcome these potential disruptions by dispatching duplicate, triplicate, and even quadruplicate copies of letters to increase the likelihood of the rapid arrival of at least one copy. On 11 October 1780, for example, Juan José de Puch posted two identical letters to Sierra, presumably on separate ships departing from Veracruz. One of the pieces arrived on 6 February 1781, 118 days after Puch had sent it. The other one took an additional 52 days, arriving on 30 March. Even more extreme were the two letters posted 5 February 1781 from Lima by

Antonio Sáenz de Tejada, one of Sierra's many correspondents. One of the posts arrived to Sierra a full 102 days sooner than its partner. Certainly sending duplicate copies improved the effectiveness of transatlantic communication.

Agency Problem in the Spanish Atlantic World

Of course, relying heavily on agents and granting them needed autonomy exposed merchants to greater potential for fraud. Given the geographical scale of the Atlantic world market, trade naturally took place under conditions of profound information asymmetry; agents were better informed than merchants about conditions in the marketplace in which they operated which allowed them space to defraud their employers. Furthermore, merchants in Cadiz were largely powerless to monitor their agents' behavior but had to simply place significant trust in them. Employing agents from within their immediate familial or ethnic circles undoubtedly helped instill trust, but even close relations could prove dishonest. Of course, merchants could not rely exclusively on relatives and *paisanos*, especially when dealing in foreign markets; some transactions inevitably were carried out with outsiders.

Economists often refer to a so-called 'principal-agent problem,' the difficulty that merchants had in ensuring that their factors pursued their best interests under conditions of information asymmetry. Merchants sometimes introduced mechanisms designed to increase the honest behavior of agents.²² In his recent book, Xabier Lamikiz deals extensively with the question of 'trade and trust' in Spanish long-distance commerce. He identifies a variety of different strategies employed by merchants to increase the honesty of their agents. In the seventeenth and early eighteenth centuries, for instance, it became common for Dutch and English merchants to reside for extended periods in the private homes of their Bilbao counterparts. Upon returning to their countries, these *huéspedes* became the primary trading agents for their previous Bilbaíno hosts, having established close relations of mutual trust (Lamikiz 2010, 33–40). Ship captains were also instrumental in helping merchants to deal with the 'agency problem.' Captains and merchants often owned vessels jointly and the former even took a share in the cargo, both of which provided captains with direct economic incentives to look out for the merchants' interests. Because they traveled constantly from port to port, captains could not replace agents, but they did come into direct contact with distant traders and agents, allowing for the closer monitoring of their behavior, all to the benefit of the principal in Spain (Lamikiz 2010, 57–61). Last, Lamikiz emphasizes the growing role of communication between correspondents on each side of the ocean, especially following the end of the galleon trade to Peru. Merchants cast their networks of correspondents widely so that they could more effectively monitor the actions of those in whom they had placed their trust. Correspondents looked out for one another's interests, at the very least reporting general perceptions of the effectiveness or reliability of each other's agents (Lamikiz 2010, 126–33).

Within the empire, conflict between economic actors might lead to the intercession of the appropriate *consulados*, which were empowered with adjudicating commercial disputes. Settling disagreements in the tribunal, however, was both expensive and cumbersome and would not have been practical in most cases. But the *consulados* still played an important role in facilitating trust between merchants. Membership in a guild served informally to certify a trader's legitimacy. Of course, *consulado* members could be dishonest or financially strapped as well, but their association must have allayed some of the uncertainties.

Even without formalized practices or institutions, however, merchants and agents had great reason to behave honestly. Traders reaped what they sowed, and so merchants in the Atlantic world had the incentive to act as truthfully and honorably as possible with their clients since such behavior would be reciprocated. In addition, a merchant of good repute was treated more advantageously and provided better opportunities. More important, a bad reputation destroyed a merchant's credibility and, once established, spread quickly and was difficult to shake.

As with all of their agents, merchants had to select their foreign agents with great caution. Fortunately, reputations even transcended imperial borders. When Francisco de Sierra needed a correspondent in the Austro-Hungarian Empire, he consulted with an acquaintance in Vienna, Domingo de Yriarte, as to which commercial houses were most highly regarded. Yriarte provided Sierra with the names of three reputable Vienna trading houses—one Swiss, one Genoese and one German. He further advised Sierra to send letters of introduction signed by well-known Cadiz merchants who could vouch for his good-standing. In short, the goal on both ends was to establish a relationship of trust based on each party's good reputation.²³

Information asymmetries, exacerbated by slow-moving communication and transportation, introduced an 'agency problem' into long-distance trade. Merchants investing large sums and dispatching wares over long distances were forced to place their trust in individuals over whom they had no direct oversight, often encouraging them to employ the services of relatives or *paisanos*. As merchants' trade networks grew wider, however, they were inevitably compelled to depend on individuals or firms who were outside their circles of consanguinity, exposing them to greater risks of agent malfeasance. Agents enjoyed innumerable opportunities to cheat their principals, skimming profits or absconding with capital altogether. Merchants pursued all avenues possible to reduce their exposure to dishonest parties, but some fraud was inevitable.²⁴ While traders did what little they could to keep their associates honest, the latter were restrained by their desire to maintain good reputations. The career of an agent or merchant caught cheating would have been irreparably injured.

Political Information and Commercial Decisions

News of any sort might influence commercial decisions. A merchant's correspondents became his eyes and ears in faraway corners of the globe. He relied on his network to

inform him of any sort of news that might influence his commercial decisions. Especially important was news of shifting international political affairs. Spain and its empire could not easily escape the ramifications of political events in other corners of the Atlantic world. Even if Spain maintained its neutrality, which it rarely could, growing diplomatic conflict anywhere in the Atlantic threatened to rupture the peace upon which commercial prosperity so relied. Merchants thus sought recent and reliable intelligence on political affairs. When in April 1793 Juan Bautista de Marticorena of Guatemala wrote of the ‘ultimate iniquity that the French could have and did commit in taking the life of their king,’ his interest was more than that of a disinterested Spaniard commenting on the execution of Louis XVI. As a merchant, he undoubtedly comprehended regicide as a portent of commercial troubles.²⁵ Not surprisingly, then, mercantile correspondence often discussed the political affairs of the day, and especially how these events might affect trade.

Throughout the autumn and winter of 1790, for example, merchant Juan Miguel de Marticorena discussed in his correspondence the concerns of the merchant community of Lima that the outbreak of war was likely, presumably in response to the Anglo-Spanish conflict centered upon Nootka Sound on Vancouver Island in northwest America (on Nootka crisis see Manning 1904). According to Marticorena, many of the city’s vendors were raising the prices of their stocks expecting shortages if hostilities were to erupt.²⁶ In the event, war did not erupt in 1790. But sluggish communications as well as the ambiguity of Anglo-Spanish relations kept Peruvian merchants in a state of uncertainty.

Rumors of war were again flying in 1796 in Guatemala. Indigo trader Pedro José de Gorriz wrote to one of his correspondents in Spain that prices of goods were rising rapidly in that colony due to the anticipation that Spain would soon be at war with England.²⁷ In December of the same year, José Ramón de Ugarteche of Buenos Aires wrote to Antonio de Artechea, his consigner in Cadiz, that he had withdrawn a shipment of wool from a vessel due to the rumors circulating that war with England had already begun.²⁸

Merchants tried to remain abreast of political events that might affect their commercial affairs. Trader Rafael José Facio of Mexico demonstrated his keen interest in the evolving European diplomacy in a 1798 letter to his brother-in-law, Juan José de Puch. He wrote of the uncertainty circulating in the markets of Mexico owing to ‘the diversity of news about the reaching of peace treaties, [and] the Congress of Lille.’²⁹

There was good reason for merchants to be concerned about politics. Without adequate information of the state of war or peace, ship owners might send their vessels into peril. At the start of any war, it was always the case that many ships, unaware of the state of hostilities, were lost to privateers. In the first months of the 1796 Franco-Spanish alliance against Great Britain, Spanish merchants lost an estimated five to six million pesos to British corsairs.³⁰ Understandably concerned about the costs to commerce, the Consulado sometimes took extraordinary initiative of its own to warn potential victims of the eruption of international hostilities. Twice in 1797 the guild dispatched ships to notify Spanish vessels and authorities in

America about British Admiral Horatio Nelson's blockade of Cadiz. In April, the governing junta of the Consulado met and agreed to dispatch ships to 'go by diverse sea routes to whatever points and seaways that seem opportune to bring to Spanish vessels, whether warships or merchantmen, news of the formal blockade in which this port finds itself.' The state of emergency stemmed from news having arrived to the guild that a warship called *El Angel* had made port at Havana carrying from Veracruz five million pesos worth of treasure and goods to which was to be added additional cargo from Cartagena. Upon arriving in Cuba, *El Angel* had taken advantage of the imminent departure for Spain of a mailboat to send notice of its cargo and anticipated schedule. The correspondence, however, had presumably fallen into the hands of the British since the mailboat never arrived. The Consulado reasonably feared that this information would allow the British more easily to intercept *El Angel* which would not only be a victory for 'the enemy' but a disaster for Spain's finances and commerce. The Consulado hoped to avert this catastrophe by warning Havana of the military situation.³¹ This vital information had failed to reach Havana in time to warn the merchant community of war.

In October, the Consulado again ordered ships dispatched to bring news of the blockade, but this time to Montevideo. At a meeting of the guild, it was divulged that the interim-vice-roy of Río de la Plata had detained in Buenos Aires several cargo ships that had recently arrived from Lima until either the restoration of peace or the arrival of contrary instructions. The officers of the guild applauded this prudent decision and decided to dispatch two ships from Huelva to bring news of the blockade to the viceroy as well as to congratulate him on his wise decision.³²

After four ships returning to Spain from Buenos Aires were seized by British corsairs in 1804, the Consulado of Cadiz once more proposed dispatching fast boats to American ports to advise ship captains readying their departure that the war had resumed. Their plan entailed sending ships to Veracruz, Caracas and Cartagena, Montevideo, Puerto Rico and Havana. They also proposed that two intercept ships be sent to 'advise vessels *en route* from the Indies of the current news.'³³ Merchants in possession of such vital intelligence might avert disaster. Too often, however, merchants operated in the dark about the state of Spain's diplomatic relations, an inevitable consequence of the slow movement of information. If the fast boats managed to inform the colonies and prevent more losses, then their dispatch was critically valuable. Under anything less than these emergency conditions, however, such extraordinary measures would not have been taken.

Governments responded to war by contracting privateers to target their enemy's mercantile fleets; but merchants of the bellicose nations might still share diplomatic news and even conduct trade with one another. Despite Spain's involvement against England in the War of American Independence, Francisco de Sierra continued to correspond and trade with the London-based firm of Hananel Jacob Mendes da Costa, dispatching cochineal to England in exchange for textiles destined for the colonies. Trade during wartime was especially lucrative but horrendously risky. To succeed Sierra had to keep abreast of political shifts throughout the Atlantic world,

especially those involving Anglo-Spanish relations since any diplomatic affair could have profound commercial consequences. On 17 January 1783, Mendes da Costa wrote to advise Sierra that ‘some people who believe that peace is imminent have begun to buy woollens with a fervor which has caused the price of all wool clothing to rise.’ But the London commercial house was pessimistic about this speculation adding: ‘we remain as always in the same uncertainty whether this exhausting war will soon come to an end . . . We seriously doubt that the war is going to end soon.’³⁴ In the event, Mendes da Costa proved wrong and only a week later advised Sierra that ‘last night our Secretary of State announced to the business sector that peace between this court and those of Spain and France was reached on the 20th of this month.’ That the concerns of these merchants with political affairs were primarily economic is demonstrated by Mendes da Costa’s additional comment that ‘Now we hope to receive frequent orders from you.’³⁵

International merchants undoubtedly felt loyalty to their nations of origin and certainly embraced the protectionist policies that their respective monarchs pursued. But the commercial world also required trans-national cooperation. Sierra’s economic decisions were equally dependent on the information that he acquired from his American agents as his London or Amsterdam-based associates. Regarding the seventeenth century, Bernard Bailyn concluded that for British merchants ‘correspondences with foreigners were difficult to establish and maintain. To British colonials in this period it seemed that little reliance could be placed on the bonds of Frenchmen who desired nothing more than the collapse of the British settlements in the New World’ (Bailyn 1953, 382). The regular correspondence between Sierra and his factors throughout the Atlantic world suggests otherwise for the eighteenth century. Despite the hostilities between the monarchies of Spain and Great Britain, the mercantile communities of the respective empires were too interdependent to sever communication. Sierra needed news from London just as Mendes da Costa relied on Sierra’s updates from Cadiz.

Market Information and Commercial Decisions

Political news was valuable, but even more important was information about supply and demand in distant markets. Merchants engaged in long-distance trade based their economic activities on knowledge of conditions in faraway markets, information about commodity supplies and the prices being paid. Without such information, they could not make prudent commercial decisions. The commercial community of Barcelona complained in a 1773 petition to the king about the inadequate availability of such intelligence. The authors of the document sought exemption from the requirement that they register where they intended to ship their cargoes, desiring the freedom to transport their wares to wherever they could best sell them. To indicate the final destination in advance was problematic, they argued, ‘not being possible that the owners know the abundance or scarcity that there might be in said islands . . . since from this knowledge comes the success of the expedition.’³⁶

Cadiz Consulado member Don Matías de la Vega proposed in 1787 the establishment of a monthly *Gaceta Mercantil* in which import and export data as well as commodity prices would be published, providing more dependable information to all merchants. This proposal was made in light of a spate of bankruptcies that had shaken the Cadiz commercial community and which Vega partially attributed to the inadequate information with which traders transacted. According to Vega, useful data could be compiled by representatives of the various Consulados of the empire to the benefit of businessmen everywhere. Equipped with reliable mercantile information, capable merchants would thrive. While some traders might still go bankrupt, 'he who cannot speculate informed with such news, it little matters if he loses, because it will show that he was inadequate for commerce' (García-Baquero González 1998, 139–47).

Commercial newspapers, in fact, had long existed in the markets of Spain's principal competitors, France and Great Britain, but the creation of a comparable periodical in Cadiz was delayed until October 1792, when the weekly *Correo Mercantil de España y sus Indias* was finally launched at the insistence of Madrid. Its format was to be very similar to that proposed by Vega. In addition to publishing trade balances and other economic data, the *Correo Mercantil* compiled information submitted by Consulados and reproduced essays that had previously appeared in other news sources. Ironically, claim Stein and Stein, the newspaper failed to greatly educate the commercial community because the Consulado of Cadiz, by far the largest Iberian guild, resisted the release of trade information deemed valuable for fear that it would benefit competitors (Stein and Stein 2009, 14–19).³⁷

Without benefit of a comprehensive and reliable source of commercial news, merchants continued to depend on the information that they collected privately through their widespread correspondence. This correspondence, unsurprisingly, focused primarily on market conditions, attempting to inform recipients about which merchandise might be in high demand or, alternatively, might already be supplied in excess. Letters crisscrossed the Atlantic listing current prices or the existing stock of wares. Merchants even sent one another preprinted lists of frequently traded commodities with the existing prices penned in.³⁸

Communication between merchants followed similar patterns, discussing the status of existing ventures, the potential for new business, the evolution of consumer tastes, or the current supplies and prices of frequently traded commodities. Typical was the information contained in an April 1782 letter addressed to Francisco de Sierra from a Lima source, Diego Sáenz de Tejada. In addition to listing the current prices of colonial items Sierra might desire, Sáenz de Tejada indicated in minute detail 'the articles that might be appropriate in the case that you want to make an expedition to this port of Callao with some of your ships.' His focus on textiles reflected the centrality of this commodity in Spanish trade with the Andes. He also wrote to Sierra about the Tupac Amaru Rebellion, but the importance of these 'civil wars' for Sáenz de Tejada stemmed especially from their impact on the commodities trade.

Cacao is running at 7.5 to 8 pesos per load, an exorbitant price given the existing war, [but] should be worth much less given the lack of demand for this article . . . paper and knives are very abundant, and today have limited outlet due to the civil wars [*guerras intestinas*] which are destroying the Kingdom . . . but shirts will give to you a very good return Presently, medium thickness taffetas from Requena, heavy cloth from Sevilla (these without any black), all types of linens, especially fashionable being Royal Platillas, English baizes, blue plushes, some red ones of San Fernando . . . and women's silk stockings embroidered inside and outside with cypruses and little birds . . . or with small flowers, handworked cambrics, and Dutch linens. With the current prices on these items, you can be very well compensated if you choose to take a risk.³⁹

Mercantile correspondence alerted merchants to the articles that they should send to match existing demand. The examples are endless; in 1798 Rafael José Facio of Mexico acknowledged his partner's (Juan José Puch's) request that he rapidly dispatch a cargo of cochineal to Cadiz. Puch had recently written to advise Facio that the scarcity of cochineal in Europe had driven prices skywards.⁴⁰ Two weeks later Facio sent his own request to Puch urging him to 'buy goods that appear on the list that I accompany, taking notice of their good quality and likely fairness of the prices, and with the objective of remitting them to me in the first registries.'⁴¹

Sometimes the best advice entailed a warning against certain activities. In 1779, for instance, the wealthy Mexican merchant Francisco Ignacio de Yraeta sent a letter to his Guatemala factor stating that 'under no condition are you to make purchases of goods with the idea of sending them here, as commerce is totally stopped as never before' (Torales Pacheco 1985, 2:234).

Yraeta understood perfectly that the role of a factor was to maintain close and detailed correspondence with his principals. In 1779, Yraeta's mercantile prominence and good reputation won him the enviable and presumably lucrative position of commissions agent for the Royal Company of the Philippines' operations in Mexico, a post that required him to represent the Royal Company in its business dealings in the colony, buying and selling on its account. In a letter to the company's directors, Yraeta assured them that he would keep them informed of the prices in Mexico of Asian goods 'not only via maritime mail but also via the ships that sail from Veracruz for Cadiz and other ports.' Consistent with his promise, Yraeta enclosed a list of the current prices in the marketplace of Mexico (Torales Pacheco 1985, 2:262).

Spanish merchants sought reliable information about markets throughout the Atlantic world. Francisco de Sierra engaged in monthly and sometimes weekly correspondence with commercial houses in leading ports throughout Europe, even when Spain was at war with the other nation's government. His extensive communication with Echenique Sánchez, director of his own Amsterdam commercial house, illustrated the interconnectedness of commerce and politics in the Atlantic world. Merchants like Sierra or Echenique were international traders whose interests and need for information transcended national or imperial borders. In the following letter, dated 30 January 1783, Echenique enlightened Sierra on the anticipated

commercial impact in the Netherlands of the end of the American Revolutionary War.

This news has not caused even the slightest alteration in [the market for] our American commodities which maintain the same prices, which we believe will be influenced by whether the convoy of Havana arrives early or late. Sugar has demonstrated some significant decline recently, but as they write from the French ports, as peace solidifies, the price of this item will regularize and the same will occur here. We will exercise care to keep you informed of what happens for the guidance [of your dealings]. We do not know the amount of cinnamon that our company will sell this year, but we presume it will be more or less the same amount as in the past, and that it will not be any cheaper because there is very little in Europe and it will be at least two years before any more can arrive from India. As the news of peace normally results in the outfitting of a flota for Veracruz, consider, your grace, whether you want to make a purchase in the next company sale, and send us the order that you judge desirable. The exchange rate has begun to turn in your favor as just today it is 84 1/4 to 1/2.⁴²

In subsequent correspondence, Echenique showed great interest in learning from Sierra when convoyed ships from Veracruz were expected to arrive to Cadiz, an event that would have direct ramifications on the prices of principal commodities traded in Holland, most notably colonial dyes, Mexican cochineal, and Central American indigo.⁴³ Like his Dutch counterpart, London merchant Hananel Jacob Mendes da Costa was concerned about the impact of Veracruz shipping on the English cochineal market following the American Revolutionary War, and he thus plied Sierra for information. 'We anticipate [the price] to drop but it all depends on the quantities that come from there, and we would appreciate that you advise us for our guidance, if you can, when a quantity of this dye might be expected to arrive from Veracruz. Indigo continues at very high prices owing to its scarcity . . .'⁴⁴

Good information was an invaluable commodity. Regular and reliable information about market conditions was essential to allow merchants to transact rationally, to make good decisions about what products to buy or sell. Long-distance trade was always extremely risky; merchants in possession of reliable information could take comfort that they had reduced at least somewhat trade's riskiness. No trader would undertake a risky venture without first informing himself as well as possible. But the harsh reality was that the movement of information was simply too slow and lengthy to allow merchants adequate time to react to changing circumstances. Even the most dedicated or talented factor was unable to anticipate the nature of demand a year or more into the future when the shipment might finally arrive. So while they could inform their bosses about the current trends and prices, the cargo that this information elicited might no longer meet local desires.

This point was made in October 1784 by Lima merchant Antonio Sáenz de Tejada, a rather frustrated correspondent of Francisco de Sierra. According to Sáenz de Tejada, shipments from Spain always seemed to be imperfect 'even if informed of shortages by the latest arriving news. Because from what I have seen, in the present

nothing is more excessive than the item that was previously in short supply because everyone asks for it.⁴⁵ In other words, correspondents in Peru all wrote back to merchants in Cadiz urging them to send the same commodities, a reflection of scarcities existing at the moment of their letters. The result was that commodity shortages turned into market gluts. Sáenz de Tejada's ultimate advice to withdraw from commerce and 'free yourself from the losses that others will experience' was probably not too helpful to the veteran trader Sierra, at least it was not practicable in the short run.

The inherent riskiness of long-distance trade encouraged Atlantic world merchants to adapt their dealings to avoid financial disaster. Unable to predict the profitability or even the existence of demand for any single commodity, the prudent trader chose instead to diversify. Typical registers revealed the wide variety of commodities in which merchants dealt, hopeful that the market would prove favorable for most.⁴⁶ Likewise, successful merchants operated in a variety of markets, comforted by the hope that, for example, a downturn in Peru might be off-set by expansion in Mexico. As Adelman has argued, 'the vulnerability to losses compelled merchants to diversify their enterprise . . . trying to make fortunes off a variety of transactions, not just one, in order to diminish the punishment from a loss in any one branch' (Adelman 2006, 78).

The Oversupplying of Markets

Merchants sought information about myriad issues—political, economic, or other. Being well informed reduced, although in no way eliminated, the uncertainty that pervaded long-distance, trans-oceanic trade. Under normal circumstances, the most immediate danger to traders was neither war, piracy, hurricanes or inclement weather, but the potential catastrophe that resulted from the overly supplied markets referred to by Antonio Sáenz de Tejada. Having invested large sums on the purchase, transport, insurance, royal taxes and other expenses needed to deliver merchandise to distant markets, merchants might find that these wares were already more than amply supplied. This market risk, as it is called, has plagued traders since the rise of long-distance trade and was of equal concern to merchants of Spain and its Atlantic world neighbors.

Transatlantic commerce was not well suited for the impatient merchant. Few commercial ventures were concluded in less than a year; most took many years to complete. Referring to the seventeenth-century trade to Mexico, Louise Hoberman observed that 'the return on money invested in transoceanic goods easily could take two or three years to be realized' (Hoberman 1991, 60). Obviously merchants purchased commodities in one market with the hope of selling them at a much higher price in another. But markets were highly unstable, the consequence, to some degree, of the pool of consumers being small, the markets shallow.⁴⁷ The volatility of the market was all the more perilous given the long duration of commercial undertakings. Armed with the most recent information conceivable about consumer demand and existing supplies, there was nonetheless a major element of gambling

when traders engaged in long-distance commerce. The arrival of even a small shipment of competing supplies had the potential to glut the market and depress prices.

Even the Crown recognized the enormity of this obstacle. Good information about supply and demand was crucial to a merchant's decision making. It being in the Crown's fiscal interests to promote trade, the government occasionally attempted to assist the long-distance Spanish traders by supplying them with news of colonial markets. A Royal Order issued for this purpose in 1779 commanded high colonial officials to 'send to this ministry individual notices of the European goods that have the greatest dispatch in those dominions as well as their quantity and variety so that merchants with this information can manage their speculations more securely.'⁴⁸ Well intentioned as it was, the Crown possessed no better means than merchants to acquire or disseminate up-to-date information.

The risks and consequences of market saturation had concerned and affected Spanish merchants since the advent of the *carrera de Indias*. Fisher notes that in the mid-sixteenth century the confidence of the commercial community was shaken by 'the over-supply of the American market with luxury goods up to 1550' (Fisher 1997, 45). In March 1624, a colonial administrator named Manuel López Peyrera identified the risk of oversupplying the American market as one of the gravest problems facing transatlantic trade (Hussey 1929, 7). The Consulados of Seville and Cadiz frequently sounded this alarm in the seventeenth and eighteenth centuries (see García Fuentes 1980, 73; Haring 1918, 214; MacLeod 1984, 356), pointing to glutted American markets which threatened to destroy their members' finances.⁴⁹

Importing European goods into America did not guarantee a return. High demand for some commodity could evaporate overnight. All too frequently distressed agents wrote to their principals that markets were supplied in excess and that prices had plummeted. Having imported to Mexico liquor and other merchandise only to find the 'greatest abundance of *aguardiente* ever,' Tomás Ruiz de Apodaca wrote to Cadiz from Jalapa in 1760 complaining that 'there is nobody buying anything.'⁵⁰

In 1771 an anonymous report identified the oversupply of the American market as the primary reason for a commercial recession plaguing Cadiz at that time. In this case, the author blamed the abundance on foreign merchants who operated through *prestanombres*, Spanish agents who took the foreigners' merchandise on consignment.

It is from, as has occurred, the embarkation of merchandise in such abundance that it greatly exceeds what can be consumed in America that necessarily has followed the fatal consequences that we experience. Those who bring or send [goods] see themselves forced to sell them at a lower price [in America] than they are [worth] in Europe, and, failing to stop this continuous detriment within a couple years, there will be the total ruin of our Spanish merchants.⁵¹

The problem of oversupply seems to have become increasingly acute in the last three decades of Spanish rule in continental America. In his memoirs, produced in the final decade of colonial rule, Nicolás de la Cruz y Bahamonde, the Conde de

Maule, one of the wealthier merchants in Cadiz, attributed many of the commercial difficulties of the previous several decades to the shipment of excessive supplies of European goods to America, a process that escalated in the aftermath of the American Revolutionary War. According to the Count, merchants greedily, and unwisely, dove into international trade after witnessing the arrival of peace and the 'tremendously profitable sales that the merchants of Cadiz realized in '84 and the large fortunes that arrived to this port in the same year' (Cruz y Bahamonde 1997, 282).

Wealthy Cadiz merchant Mariano Bernabe de Frías was one such victim of avarice. In 1786 he was forced to declare bankruptcy after nearly three decades as a member of the Cadiz Consulado (Ruiz Rivera 1988, 143). Having invested more than half a million pesos, much of it borrowed, to purchase and send merchandise to Mexico on his own ships, Bernabe de Frías found that supply of these goods in Veracruz far outstripped demand. In defense of his client, Bernabe de Frías' attorney, Licenciado don Francisco Xavier Peñaranda y Castañeda, explained at the bankruptcy proceedings, that 'the news from that continent, instantly changeable by any occurrence according to the vicissitudes of commerce, even if only rumored, did not confirm that sales were occurring as had been expected.'⁵² In other words, Bernabe de Frías' merchandise could not be profitably sold in Mexico.

Just two years later, in 1788 the merchant Mateo Bernal sought the Cadiz Consulado's protection from his creditors in the aftermath of a catastrophic transatlantic venture. Bernal was a veteran of the colonial trade, having engaged in this business since 1746, but his experience did not protect him from the growing volatility of commerce. Several years earlier, Bernal had procured 183,000 pesos worth of woolens and other miscellany which his correspondents in America had erroneously suggested would sell profitably. In fact, markets in both Mexico and Peru had 'an excessive abundance of European goods,' and Bernal lost heavily on the venture.⁵³

The powerful trading house of Cinco Gremios Mayores de Madrid was equally vulnerable to the unpredictability of the market. Having initiated a plan to buy large quantities of cacao and sugar in the markets of La Guaira and Havana, selling peninsular goods in exchange, the house withdrew from the business in 1792 noting the abundance of 'efectos nacionales' in America and the corresponding low prices. Whether true or not, the company attributed the surplus to contraband.⁵⁴

Conclusion

The potential for profits in long distance, Early Modern trade was substantial, but the possibility of financial catastrophe loomed large as well. So pervasive were the risks of long distance commerce that no trader could possibly ignore them. Indeed, operating a successful international trading house required constant attention to risk. Mercantile strategies were designed as much to manage risk as to pursue lucrative opportunities. Trading conservatively and taking all precautions might reduce the dangers of trade, but even then merchants faced the real possibility of losing large

sums due to unpredictable or unavoidable factors. Potential profits were large but so were the associated risks.

The poor or insufficient information used by economic actors to govern their activities was a major source of this riskiness. In long distant, Early Modern trade, poor information was endemic; merchants in Europe possessed scant and outdated knowledge of events or markets in America, and, obviously, American merchants were equally ignorant of relevant factors in Europe. This poor information introduced enormous uncertainty into commercial endeavors. Uninformed of conditions or in possession, even worse, of incorrect intelligence, merchants might unknowingly engage in activities contrary to their interests. The need for good information was not unique to the Early Modern era; modern consumers and producers also spend enormously to inform themselves. But in the Early Modern Atlantic economy, good information was simply less accessible. The lack of reliable, timely information magnified the uncertainty of business and increased the risk of bad economic outcomes.

Despite the obstacles, merchants sought the most current knowledge possible about commercial and political conditions throughout the Atlantic world. Long-distance merchants remained in regular contact with trusted correspondents throughout the Atlantic world in their efforts to remain educated about political and market conditions. Indeed, one can vividly imagine the long-distant merchant hunched over his desk for hours at a time recording to the best of his abilities the prevailing factors affecting his business or that of his partners. Such investments of time were critical.

To expand their access to information, large merchants stationed their agents, often relatives, in key colonial centers and forged alliances with their counterparts in ports throughout the Atlantic world. They wrote copiously to their correspondents, communicating in multiple languages. The great distances over which their commercial interests spread, however, hindered their attempts to remain fully informed. Letters were delayed for months; others failed to reach their destinations altogether, lost in storms or intercepted by privateers. The purpose of commercial intelligence was to help a merchant govern his operations. Even when information arrived without interruption, however, it was already months' old and before the news could be heeded and a corresponding response carried out, many additional months or even years had passed. By then, circumstances might have changed, much to the detriment of business; consumer tastes might have altered or supplies of a once scarce commodity might have become abundant.

Merchants invested great time and effort to stay informed. They had no choice; information was the lifeblood of the commercial community. Early modern, long-distance trade entailed enormous risks, and merchants who were well-informed were better able to manage them. No matter their efforts, however, breakdowns in communication were inevitable. Incompletely informed, merchants inevitably operated in a sea of risk and uncertainty.

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Notes

- ¹ The extensive correspondence of Juan Vicente de Marticorena is deposited as Archivo General de Indias (hereafter AGI), Consulados, legajos 432–439, ‘Cartas a Juan Vicente de Marticorena y a Pedro Fermín de Cordoba, desde la península, Europa y América.’
- ² Ruiz Rivera 1988, 181. For Juan Miguel de Marticorena’s license to travel to Peru, see AGI, Contratación, 5521, N. 191, 24 Dec. 1776
- ³ AGI, Contratación, 5525, N. 9, R. 1, 1 Jan. 1782.
- ⁴ AGI, Contratación, 5531, N.3, R.19, 25 Oct. 1787.
- ⁵ AGI, Consulados, leg. 72, Testamento de Francisco de Marticorena.
- ⁶ Correspondence addressed to Marticorena between 1762 and 1809 appears in AGI, Consulados, legajos 432 through 439.
- ⁷ See AGI, Consulados, legs. 420–28, Cartas a Francisco Sierra desde España, Europa, y América.
- ⁸ All of the abovementioned letters are located in AGI, Consulados, legs. 421, 426–27.
- ⁹ AGI, Consulados, legs. 421, 426 and 427.
- ¹⁰ I am grateful to Xabier Lamikiz for pointing out the origins of the Mendes da Costas.
- ¹¹ The only real clue to Sierra’s capacity to communicate in French was his practice of noting on the letters the dates on which he received and responded to letters. He generally wrote these dates in French when the letter was composed in French. Of course, it is certainly possible that Sierra employed the services of a translator. But if so, the written translations did not accompany the originals.
- ¹² AGI, Consulados, leg. 428, Cartas a Francisco de Sierra desde España, Europa, y América, London, 17 Jan. 1786 (unpaginated legajo). The London prices are stated in shillings/pence. There were twenty shillings to the pound sterling and twelve pence to the shilling.
- ¹³ AGI, Consulados, legajo 427, Joseph Zengolio to Monsieur Francisco de Sierra, Genoa, 19 July 1784 (unpaginated leg.).
- ¹⁴ AGI, Consulados, libro 157, Libro de cartas del dueño del navío el *Jason* a particulares, desde Veracruz, Cadiz, Buenos Aires, etc., Francisco de Sierra to Francisco Bulini, Feb. 1776, ff. 82r–v.
- ¹⁵ These records are published in Posthumus (1946) for Holland and for Great Britain in Tooke et al. (1928).
- ¹⁶ AGI, Consulados, legajo 421, Echenique y Sánchez a Francisco de Sierra, Amsterdam, 1 Nov. 1781, unpaginated leg.
- ¹⁷ AGI, Consulados, leg. 421, Fermín Tastet and Company to Francisco de Sierra, London, 9 Nov. 1781, unpaginated leg., and AGI, Consulados, leg. 421, Fermín Tastet and Company to Francisco de Sierra, London, 30 Nov. 1781, unpaginated leg.
- ¹⁸ AGI, Consulados, leg. 433, Miguel Jacinto de Marticorena a Juan Vicente de Marticorena, Veracruz 26 Jan. 1789, f. 220.

- ¹⁹ AGI, México, leg. 1554, Carta Reservadas, El Conde Revillagigedo hace un difuso informe sobre averiguar si hay decadencia en el comercio de aquellos reynos y en caso de haberla, hallar las causas de ella y sus remedios, 31 Aug. 1793, ff. 14–17, 22. A copy of this is deposited at BNM, Manuscritos, ms. 1398, ff. 324–402. A very similar version appears as AGI, México, leg. 1238, Instrucciones de gobierno que dejaron a su sucesor el virrey Conde de Revillagigedo.
- ²⁰ Only a random sample of the letters were tabulated from the many hundreds of surviving letters addressed to Sierra. All of the data was extracted from AGI, Consulados, legs. 420–28, Cartas a Francisco de Sierra.
- ²¹ A standard deviation of 10 days, for example, is much more significant if the average duration is 20 days than if the average is 100 days. In other words, if a person expects (based on the average) to receive a letter in 10 days and it ends up taking 20 days, the delay will be perceived to be much greater than if it was expected to take 100 days but actually took 110 to arrive. In both cases the standard deviation might be 10 days, but the impact (risk) is much greater in the former case. The coefficient of variation corrects for this. Coefficient of variation = standard deviation ÷ mean.
- ²² The economics literature dealing with the issue of information asymmetry and the principal-agent problem is extensive. Indeed, the 2001 Nobel Prize in Economic Science was awarded to three economists, George A. Akerlof, A. Michael Spence, and Joseph E. Stiglitz, whose pioneering work addressed these very issues. Interesting work in history has explored the principal-agent problem as well. Perhaps the most notable recent contributions are those of economic historian Avner Greif (1989), who argues that traders in the Maghreb devised practices of mutual benefit in which they collectively agreed to identify and ostracize cheaters, whether agents or fellow traders. The costs of being dishonest, permanent banishment from commerce, encouraged good behavior on the part of economic actors. Greif has also examined a similar problem during the Genoese medieval Commercial Revolution. To increase the performance of representatives in faraway settlements, office holding dynasties, *podesterias*, developed a mixture of high salaries coupled with financial penalties that encouraged cooperation and good management. See Greif (1994, 271–87). Other noteworthy historical studies that have addressed the principal-agent problem include: Carlos (1992); Carlos and Nicholas (1990); Sunderland (1999); Zahedieh (2010, 106–12).
- ²³ AGI, *Consulados* 421, Domingo de Yriarte a Francisco de Sierra, Vienna, 7 March 1781, unpaginated.
- ²⁴ Lamikiz (2007b, 14–27) discusses a case in which Cadiz merchant Juan de Eguino discovered that his Lima agent was cheating him. Despite Eguino's advanced age, he traveled to Peru to confront him. Also see Lamikiz (2010, 153–61).
- ²⁵ AGI, *Consulados*, leg. 434, Juan Bautista de Marticorena a Juan Vizente de Marticorena, Nueva Guatemala, 2 Apr. 1793, f. 999.
- ²⁶ AGI, *Consulados*, leg. 433, ff. 871, 1011, 1032.
- ²⁷ AGI, *Consulados*, leg. 436, Pedro José de Gorriz a Juan Vicente de Marticorena, Nueva Guatemala, 3 Dec. 1796, f. 636.
- ²⁸ AGI, *Consulados*, leg. 440, José Ramón de Ugarteche a Antonio de Arrechea, 24 Dec. 1796.
- ²⁹ AGI, *Consulados*, leg. 429, Rafael José Facio a Juan José de Puch, 30 Apr. 1798.
- ³⁰ AGI, *Consulados*, libro 96, Correspondencia general del Consulado, f. 223, 7 Feb. 1797. The Treaty of San Ildefonso establishing the Franco-Spanish alliance against Great Britain was signed on 19 August 1796.
- ³¹ AGI, *Consulados*, libro 20, Juntas de Gobierno celebradas, 15 Apr. 1797, ff. 46–47v.
- ³² AGI, *Consulados*, libro 20, Juntas de Gobierno celebradas, 20 Oct. 1797, f. 62.
- ³³ AGI, *Consulados*, libro 100, Correspondencia general del Consulado, ff. 65–66.
- ³⁴ AGI, *Consulados*, leg. 424, Hananel Jacob Mendes da Costa a Francisco de Sierra, London, 17 Jan. 1783 (unpaginated leg.).

- ³⁵ AGI, Consulados, leg. 424, Hananel Jacob Mendes da Costa a Francisco de Sierra, London, 24 Jan. 1783 (unpaginated leg.).
- ³⁶ AGI, Indiferente General, leg. 2410, Los Comerciantes de la ciudad de Barcelona al Rey, 28 Sept. 1773.
- ³⁷ The *Correo Mercantil de España y sus Indias* can be consulted on-line at: <http://hemeroteca.digital.bne.es/cgi-bin/Pandora>.
- ³⁸ See, for example, one sent from Veracruz to Juan Vicente de Marticorena in AGI, Consulados, leg. 437, 1 Aug. 1798, f. 450.
- ³⁹ AGI, Consulados, leg. 424, Diego Sáenz de Texada a Francisco de Sierra, 27 Apr. 1782 (unpaginated legajo).
- ⁴⁰ AGI, Consulados, leg. 429, Rafael José Facio a Juan José de Puch, 17 Apr. 1798.
- ⁴¹ AGI, Consulados, leg. 429, Rafael José Facio a Juan José de Puch, 30 Apr. 1798.
- ⁴² AGI, Consulados, leg. 424, Cartas a Francisco Sierra desde España, Europa y América, 1785–88, Echenique Sánchez a Francisco de Sierra, Amsterdam, 30 Jan. 1783 (unpaginated leg.).
- ⁴³ See, for example, AGI, Consulados, leg. 424, Cartas a Francisco Sierra desde España, Europa y América, 1785–88, Echenique Sánchez a Francisco de Sierra, Amsterdam, 13 March 1783 (unpaginated leg.).
- ⁴⁴ AGI, Consulados, leg. 424, Hananel Jacob Mendes da Costa a Francisco de Sierra, London, 14 March 1783 (unpaginated leg.).
- ⁴⁵ AGI, Consulados, leg. 426, Cartas a Francisco Sierra desde España, Europa y América, 1785–88, Antonio Sáenz de Tejada a Francisco de Sierra, Lima, 5 Oct. 1784 (unpaginated leg.).
- ⁴⁶ Take for example the diversity of goods that Peruvian merchant Juan Miguel de Marticorena listed among his imported items. These included cera, Durois, estamenas fraylescas, panos, Buches, Tripes, Bayetas, Rompecoches, capas, sombreros, aravias, lienzos, olanes, velillos, clarines, tehillas, prusianillas, pañuelos, ruanes, medias, estopillas, sarasas, angarillas, chupasy chalecos, listoneria, tercianelas, tejidos, calzetos, quimones, buratos, Filipichines, Fanelas, Sargas, perdurables, chameletes, camellones, cristales, bretanas, manteleria, velillos, clarines, cintas, listados, bramanes, platillas, carolinas, melanias, ras, rasos, gorros, etc. See AGI, Consulados, leg. 433, Juan Miguel de Marticorena a Juan Vizente de Marticorena, Lima, 20 June 1788, ff. 109–17.
- ⁴⁷ The Second Count Revillagigedo pointed in 1793 to the shallow consumption in Mexico's market. Revillagigedo estimated that New Spain's population was around 3.5 million but it imported on average only about 13 to 14 million pesos, a per capita import consumption of just four pesos, far too low he believed. See AGI, Mexico, leg. 1554, Carta Reservadas No. 627, El Conde Revillagigedo hace un difuso informe sobre averiguar si hay decadencia en el comercio de aquellos reynos y en caso de haberla, hallar las causas de ella y sus remedios, 31 Aug. 1793. A copy can be consulted at Biblioteca Nacional de Madrid, Manuscritos, ms. 1398, ff. 324–402, 31 Aug. 1793. Revillagigedo makes nearly identical arguments in AGI, Audiencia de México, 1238 Instrucciones de gobierno que dejaron a su sucesor el virrey Conde de Revillagigedo.
- ⁴⁸ AGI, Indiferente General, leg. 2416, 18 Oct. 1779, unpaginated leg.
- ⁴⁹ AGI, Mexico, leg. 2503, Testimonio de la representación hecha por la diputación del comercio de España sobre que por el excelentísimo Señor Virrey de este reyno se informe á S.M. los perjuicios que se infieren á ámbos comercios verificadose la llegada de flota á Veracruz el proximo año de 1764.
- ⁵⁰ AGI, Consulados, leg. 405, carta de Tomás Ruiz de Apodaca, 6 Apr. 1760, ff. 15–16.
- ⁵¹ AGI, Consulados, leg. 68, 6 Apr. 1771, ff. 933–34.
- ⁵² AGI, Indiferente General, leg. 2316, Sobre la quiebra de don Mariano Bernabe de Frías del comercio de Cádiz, 1787–91.

⁵³ AGI, Indiferente General, leg. 2314, 15 Sept. 1788.

⁵⁴ AGI, Indiferente General, leg. 1623, Expedientes de los cinco gremios mayores de Madrid y sus negociaciones, ff. 417–18.

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