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ANGÉLICA DE VASCONCELOS SILVA

**As portas não podem ser cerradas (1780-1813): processo de liquidação da
Companhia Geral de Pernambuco e Paraíba**

**Closing doors (1780-1813): the liquidation process at General Company of
Pernambuco and Paraíba**

São Paulo

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Prof. Dr. Marco Antônio Zago
Reitor da Universidade de São Paulo

Prof. Dr. Adalberto Américo Fischmann
Diretor da Faculdade de Economia, Administração, Contabilidade e Atuária

Prof. Dr. Gerlando Augusto Sampaio Franco de Lima
Chefe do Departamento de Contabilidade e Atuária

Prof. Dr. Luiz Paulo Lopes Fávero
Coordenador do Programa de Pós-Graduação em Ciências Contábeis

ANGÉLICA DE VASCONCELOS SILVA

**Closing doors (1780-1813): the liquidation process at General Company of
Pernambuco and Paraíba**

Tese apresentada ao Programa de Pós-Graduação em Controladoria e Contabilidade do Departamento de Contabilidade e Atuária da Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo como requisito parcial para obtenção do título de Doutora em Ciências.

Orientadores:

Prof. Dr. Edgard Cornacchione Júnior

Prof. Dra. Lúcia Rodrigues

Co-orientador:

Prof. Dr. Alan Sangster

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ABSTRACT

Silva, A. V. (2016). Closing doors (1780-1813): the liquidation process at General Company of Pernambuco and Paraíba. Doctoral dissertation, School of Economics, Business and Accounting, University of São Paulo.

This dissertation investigated the dynamics, rationales and context of accounting practices in a pre-industrial setting. By focusing on the case of the General Company of Pernambuco and Paraíba (PPC), the examination could analyze a firm's entire lifecycle (from the birth until decline) to answer the following research question: How and why did the PPC's liquidation process stretch for so long? The PPC was a privately owned company whose monopoly privilege was granted by the Portuguese Crown in 1759 and suspended in 1780. Between the removal of the monopoly rights and 1813, the company 'got stuck' in a liquidation despite using double-entry bookkeeping. The study preserves the historical integrity of the analysis using the mental frame of the PPC own time. Based on the premise that accounting cannot be isolated from the setting in which it plays a role, four context issues were chosen to answer the research question: (1) the relationship between the PPC and the Crown, (2) the organizational structure of the PPC, (3) the accounting system of the PPC, and (4) the ties between PPC's stakeholders. It shows how and why each factor evolved over time and contributed to the delay in the PPC's liquidation. The examination relies upon different archival sources, including the surviving corporate books prepared at two of PPC's business units. The applied research design was a case study. The Crown acted as the head of the PPC but did not exercise close control over directors. The continuity of the business was financially more attractive for the directors than the liquidation process. The corporate rules, mainly remuneration, created incentives for their behavior. The seats on the boards of the PPC were controlled by a small group of shareholders. The directors changed some accounts' rationales for their benefit, and the accounting procedures were realized without zeal. The issued financial statements also created an unreal financial situation (overvaluation) which directors insisted on realizing during the liquidation. The PPC granted credit based on fragile criteria and without sufficient guarantees. In the liquidation, when the company needed to convert the receivables into cash, the lack of guarantees caused additional delay.

Keywords: General Company of Pernambuco and Paraíba. Accounting History. Pombaline Companies. Colonial Period – 1780-1813. Business History

RESUMO

Silva, A. V. (2016). As portas não podem ser cerradas (1780-1813): processo de liquidação da Companhia Geral de Pernambuco e Paraíba. Tese de Doutorado, Faculdade de Economia, Administração e Contabilidade, Universidade de São Paulo.

Esta tese investigou a dinâmica, lógica e contexto das práticas contábeis de uma empresa luso-brasileira do século XVIII ao longo de todo ciclo de vida (da instituição à liquidação). O estudo se desenvolveu em torno da Companhia Geral de Pernambuco e Paraíba (PPC) para responder à seguinte questão de pesquisa: Como e Por que o processo de liquidação da PPC se arrastou por tanto tempo? A PPC era uma empresa privada cujo privilégio monopólio foi concedido pela Coroa Portuguesa em 1759 e suspenso em 1780. Entre a supressão dos direitos de monopólio e 1813, a empresa ficou “presa” em uma liquidação apesar de usar o método da partida dobrada, reconhecido na época como método perfeito para mercadores de grosso trato. O estudo preserva a integridade histórica na análise, usando o quadro mental da época da PPC. Com base na premissa de que a contabilidade não existe de forma isolada, mas se encontra imersa em um contexto social e organizacional, quatro aspectos foram escolhido para a análise: (1) a relação entre a PPC e a Coroa portuguesa, (2) a estrutura organizacional da PPC, (3) o sistema contábil da PPC, e (4) as relações entre as partes interessadas da PPC. A análise mostra como e por que cada aspecto evoluiu ao longo do tempo e contribuiu para o atraso na liquidação da PPC. O exame baseia-se em diferentes fontes arquivais, incluindo os livros corporativos escriturados por duas das unidades de negócios da PPC. A pesquisa foi estruturada como um estudo de caso. A coroa atuou com “cabeça” da PPC, mas não exerceu controle próximo sobre a ação dos diretores. A continuidade do negócio era financeiramente mais atraente para os diretores que o processo de liquidação. As regras societárias, principalmente, remuneração, criou incentivos para que os gestores perseguissem seus interesses. Os cargos executivos da PPC foram controlados por um grupo pequeno de acionistas. Os diretores alteraram a racionalidade de algumas rubricas contábeis em benefício próprio. Os procedimentos contábeis passaram a ser realizados sem zelo e a companhia parou de publicar balanços. As demonstrações financeiras publicadas criaram uma situação financeira irreal (superavaliação), que os diretores insistiram em realizar durante a liquidação. A PPC concedeu crédito com base em critérios frágeis e sem garantias suficientes. Na liquidação, quando a empresa precisava converter os recebíveis em dinheiro, a falta de garantia provocou atrasos adicionais.

Palavras-chave: Companhia Geral de Pernambuco e Paraíba. História da Contabilidade. Companhias Pombalinas. Período Colonial – 1780-1813. História das Instituições.

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1 INTRODUCTION

This dissertation is devoted to accounting practices in a pre-industrial setting. The context chosen was Brazil during the colonial period. It means the period that Brazil was an Atlantic overseas possession of the Portuguese multi-continental monarchy (Monteiro, 2010). During this period, the colonial society in Brazil shared some common characteristics and behavior prevailing in the Kingdom (Boxer, 2008; Fragoso, 2002b). The share was made possible by the internal trade circuits, merchants communities, among other agents and institutions, who played the role in linking the different areas of the Empire (Fragoso, 2002a).

The choice of this research topic was carried out after reading a dissertation (Schmidt, 1996) about the history of the accounting thought. In a hasty judgment on accounting practice in Brazil, Schmidt (1996) states that the first manifestation of accounting in Brazil only happened in the early nineteenth century when the use of double-entry bookkeeping¹ (DEB) was required by law for accountants at the Royal Treasury.

This apparent lack of accounting practice in Brazil, noticed by Schmidt (1996), before the nineteenth century, is theoretically unsustainable. The historiography is full of evidence of the use of single-entry² and DEB methods in colonial Brazil. An example is two studies from the 1970s, therefore, previous Schmidt's. Mauro (1973) attests that a sugar mill called *Sergipe do Conde*, located in Bahia used single-entry bookkeeping to control its business in the seventeenth century³. Ribeiro Júnior (1972) also ensured that General Company of Pernambuco used DEB and Paraíba

¹ DEB is an accounting method in which each business transaction results in entries of equal amounts to the debit and credit of two different accounts (De Roover, 1937; Sangster, 2015).

² According to Yamey (2012, p. 3), the term single entry bookkeeping could be applied to "any bookkeeping arrangements that cannot be described as double entry bookkeeping". In single entry, only one part of the transaction (i.e., debit or credit) is recorded in the books of accounts (De Roover, 1937).

³ Based on a book of accounts, Mauro (1973) studied the cost structure of sugar production during the period from 1622 to 1635.

(PPC⁴) since its establishment in August 1759 of its office in Brazil, in the town of Santo Antônio do Recife⁵ (Pernambuco⁶, hereafter).

During the search for evidence of accounting practice in Brazil before the nineteenth century, the work of Ribeiro Júnior (1972) influenced the choice of the PPC as a research topic. The PPC was a Portuguese chartered company whose primary mercantile activities unfolded in three different parts of the empire (Portugal, Brazil, and Africa). The PPC's equity brought together people from the various social backgrounds, but only wholesaler's merchants⁷ (*negociantes de grosso trato*) were appointed as directors (Braudel, 2009; Fragoso, Almeida, & Sampaio, 2007; Fragoso, 1992; Puntschart, 1992; Souza, 2012).

The primary focus of this thesis is the liquidation of PPC, a process that began in 1780, according to the previous literature. The liquidation is only one phase in the institution life, the "endpoint" of mercantile activities. However, it would be hard to understand this endpoint in the absence of details about the accounting process since the firm's establishment. The current state of knowledge about accounting practices in colonial Brazil is scarce. To this point, there is no research which describes and explains the logic (rationales) that guides the accounting practice. This statement is particularly the case of the Portuguese multi-continental monarchy, in general, and its overseas Atlantic possession (Brazil), in particular. Thus, studying the PPC's liquidation process allows a fuller understanding of the whole dynamics of accounting practices throughout the business life cycle (from the birth until decline), including the rationales underlying the accounting craft. The following section presents the controversies that motivated this study.

⁴ The Company's letter sent abroad always identified the firm as Pernambuco and Paraiba Company (ANTT 288). For this reason, this dissertation uses the acronym "PPC" throughout the text.

⁵ The town of Santo Antônio do Recife is located in the captaincy of Pernambuco. In 1759, Recife was a village (Mello, 2003), being elevated to city status in the nineteenth century, in 1823 (Rezende, 2002).

⁶ According to Koster (1816, p. 5), the town of Santo Antônio do Recife is "commonly called Pernambuco", the name of the captaincy.

⁷ The term is based on Braudel (2009). In this work, the author presents the trade hierarchy. The wholesale merchants were the aristocrat of trade, at the top of the hierarchy.

1.1. A scenario for investigation

On July 30th, 1759, merchants submitted to the Portuguese Crown a proposition to create a company, named General Company of Pernambuco and Paraíba. They proposed that the company would contribute to the increasing commercial activities in Pernambuco and Paraíba⁸. Due to the alleged utility of the enterprise to all the vassals of the Portuguese Crown, they asked for a government-granted monopoly of commercial exploitation in that area during the term of 20 years. Shortly after, on August 13th, the Crown confirmed the creation of the PPC. According to the document that ruled its institution, by the end of the twenty-year term of the granted monopoly, the Company would be able to claim the increase of the privilege⁹. So it was done in April 1780¹⁰ (ANTT 400). However, the non-extension of the monopoly leads to the decision to liquidate the Company.

In an early work of Brazilian historiography about the PPC, Ribeiro Júnior (1972) states that Company used DEB. At the time of the PPC's inception, DEB was "barely known by businessmen especially the Portuguese ones" (Ribeiro Júnior, 1972, p. 8). The assumed lack of skilled Portuguese people regarding the method was overcome in the Company by hiring foreigners bookkeepers (Ratton, 1920). The Portuguese Crown acknowledged¹¹ that the lack of knowledge of DEB was leading to ruin many merchants, and decreasing the "Public good" and the Commerce of the Kingdom (Rodrigues, Craig, & Gomes, 2007). Years later, in December 1761¹², the Crown adopted the same method in the public accounts of *Erário Régio* (Royal Treasury) (Gomes, 2007). This adoption shows the change of opinion because such method was considered unfit for the King in the late sixteenth century (Hespanha, 1998).

⁸ For more detailed information about the social, economic and political context in the second half of the XVIII century that led to the PPC's creation, see (Andade, 2013; Carreira, 1983; Dias, 2001, 2014; Dias, 1970; Ribeiro Junior, 1972, 1976).

⁹ Since Dom Henrique, 15th century, the Portuguese Crown took upon itself the monopoly of commerce and navigation directly managed by the King. However, in the mid-eighteenth century, the Crown tried to create "a complex administrative net aimed to order the custody of commerce". As such, it could also admit, as an exception, the contractual concession of monopolies to its vassals (Marcos, 2004, p. 104).

¹⁰ See page 127 for the discussion about the monopoly term.

¹¹ The *Alvará* of 19 April 1759, available at <<http://www.iuslusitaniae.fcsh.unl.pt>>.

¹² The *Alvará* of 22 December 1761, available at <<http://www.iuslusitaniae.fcsh.unl.pt>>.

Ribeiro Junior (1972) states that using DEB, the liquidation of the PPC dragged on for over a century. He also points out the realization of receivables as the biggest obstacle. However, from the accounting point of view, it is possible to notice something incoherent in this statement. The accounting literature acknowledges that DEB allows better organization of accounting, compared to single-entry, especially to merchants with a high volume of complex transactions (De Roover, 1937). The word "complex" in the literature, amongst others, refers to the existence of many "agents" and "divisions" of the firms (De Roover, 1937, p. 193), which was the PPC's case. Double-entry would be more efficient, for example, in monitoring the position of debtors and creditors (Lemarchand, 1994); and in controlling "the movements inside the companies including branches and divisions" (De Roover, 1937, p. 193).

From the accounting point of view, the liquidation is a process that has three distinct activities. It begins with the collection and realization of the assets; it follows with the payment of the company's liabilities; and finally there is a distribution of any leftovers amongst shareholders (Jackson, 1986; White, 1980). Except for today's terminologies like assets and liabilities, the 20th century meaning resonates elsewhere in the 18th century. The word liquidation has its origin in mid-16th century (in the sense "set out accounts clearly") from Medieval Latin *liquidat-* from the verb *Liquidare*, from Latin *Liquidus* (see liquid). The sense (in which it is used) was influenced by Italian *liquidare* and French *liquider*¹³.

In linguistic terms, liquidation is a word of Latin origin (*Liquida rationum, rerum œjtimatio, computatio, and onis*). Two eighteenth-century lexicographers define the word liquidation¹⁴ in a similar way. Raphael Bluteau refers to liquidation as "reduce them [all accounts] to fixed and exact sum"¹⁵. Antônio de Moraes Silva extends the previous definition, including that after the exact sum, expenses are deducted and debts are paid. A similar meaning to the process of liquidation also appeared in letters written by some PPC's shareholders (AHU_ACL_CU_015, Cx. 139, D. 10

¹³ liquidation: definition of liquidation in Oxford dictionary (American English) (US) http://www.oxforddictionaries.com/us/definition/american_english/liquidation

¹⁴ Raphael Bluteau (1728) and Antônio de Moraes Silva (1789). Both dictionaries are available at <http://www.brasiliana.usp.br/>.

¹⁵ Seeking greater intelligibility of the text, in the direct quotes coming from manuscripts of the time, the spelling has been updated by the author. However in the textual context, the words written with capital letters and punctuation were kept. The abbreviated words were split when necessary.

311), which corroborates the idea that this would be an ordinary procedure among traders of the time. The PPC original shareholder¹⁶, João de Araújo Mota, for example, reported that the board responsible for liquidation, should be "selling what it had, paying what was owed, and Dividing [leftovers] with each [shareholder] according to the equity [invested]" (AHU_ACL_CU_015, Cx. 139, D. 10 311, fl.7).

Throughout the firm's life, business transactions are recorded in the books through accounts. In the accounting literature, the medieval period had at least two accounting methods or systems running in parallel: DEB and account charge and discharge (Baxter, 1980). Carreira (1983, p. 245) classified the PPC's accounting records as "confusing". The author also said that it is not possible to analyze, for example, the allocation of slaves after their arrival at the PPC's base in Pernambuco. Thus, the alleged confusing or careless records, may have hindered the progress of the liquidation process. According to Dias (1970, p. 523), the PPC's balance sheets followed "medievalist" traditions¹⁷. Dias did not define what he understands for medieval, but it is possible to perceive a negative sense associated in his words probably from comparison with the current accounting practices by reference or misunderstanding in the accounting method application at PPC.

Marques (2009, 2011) states that it is not easy to follow the controlling and measurement process logic of the PPC's receivables. The records are not clear about the employed interest rate or the method used for the calculation. As a result, according to the author, in some cases, the debts had their value multiplied by 11 in the course of eight years. Considering that at that time the interest allowed by the Portuguese Crown was five percent (Hespanha, 1998) and that the person did not receive more credit from the Company, Marques' statement raises more inconsistencies in accounting policy.

¹⁶ An ordinary shareholder is an individual who fully subscribed and paid its shares until December 31st, 1763.

¹⁷ It should be observed that the original statement made by the author refers to the General Company of Grão-Pará and Maranhão (CGPM). However, recent studies on the Portuguese Pombaline companies state that they all adopted the same accounting model, in essence, despite the possible adjustments needed by each one's activities (Marcos, 1997; Oliveira, 2014). For this reason, this thesis understands that Dias' (1970) words can be extended to the PPC.

When the Board responsible for the liquidation took office, the total amount of “assets” was 3.402:575\$509 réis; “liabilities”, 927:310\$180 réis; and “equity”, 1.360:000\$000 réis (AHU_ACL_CU_015, Cx 139, D. 10296). Besides these amounts, it should be noted that the total assets of the PPC also included assets that were inventoried in the balance sheets (ratifying their physical existence and use in operational activities), but without assigning value. It is the case, for example, of a war frigate donated by the Crown in 1759, which suggests that the Company’s resources were higher to the values mentioned before. Thus, the book value of assets would be sufficient to pay all liabilities, and there would still be leftovers.

However, from a strictly technical point of view of accounting, it is important to emphasize that the amounts realized on the liquidation of the assets are not always equal to the values expressed in the balance sheets. The receivables' realized amounts are unlikely to match the final values of the Balance Sheet (Aldersona & Betker, 1995). The values of non-current assets in continuity will normally be greater than the liquidation values (Titman, 1984). In general, the realization of assets may require a long time (Altman & Hotchkiss, 2006; Jackson, 1986; White, 1980). Any deficit regarding these values affects the shareholders in the form of a reduction in the amount to be distributed after payments to creditors (Altman & Hotchkiss, 2006; Jackson, 1986; White, 1980). As a result, when a company is being liquidated rather than sold, distributions to shareholders are unlikely to be made immediately after the decision to liquidate. In short, time is an important variable for successful liquidation (Altman & Hotchkiss, 2006).

Would it be, then, the accounting practice of the PPC the only reason for the delay in the liquidation? The corporate documents and the historiography itself point out other possibilities. One is the source of the paid-in capital. Silva (1993) suggests¹⁸ that the proceedings of commercial houses, which use DEB, were completed faster because they allowed the quick separation between the family resources and resources from trade. She also indicated that this segregation of resources happened in the accounting in Brazil during the nineteenth century when trading companies started

¹⁸ Silva (1993) analyzed some liquidation proceedings, due to the passing of one of the constant partners in the Board of Trade, Agriculture, Factories and Navigation. The Board was established on January 28th, 1808, already in Brazil in the city of Rio de Janeiro.

being made up of people with no family ties. However, this possibility does not apply to the PPC. The PPC's Charter allowed anyone, regardless of origin and social status, to buy its shares. Such provision did not remain only on paper as already demonstrated in the historiography (Marcos, 1997; Ribeiro Júnior, 1972, 1976). In the lists of original shareholders, offered by the authors, it is possible to notice the presence of nobles, ecclesiastics, and bourgeois. Thus, the conditions described by Silva (1993) were already observed in the PPC since the beginning of its foundation in the middle of the previous century. Still, the liquidation process of the PPC dragged on for over a century.

Social issues, such as the existence of conflicts among stakeholders, also appear as an obstacle. A Decree of 1813 raises this possibility¹⁹. According to this decree, shareholders from Oporto and creditors complained about the lack of information on the progress of activities. They also accused the PPC's directors of abuses of power, that is, the using the firm's resources to perform new transactions, without the consent or approval of all shareholders, for their benefit. Such kind of accusations was also made during the monopoly phase. In 1770, for example, the shareholder Joaquim Inácio da Cruz²⁰ in a letter to Martinho de Melo e Castro, Secretary of State for the Navy and Overseas, mentioned the petition of the "people" of the captaincy of Pernambuco against the PPC's directors, who managed the local unit (Dias, 2001, 2008, 2014). The managers were accused of selling the best goods "to the stores in which they are interested, or to the use of their friends (...), as it is public and notorious in this Recife" (AHU_ACL_CU_015, Cx. 110, D. 8507, fl. 2).

The Decree of 1813 also states that directors were using their position for own benefit and their friends. This time, the behavior was observed by some shareholders in the distribution of the leftovers during the liquidation. According to the shareholders, the directors benefit more themselves "and their friends than the general interests". It is noticed that both the decree and the letter suggest that

¹⁹ The 1813 Decree can be found in the Laws Collection of the Empire of Brazil - 1813, Page 10 Vol 1 (Original Publishing).

²⁰ He was an original shareholder with ten shares in 1770 (ANTT 437-48).

managers were concerned to benefit only individuals belonging to a supposed social network²¹, made up of the former directors and their social ties.

The network concept is part of the mentalities' set that existed during the colonial period, and it is, therefore, seen as something natural (Cunha, 2000; Imizcoz Beunza, 1996, 2004, 2009; Schwartz, 2011; Xavier & Hespanha, 1998). The ties among individuals defined the internal organization with specific rules and practices which determined the social behavior of people (Hespanha & Xavier, 1998; Imizcoz Beunza, 1996). It is interesting to notice in the 1813 Decree the negative symbolic connotation associated with a considered standard practice, which suggests the lack of coherence between concept and reality.

The above insights reveal that is not only relevant to look at the technical aspect of the accounting craft in the liquidation process, but it is also necessary to consider the action of social and organizational context surrounding it. Both could affect the progress of the PPC's liquidation process. The next subsection presents the epistemological choice.

1.2. Epistemological choice

Every historical analysis is bound to a particular standpoint, the epistemological choice. In effect, the decision of which standpoint should be used to read the history is initially one that has nothing to do with the state of the sources. Rather, it is a decision that has to be settled in advance (Koselleck, 2004). Thus, the examination of the PPC's liquidation process is based on the presuppositions of the "New History" from the *Annales*, in the History field; and the New Accounting (NAH) in the accounting field (Miller, Hopper, & Laughlin, 1991).

It is important to highlight that this study is not using two different epistemological perspectives. The *Annales* influenced the NAH. In temporal terms, the

²¹ A social network is a group of people connected by one or more relationships. Such relationships are socially relevant when they are able influence beliefs, decisions and behaviors of the network members (Jackson, 2011; Marin & Wellman, 2011). See Subsection 2.2 for more details.

historiographical movement of *Annales* precedes the NAH. The *Annales* movement was founded by Lucien Febvre and Mark Block in 1929 (Burke, 1990) while the emergence of the NAH occurs between the end of the 1980s and the beginning of the 1990s. The article that introduced the research that could be labeled as “new accounting history”, says in its abstract that “the new accounting history is located in relation to changes in the discipline of history itself” (Miller et al., 1991, p. 395). Although not explicitly states the influence of *Annales*, it is possible to find some authors from the *Annales* movement and influential studies²² in the bibliography cited. Therefore, this evidence enforces the argument previously announced that the *Annales* influenced the NAH. In other words, they are analogous.

Before explaining what it means to use the NAH perspective to analysis the issue of interest (PPC’s liquidation process), it is crucial to understand the field of accounting research that deals with the accounting in the contexts in which it operates (Hopwood, 1983). This area of accounting research is strongly interdisciplinary in orientation, and its assumptions can be applied to any context regardless of its temporal boundaries (Hopwood, 2007; Miller, 1994). After all, as observed Bloch (1992, p. 31), “the line between present and past is no longer strictly regulated by a mathematically measurable chronology”.

In this field, accounting remains as a “formal means of collecting, analyzing and communicating information on the financial activities and performance of all forms of organization” (Hopwood, 1976, p. 1). However, rather than existing in isolation within the organization, accounting practice is immersed in a context (social and organizational) and keeps relation with it. The relationship takes place via a complex interplay in which accounting exerts an influence on, and in turn is affected by a multiplicity of agents, agencies, institutions and process (Miller, 1994). The accounting information offered to both internal participants and external interested parties about the economic activity over a particular period is imperfect and biased (Miller, 1994; Roberts & Scapens, 1985). It is “presumed to be *produced* and *used* not only as a response to (economically) rational demands, but also frequently for social and political reasons” (Carmona, Ezzamel, & Gutiérrez, 2004, p. 27). Through

²² For example, “The Cheese and the Worms” by Carlo Ginzburg.

this information, the accounting practice acts upon individuals, entities and process to transform them to achieve specific ends (Hines, 1988; Hopwood & Miller, 1994; Miller, 1994). Thus, accounting appears intertwined with social as well as organizational practices (Hopwood, Burchell, Clubb, Hughes, & Nahapiet, 1980).

Researchers who perceive the accounting this way (as a social and institutional practice) conduct investigations to understand how a particular accounting practice emerged; and the way in which the interplay between accounting and the context (both, social and organizational) happens. The chosen epistemological perspective keeps the historical integrity. It means that the accounting practice of the Company was analyzed in the context based on the rationales, discourses and ideologies in its own time to improve understanding of the interplay, instead of using current accounting concepts. Then, in this study, there is a search for a diachronic knowledge about the merchant accounting practice during in the colonial Brazil.

1.3. Research question

The problematic situation lies in the alleged procrastination of the liquidation procedure at PPC. The study began with the following question: **How and Why the PPC's liquidation process stretched for so long?**

This research uses the PPC's liquidation process as an empirical case study (Miranti, Jensen, & Coffman, 2003). Accounting historians have used the case study method to investigate a range of historical accounting issue (Napier, 2006). The form of the research question contributed to the choice of the research method. "How" and "why" questions are likely to favor the use of case studies (Yin, 2014). Such questions deal with an investigation of organizational phenomena within a specific spatial and temporal context (Fiss, 2009), especially when boundaries between event and context need to be traced over time (Yin, 2014). Although some accounting researchers avoid analysis with how type questions, such investigations help to improve the accounting field as a body of expertise (Miller, 1998).

The unit of analysis is the PPC's liquidator body, established in 1780. The investigation perceives the liquidator body as an institution. As Scott (2014, p. 57) states, "institutions are multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources". In line with this view, this study could be understood as an institutional history (Araújo, 2009) about how and why some social and institutional elements have evolved over time and have contributed to the delay in the liquidation process.

On the assumption that the PPC's liquidator body was involved in a social dynamic, there are many issues (endogenous and exogenous) that influenced the firm's operational activities. However, due to the impossibility of studying in depth all issues, four of them were selected to be analyzed within the scope of this study. The chosen issues reflect theoretical issues from previous literature from fields, Accounting, and History.

- Relationship between the PPC and the Portuguese crown (S1);
- PPC's organizational structure (S2);
- PPC's accounting system (S3);
- Ties between PPC's stakeholders (S4).

For the purpose of this dissertation, the PPC liquidation process was understood and explained through the interrelation between accounting practice and the social and organizational context that was limited due to the epistemological choice. This dissertation aims to provide an explanation on how the PPC accounting practice (S3) affected its liquidation process; and how the social (S1 and S4) and organizational (S2) context affected the PPC liquidation.

The discussion presented here does not intend on being the only possible narrative about the PPC liquidation process. It tries to offer an interdisciplinary dialogue (theoretical and methodological) between accounting and history. The main argument is that the delay in the liquidation activities can be understood and explained by the contributions of each of the four above issues. Thus, the answer to the proposed research question occurred after the exhibition of the arrangements and its effects on each issue.

It is an interdisciplinary analysis that articulates the technical aspects, from the accounting point of view, with the social influences (time, space, the individuals themselves and their relationships). The numbers are too barren when considered in isolation. The accounting information, devoid of the context in which it operates, is innocuous, reasonless, and meaningless. It does not reveal the less obvious social levels contained even in the "old positivist narratives" of historiography (Mello, 2003, p. 15). When the accounting information is presented in the context in which it operates, it becomes a "privileged sources for ancient economy knowledge", of the social structure and the daily life of those who practice it (Mauro, 1973, p. 135). These sources could provide new readings to historiography. On the other hand, history allows the Accounting to exceed its technical limits. It means thinking about Accounting critically (Miller, 1998).

By pursuing this research, this dissertation bridges the demand for more studies about the PPC's liquidation process in History field (Marques, 2009; Ribeiro Júnior, 1972, 1976; Saraiva, 1941). It is also important to increase the margins (Miller, 1998) of accounting historiography with the examination of accounting practices and its rationales in pre-industrial settings outside of the Anglo-Saxon box (Carmona, 2004; Carnegie & Napier, 1996; Napier, 2009).

1.4. Boundaries of the study

This section provides the boundaries of the unit of analysis. The process of identifying the boundaries around a phenomenon is a significant step in the investigation. It reduces the real world complexity to manageable proportions (Fiss, 2009) and helps to determine the scope of data collection (Yin, 2014). The dimensions used to define the unit of analysis of this study were space, activities, time, and people.

The selection of spatial boundary is based on organizational and accounting aspects of the Company. Three of the five business units of PPC were selected: (a) the *Junta*,

located in Lisbon, Portugal; (b) the *Direção* of Pernambuco, located in the captaincy of Pernambuco, Brazil; and (c) the *Administração* of Paraíba, located in the captaincy of Paraíba, Brazil.

In organizational terms²³, the PPC had two distinctive arrangements. During the monopoly phase (1759-1780), The *Junta* was at the top level of the hierarchy. The *Direção of Pernambuco* was below, at the second level. At the third level of the hierarchy was *Administração da Paraíba*, directly subordinated to *Direção of Pernambuco*. Each unit had their structure of activities, positions, and wages. However, this organizational identity did not materialize itself completely in accounting terms.

Since the Company's establishment, only the units located in Lisbon and Pernambuco had an accounting department responsible for conducting the accounting process. By accounting process, it means the orderly succession of acts and formalities leading to the generation of economic and financial information, starting from the bookkeeping of primary and auxiliary accounting books to publishing reports on the general situation of the Company. Throughout the entire monopoly phase, the unit located in Paraíba did not hold its accounting identity, despite the organizational distinction. The accounting information about it was controlled by the *Junta* in aggregate form in the *Direção of Pernambuco's* account. By doing so, it was impossible to distinguish the percentage of Paraíba's participation in the results²⁴.

To some extent, the organizational and accounting structure of the PPC reproduced the governing configuration of the colonial context. The captaincy of Paraíba in jurisdictional terms was subordinate to the general government located in Salvador, Bahia (Acioli, 1997). However, the Crown transferred the jurisdiction of the Captaincy of Paraíba to the government of Pernambuco²⁵ in December 1755 (Menezes, 2005; Oliveira, 1985). With this decision, the captaincy of Paraíba became a captaincy attached to Pernambuco. To be attached meant the autonomy loss regarding

²³ See Subsection 4.2.2.1 for more details.

²⁴ Some transactions were reported in the Balance Sheet as belonging to the Paraíba unit, but the explanation of the same item in the report attributed the transaction to the Pernambuco unit (AHU_Cód. 1792-804). The ledger did not help to solve the impasse.

²⁵ The transfer was, therefore, prior to the institution of the PPC.

administrative, political, fiscal, legal and economic jurisdictional issues²⁶. The government of Pernambuco was the central body regarding these matters, except for military affairs (defense and management of paid troops and ordinances). The hierarchical government representation in Paraíba was in charge of a Captain-major, directly subordinate to the Pernambuco's Governor. The Captain-major nomination was the prerogative of the Crown. On condition of being attached, the captaincy of Paraíba did not report directly to Lisbon. This situation lasted until 1799 when the autonomy was restored (Menezes, 2005; Oliveira, 1985).

However, in the PPC's organizational setting, months after the beginning of the liquidation process, March 1781, the *Junta* announced the administrative and accounting "independence" of the unit of Paraíba regarding Pernambuco's (ANTT 383, fl.158v-160). Accordingly, the *Administração da Paraíba* would report directly to *Junta* without passing the information through the *Direção of Pernambuco*. Soon after the statement of independence, Pernambuco unit was ordered to segregate in the accounting books what belonged to the unit of Paraíba. This way, the unit of Paraíba gained an accounting identity, being, therefore, possible to control starting from 1782. From the pragmatic and accounting point of view, to have an accounting identity means that their economic and financial movement started being managed by an account on the ledger.

Indeed, even if Paraíba continued to be subordinate to Pernambuco throughout the liquidation, it is natural to admit that events happened, in that geographic area, were included in the analysis, even indirectly. After all, the financial information included the movement of resources in the monopoly concession area (i.e., the captaincy of Pernambuco and Paraíba with all their districts) (§25)²⁷. Thus, what would be impossible to define accurately, in this case, would what was done by one unit or another. However, the "independence" of the *Administração da Paraíba* during the liquidation brings life to a distinct social space and, as a result, enriches the

²⁶ It is worth emphasizing that, at the time, the captaincy of Ceará (in 1656, being previously subordinated to the state of Maranhão) and Rio Grande (in 1704, previously subordinated to the Captaincy of Bahia) were already subordinated to the government of Pernambuco.

²⁷ Throughout the text, this dissertation refers to the paragraphs of the PPC's organizational regulations by this sign (§). These regulations adopted different number systems to titrate paragraphs. The Arabic system was used by the 1759 Charter, while the Roman system was passed over to the *Diretório Econômico*. Thus, this dissertation follows the differentiation already marked by their own regiments in citations.

dissertation with the possibility of more detailed analysis of the progress of liquidation in this Atlantic area.

For the purpose of this dissertation, the liquidation is an accounting process, by nature, that can be segregated into three distinct activities. The first activity is the collection and realization of all valuable resources owned by the entity (called nowadays as assets). Realization is the conversion of all these valuable resources into cash. The second activity is the payment of the entity's obligations to outside parties who have furnished resources (called nowadays as liabilities). The third activity is the distribution of any leftovers among equity investors.

The dates that mark the creation and extinction of the first liquidator body serve as temporal boundaries of this study. In formal terms, the liquidator body was created on December 11th, 1780 and terminated on April 7th, 1813 by Royal Decrees. However, the information about the monopoly period (from 1759 until 1780) of the Company completes this time boundary. This study considers that the information about the operational period is important to understanding the “endpoint” of mercantile activities of the firm.

This temporal expansion allowed the development of comparative analysis of the existing organizational structure in the monopoly period and the structure into liquidation. It meant to confront the two organizational structures intending to find similarities and differences as well as possible common elements endowed with specific dynamics (Bloch, 1928). This comparative analysis has become necessary to understand the boundary between liquidation's issues and questions arising from the structure and previous (to monopoly period) context of the Company.

From the accounting perspective, the time increase was also essential. Considering the lack of previous studies (historiographical or from the accounting literature) that offered details about of the accounting process (e.g., recognition criteria and measurement) of the PPC, it would be impossible to understand the liquidation process. It never hurts to mention that the epistemological perspective chosen for this study requires that the accounting practice be analyzed taking as a reference its mental frame. To undertake an examination of the PPC accounting practice based on

today's accounting concepts means to contradict the interpretive approach chosen by this dissertation.

The extension of the time boundary was also applied to the analysis of the ties (S4), based on the premise that relations among stakeholders are the result of the interaction among them over time. The interest group for the research consists of the Company's stakeholders, individuals who affect and are affected by the firm's daily routine (shareholders, employees, creditors, and debtors). The analysis of the ties was built mostly from data collected in the primary and auxiliary accounting books. However, there was no disposal of information from prosopographic studies.

1.5. Expected contributions of the study

Due to its interdisciplinary orientation, this study hopes to contribute to both agendas involved in the research: History of Accounting and History itself.

The focus of the accounting history research agenda is quite diverse. In Brazil, the few existing works about colonial period are narratives of a Eurocentric nature and developed around the binomial "data-event" (Leite, 2005; Sá, 1997, 2006; Schmidt, 1996, 2000; Silva & Martins, 2006). In these works, the colonial period is often forgotten, or a few paragraphs are enough to explain its 300 years. Furthermore, they appear to embrace this isolation in the course of their studies. As a result, they may establish a nonexistent mark, like Schmidt (1996) did. By being confined, they transform the accounting history research in something insufficiently innovative. The innovation is "more prone to emerge from the margins of the subject that are in touch with different perspectives and bodies of knowledge" (Hopwood, 2007, p. 1370). In this scenario, the analysis of the third aspect of this research (S3) contributes to the research agenda in the accounting history offering the rationales of the accounting practice (i.e., recognition, measurement, and disclosure) used by a Luso-Brazilian company in the mid-eighteenth century. The discussion includes the dynamics of this accounting practice throughout the firm's life, that is, from its inception to its liquidation. The analysis also provides the conditions that made possible the

accounting practice, the ideals embodied in it and how it created a reality able to fit these ideals (Carmona et al., 2004; Miller et al., 1991; Miller, 1998). The analysis agrees and extends previous findings of the NAH protagonists. The unit of analysis and the boundaries (spatial and time) adopted in this study has been receiving less attention in the accounting history agenda (Carmona, 2004; Parker, 1993).

The accounting records are the basis not only to understand the accounting technical issues or the “old economies” as advocated by Mauro (1973) but also to understand social dynamics. Thus, the analysis also features contributions to History. The analysis of the first aspect of this research (S1) contributes to the historiographical debate on the architecture of the Crown's management bodies which reinforces the corporate and polissinodal concepts (Fragoso, Gouvea, & Bicalho, 2000; Hespanha, 2001; Subtil, 1998b). The examination of the second aspect of this research (S2) offers contributions to studies on the subordination of the northeast captaincies to the government of the captaincy of Pernambuco with the inclusion of the *Administração* of Paraíba in the scope of analysis (Menezes, 2005; Oliveira, 1985). The analysis of the fourth aspect of this research (S4) provides analytical contributions to the study of mercantile networks in the Brazilian colonial space. The sociogram built to examine this issue brought together data collected in the PPC's accounting books and secondary sources (Araújo, 2012; Dias, 2014; Pesavento, 2013; Silva, 2014; Souza, 2012). The discussion of the reimbursement of capital among shareholders (S3 and S4) contributes to the debate on capital accumulation at the turn of the eighteenth to the nineteenth century (Fragoso & Florentino, 2001; Fragoso, 1992). Thus, it becomes clear why many authors (Marques, 2009; Ribeiro Junior, 1972, 1976; Saraiva, 1941) believe that the PPC's liquidation process should be subject to research.

Throughout the analysis, it was detected various problems faced by the PPP between the eighteenth and nineteenth centuries, which currently persist in the firms (e.g., agency problems, and estimates of future on financial statements). Thus, this dissertation shows its contribution discussing how the Company faced these problems.

1.6. Structure of the study

The overall structure of this study is as follows. Beside this introductory chapter, there are more four others. Chapter 2 positions this research by reviewing insights from the literature on PPC and its accounting practice. This study combines writings from Accounting and History fields to build the review. The same chapter also presents the theoretical approach used to understand the PPC's liquidation process.

Chapter 3 presents more details about the viewpoint to be taken when considering reality, the epistemological perspective. After that, the chapter introduces the rationale for and the organization of the case study.

Chapter 4 is the "heart" of the dissertation, where it presents the empirical results and discussion of research findings. The aim of this chapter is to answer the research question. The chapter starts with the context immediately before the beginning of the PPC's liquidation, that is, from de 1777 until 1780 to explain its decision. After that, the chapter offers the analysis of the PPC's liquidation through the set of issues chosen. The purpose is to explain how and why these issues have evolved over time and have contributed to the delay in the liquidation process. Each issue is discussed in a different subsection. The analysis developed in this section uses the concepts from the Company's views and those of its social group. At the end of each issue analysis, the main findings are reviewed and evaluated.

Chapter 5 summarizes the main findings of the dissertation and concludes on their implications. Moreover, the chapter also addresses opportunities for future research.

2 LITERATURE REVIEW AND THEORETICAL APPROACH

This chapter is devoted to the examination of the literature review and the theoretical approach. Section 2.1 highlights the previous studies that have contributed to the understanding of the PPC, promoting a discussion among them. Throughout the debate between the previous works, it identified remaining controversies on the subject, which lead to the emergence of the issues (S1, S2, S3, and S4) for the case study. After this identification, Section 2.2 presents the theoretical approach used in this study to analyze the social context and the question of interest, in other words, the apparent procrastination conclusion of the liquidation activities of PPC.

2.1 Literature review

The whole of historiography selected for this review takes many different forms ranging from studies of breath (dissertations, theses, and books) to journal articles. Regarding the themes were chosen studies focusing its analysis on the PPC; others are related works, including studies of mercantile elites, in which sometimes the Company would be just one of the items analyzed. These works were produced like distinct historiography traditions, composing an inspiring heterogeneous collection.

As seminal studies of the Brazilian and Portuguese historiography of PPC, Ribeiro Júnior (1972) and Carreira²⁸ (1983), respectively, stand out. The importance of Ribeiro Júnior's study lies in its *lato sensu* approach about the installation and operation of the Company. Carreira (1983) promotes an interdisciplinary investigation (History and Ethnology) to exam one of the PPC businesses²⁹ (trafficking and the slave trade). He examined traffic not only in quantitative aspects but was also concerned with the specification of the ethnic groups of the slaves shipped to Brazil. Both works are embedded in the theoretical framework of relations between Europe

²⁸ This dissertation uses in this review the second edition of the book. However, the first edition was published in 1969.

²⁹ Carreira's study has as main subject the slave trade at the two Pombaline-Atlantic companies: Grão Pará and Maranhão General Trading Company and PPC.

and the overseas dominions called Old Colonial System (Novais, 2009; Prado Júnior, 1983)³⁰, in which the outcome of all economic activity generated in the colony builds up in the metropolis. In this theoretical framework, “the very concepts of colony and colonial were freighted with powerful overtones of subjection, subordination, dependence, domination, inferiority, incapacity, alterity” (Greene, 1994, p. 3). Thus, the Portuguese colony in South America would be “a large *plantation*, whose fate was to satisfy a nascent capitalism in Europe” (Fragoso, 2002b, p. 6).

Ribeiro Júnior (1972) points out the mercantile and colonialist character of PPC through an economic analysis of their activities during the monopoly period (1759-1780). Despite his temporal boundaries, he also comments, in the last chapter of the thesis, about crises and conflicts that marked the end of the monopoly, including brief reports on the liquidation process. He concluded that the PPP had fulfilled its primary function: intensified the commercial connection of two critical areas of Portuguese colonial empire (Angola and Pernambuco), and promoted the regular link between northeastern Brazil and the metropolis. By doing so, the Company was part of the world trade and accelerated the primitive accumulation of capital in Europe (Ribeiro Júnior, 1972).

Carreira (1983) analyzed the organization of the Atlantic slave trade promoted by the PPC. The introduction of slaves to the northeast captaincies of Brazil would allow the increase in agricultural production of the Company's operating region, which was later directed to the Kingdom. According to the author, the moment before the inception of the PPC, the slave trade was in the hands of colonial merchants. With the Company's creation, the situation changed, and the slave trade was controlled by merchants who lived in the metropolis, mainly in Lisbon and Oporto. Based on accounting books, both Pombaline-Atlantic companies introduced 85,487 slaves. The PPC was responsible for 65.6 percent of this amount between 1756 and 1787. The widest influx of slaves took place during the period from 1760 to 1774. It should be noted that the regularity of numbers has never been a feature of the slave trade, an activity of contingent character. With these results, Carreira reinforces the idea that

³⁰ The seminal works are from the 70's.

the company has contributed to the exogenous accumulation of wealth generated in the colony.

The research conducted by Carreira (1983) was increased recently by Menz (2013). This author has examined the financing of Angolan slave trade, exploring a supposed gap in historiography to ascertain whether "were businessmen resident in Portugal who financed the trade"³¹ (Menz, 2013, p. 47). He used the PCC's accounting books to conduct the research. Comparing the accounting numbers from PPC with data over the general traffic in the region of Angola, he concluded that the Company "was probably the single biggest slave exporter" in the period (Menz, 2013, p. 54). Hence, the author goes on advancing its analysis on internal aspects of the Company to determine the origin of the cargo shipped to Angola. So, considering that the *Junta* was responsible for a greater number of shipments³², compared with the *Direção* of Pernambuco, the author concluded by accepting the hypothesis, the merchants based in Portugal that financed trafficking in the region of Angola.

From the institutional perspective, the business units located in Lisbon and Pernambuco constitute a single organization, namely the PPC. All organizational units shared the financial resources of this firm. The existing cash on the unit located in Pernambuco did not merely contain the money from the payment of the shares of shareholders resident in the colony. By the way, it is worth noting that all the money or goods used by local shareholders to pay their shares were sent to Lisbon and given to the accounting officer of the institution (AHU_ACL_CU_015, Cx. 90, D. 7214). The fact that the largest number of goods left Lisbon does not imply that the funds used were exclusively from local merchants. The decision to send ships to any destination is an operational decision of the company, which depends on various factors (e.g., the product availability in storage or cost of insurance for the route). However, such factors were not discussed in depth by Menz (2013). So, the proxy used by the author does not sustain his conclusions. Considering that the Menz's purpose was analyzing the activity funding and whether the Company was,

³¹ Menz reports that this same hypothesis was previously formulated by Miller (1988).

³² Neither Carreira (1983) nor Ribeiro Júnior (1972) mention the existence of a Lisbon-Angola route, whose reference Menz (2013) collected from accounting books. For Carreira (1983, p. 227) all routes for slave trade leave from Pernambuco to Angola. Ribeiro Júnior (1972, p. 166) foretell some departure from Lisbon, but none of them passing through Angola, that wasn't even mentioned at none of routes described by the author.

individually, the primary market agent, it suited discuss which were the sources of funds (i.e., own, third parties or securitization of assets) used it to finance that activity. In other words, the author should, for example, study the capital structure of the PPC of the business of the slave trafficking.

Going back to Menz's (2013) discussion, beyond the funding considerations, he also follows with an analysis of profitability of the slave trade activity of the PPC. It is curious to note that the author did not reveal the concept of profitability used. Whereas trafficking would be just one of the Company's activities, profitability could be measured by the contribution margin (Zimmerman, 2003), which is the remaining amount of sales revenue after deducting costs and expenses affecting the activity variables. Thus, the profitability of slave trade is expressed as the percentage of the contribution margin about total sales revenue. However, the calculation made by the author has deducted items considered as irrecoverable (e.g., the investment in the acquisition of ships) by the methodology of cost variables, to which the concept of contribution margin is based. Thus, the calculation displayed by the author demonstrates a profound lack of understanding of accounting concepts, namely the differentiation between investment costs and expenses; as well as the behavior of such items. Facing such a miscellany of ideas, the result of 16 percent as the operating profit rate is devoid of meaning within the Accounting.

Marcos (1997) and Andrade (2013) are interdisciplinary studies which contributed to this dissertation. Marcos (1997) developed his study at Faculty of Law (University of Coimbra, Portugal). He promoted a historical analysis of legal-administrative aspects of the Portuguese chartered companies during the second half of the XVIII century. In his study, he used three of six³³ companies, that is, the General Company of Grão-Pará and Maranhão (CGPM), the General Company for the Agriculture of the Vineyards of the Upper Douro (CGAVAD) and PPC³⁴. In legal terms, the companies were a matter of public rights. Their corporate structure was based on rules such as limited liability, capital lock-in, and tradable shares (Marcos, 1997).

³³ According to Marcos (1997, pp. 256–7), it was established six companies during the reign of Dom José I: two in Portugal (CGAVAD and the General Company of Fisheries of the Kingdom of Algarve), two in Brazil (CGPM and PPC), and two pointed at the Indian route (Oriental Comercial Company and Company of "Mujao and Macuana").

³⁴ Ordered here by the date of establishment.

Regarding the circumstances surrounding the work of Andrade (2013), it is noteworthy that despite having been produced as part of a doctoral program in History, the academic background of the author is Accounting. Andrade (2013) studied the operation and management aspects of the PPC in the period 1760-1775. The company's financial statements were his primary sources. According to him, the working capital needs have always been a constant in the company's daily routine. The amounts available in cash were not sufficient to meet operational requirements. The manipulation of the estimated profits on the trade side of the credit policy and the calculation of dividends were organizational practices that led the project to financial failure. The author concludes that the Company's management did not provide benefits to the inhabitants of the captaincy of Pernambuco and Paraíba. The PPC served thus as a transfer vehicle of income from the colony for the kingdom.

Some studies selected for this review (Andrade, 2013; Araújo, 2012; Dias, 2001; Ribeiro Júnior, 1972; Silva, 2014) concentrate on the last years of monopoly (1770-1780), mainly in conflicts, and the royal decision of not to renew the privilege.

According to Araújo (2012), the conflicts experienced from 1770 were motivated by complaints made by local society against the abuses performed by the directors of the *Direção* of Pernambuco. The authoress did not attribute the criticism to the defense of free trade, restricting the debate on the service expectations. According to Ribeiro Junior (1972, p. 258), 1770 it is the year of the first "crisis" when the PPC had presented "disorganization" and "contradictions in its administrative structure". Andrade (2013) advanced in understanding the crisis and said that the issue would be on the alleged misuse of government rules, compared to the established in the PPC's Charter. He adds that the directors did not deny the abuses nor accepted them, but attributed responsibilities to the Board of the *Junta*. According to the directors, the Board of the *Junta* allowed them to realize activities considered abusive (Andrade, 2013). The Board of Lisbon itself in a letter to the governor of Pernambuco in 1778 says that the Company will be "completely disfigured in practice" (AHU_ACL_CU_015, Cx. 128, D. 9737, fl.1). For this reason, this dissertation chose the **organizational structure** as an issue of analysis (S2).

Both Ribeiro Junior (1972) and Andrade (2013) offered analysis of the PPC's financial position. The first author focuses on profits and dividend policy while the second on working capital needs. In accounting terms, the analysis made by Andrade (2013) provides more support for the understanding of sustainability of the Company's activities. The fact that a company shows a profit as a result of activity in the period does not guarantee liquidity to the cash to afford their day-to-day operations. Profits are economic resources with no immediate realization in financial terms. For example, the sales made on credit affect the calculation of result (profit or loss) at the time they occurred, but the company can receive the cash in a different period, depending on its credit and collection policy³⁵. Moreover, the dividend policy undertaken did not guarantee the financial capital maintenance of the PPC, because they were calculated based on economic resources, often overcharged (Andrade, 2013).

Dias (2001) did not defend the statement that the PPC profitability has been the only argument against the company in the monopoly's renewal decision. According to her, the local society action in defense of its interests was a crucial factor in determining the Company extinction. Against the PPC were sugar planters, sugar mill owners, and merchants. They had an enormous debt with the PPC. According to Ribeiro Júnior (1972, p. 27), the company's opponents were a "faction not privileged by the monopoly", which also includes livestock farmers, religious entities, and liberal professionals. By contrast, Araújo (2012) does not entirely share these ideas. For her, such perceptions stem from the lack of knowledge about the activities set performed by company's directors and their power. In her opinion, the main debtors were the wholesaler's merchants residing in Pernambuco, who held management positions at PPC's local unit. Their debts were the result of the use of the director's position in their benefit (Araújo, 2012). Dias (2014) and Silva (2014) also shared this opinion recently.

Dias (2001) states that the PPC's debts collection have a "direct influence" (p. 128) with the insurrectionary movements that happened in Pernambuco in the nineteenth century. However, Marques (2008) prefers to advocate for an indirect influence on

³⁵ The management of receivables at the PPC was a difficult matter (Araújo, 2012; Dias, 2001; Dias, 1971; Marques, 2008, 2009, 2010, 2011).

them. According to her, the collection of debts generated a "feeling of growing uncertainty in most debtors and their heirs" (Marques, 2008 p. 10), which may have been "headed by the most engaged leaders" of the movement 1817 (Marques, 2008, p. 17). In the latest analysis, Dias (2014) steps back in her position and states that the debts collection was not a significant factor in any of the revolutions" that happened in the Portuguese America in the nineteenth century.

The PPC's credit and collection policy were analyzed by Marques (2010). In the first decades of its operations, the Company provided credit with no guarantees and did not examine the applicants' economic conditions, despite warnings made by the directors of the *Direção of Pernambuco*. This credit policy authorized by *Junta* engendered the high level of indebtedness of Pernambuco's population, mainly sugar producers (Marques, 2010). Subsequently, during the liquidation, the PPC's private court penalized defaulting debtors with garnishment of their sugar farms (*engenhos*) without observing an existing law (from 1730) which grants specific exemptions for them (Marques, 2010). According to Souza (2008), the garnishment of sugar farms happened even before the beginning of the liquidation process. As an example, he cites the case of Domingos Bezerra Cavalcante, whose sugar farm called Bulhões was garnished because of debts with PPC (AHU_ACL_CU_015, Cx. 62, D. 5285).

In another study, Marques (2011, p. 70) points out that despite many mechanisms available to the PPC in the dispute over defaulting debtors during the liquidation like the "protection of the Crown and the power to manipulate the numbers of debts under shady accounting principles", it was missing the "support of local public authorities to implement decisions".

The Town Council and the Board of Inspection³⁶ in Pernambuco were local government institutions, whose activities affected the PPC. Both were the subject of several works of Souza (2003, 2007, 2008, 2012). The author places both institutions as the PPC's antagonists. The Town Council in Recife showed their opposition in

³⁶ The Board of Inspection was established in 1751 in Pernambuco, Rio de Janeiro, São Luis and Salvador to manage the tobacco and sugar trade. Its functions included the quality examination before shipment and the establishment of price. For more information see Souza (2007) and Araujo (2012).

letters sent to bodies of the Portuguese Crown³⁷ claiming that directors' performance did not favor the local trade nor the Royal Treasury. The Board of Inspection excluded the local PPC's shareholders from the election for inspectors³⁸ (Souza, 2008). Araújo (2012) argues that the clash between the Board of Inspection and the PPC emerged from overlapping functions. This overlap was a feature of the own corporate structure of the Portuguese monarchy (Hespanha, 1994, 2001), which created hierarchical uncertainty over which the PPC had found chance to act without worrying about the decisions of the Board of Inspections.

According to Rodrigues and Sangster (2012), despite being a privately owned company, the PPC had a solid interface with the Portuguese Crown. In this relationship, the PPC was directly subordinate to the King, who had the power to alter the corporate rules at any moment and to control the company's performance, including its officials. However, the beginning of the liquidation process seems to widen the universe of the State agencies with the power to interfere in Company's management (Dias, 2014). For this reason, this dissertation chose **the relationship between the PPC and the Portuguese monarchy** as an issue of analysis (S1).

Another issue of analysis (S4), **ties between Company's stakeholders**, arises as a way to understand the directors' behaviors. According to shareholders and some public officers (e.g., governor of the captaincy of Pernambuco, and Secretary of State for the Navy and Overseas), the directors were using their position for own benefit and their friends. The idea that the political duties gave way before moral or parental duties (Hespanha, 2010) was a feature of the corporate monarchy. Therefore, considering that the Company was part to some extent of this corporate monarchy, it is interesting to note the negative symbolic connotation associated with the common practice. This situation suggests the lack of coherence between concept and reality, a displacement that underlines that economic interests were sticking out the ethical and moral principles.

Both seminal works on the Company (Carreira, 1983; Ribeiro Júnior, 1972) refer to its accounting practice, but they did not analyze it. Ribeiro Junior (1972) ensures that

³⁷ For example, the Governor of the captaincy and the Secretary of State for the Navy and Overseas.

³⁸ A position in the institution.

DEB served as a mainstay for the Company's accounting procedures. It is an important statement because it shows that the mandatory use of DEB did not become "dead letter". Carreira (1983) states that the practice of PPC obeyed the same scheme followed by the CGPM, but not defined or explained. Such a scheme in the opinion of Dias (1970, p. 523) was still riddled with "medievalists traditions". It is probably an anachronistic judgment of the author after analyzing the PPC's balance sheet, which it did not have the current T-accounting form. Other authors do not share this opinion in the accounting field. The balance sheet form used by PPC was similar to other European chartered companies in the period (Baladouni, 1986, 1990; Oliveira, 2014).

Going into more technical detail of the accounting system of the PPC, it should address the issues for the double entry at the accounting method. In their analysis, Ribeiro Junior (1972) and Andrade (2013) confirm the practical adoption of double entry at accounting books in the PPC. However, both authors do not explicitly refer to the elements that support this claim. Several studies make considerable efforts in the discussion about the origin of the double entry (Arlinghaus, 2004; De Roover, 1937, 1943; Edwards, 1960; Hoskin & Macve, 1994; Sangster, 2015; Thompson, 1994; Yamey, 1947, 2004). Regardless of questionable origin attributed to the fourteenth century, important to discuss the outlines of the experience of double entry at the PPC. According to Lemarchand (1994), the adoption of double-entry was standard practice in most European chartered companies dedicated to trade, as the PPC, during the seventeenth and eighteenth century. The reasons for adoption are the intrinsic nature of trading activity over long distances; the semi-public character of the firm; and the equity come from people without family ties (Lemarchand, 1994).

However, in the mid-seventeenth century, when the PPC was established, at least two accounting methods were running in parallel: single-entry and double-entry (Baxter, 1980). In the accounting literature, the term single-entry typically denote any system of accounting which is not DEB (Yamey, 2005). Single-entry bookkeeping (SEB) serves as a system of stewardship between two individuals (Baxter, 1980; Hernández Esteve, 2002). The system was used to provide the record of receipts and payments (i.e. money or goods) (Baxter, 1980; Oliveira, 2005). The calculation of a merchant's net assets depended on its bookkeeping records and external sources

(Robertson & Funnell, 2012). The end balance in the SEB showed what an individual (i.e., an agent) must hand over to his principal in his charge for the next period (Baxter, 1980). The SEB was an easy method which could be adapted to any business (Lemarchand, 1994; Oliveira, 2005) and it did not require specialized professionals as DEB (Oliveira, 2005).

Yamey (1947) states that even running in parallel there is a very wide gap between the two methods both in scope and technique. DEB contains nominal and real accounts which the SEB does not. The cohesion of accounts in DEB is without counterpart in the SEB (Yamey, 1947).

DEB owes its name to the condition *sine qua non* of duality in the accounting records. So, each entry in the journal leads to the inclusion of two items, one in the debit side and other to the credit in the ledger (De Roover, 1937). It is worth to say that the use of the journal (*diário*) or ledger (*livro razão* or *livro mestre*) does not guarantee that the accountancy follows the rationality of the double-entry because even at the accounting book for single-entry those books are also used (De Roover, 1937; Yamey, 2004).

According to Pacioli³⁹ (1494/2014), the books needed for the accounting of double entry are waste-book (*borrador* or *memorial*), journal (*diário*) and ledger (*razão* or *mestre*). If the company has a reduced volume of activities, the waste-book can be suppressed. Each book has a distinct nature, content, and record form. All trades carried out by the firm must be registered in the waste book with care to provide the greatest number of quantitative and qualitative details possible about the transaction (date of the sale, the goods weight, price, the currency used, condition for payment and delivery, among others). Unlike daily or ledger, there is no way or method to write down the notes in the waste book, for the purpose of this book is to help the memory. The recording of transactions in the journal is more "schematic, with no superfluous indications" in the chronological order of events (Pacioli, 1949/2014, p.

³⁹ The Pacioli's famous work had been published in 1494. This dissertation used a transcribed edition from the document made by Ordem dos Técnicos Oficiais de Contas (OTOC). The transcribed edition is available as a conference proceedings paper at VII Encontro de História da Contabilidade da OTOC. The event held at Cultural Center of Belém November, 28, 2014. The OTOC's History Commission was constituted by the researchers Lúcia Lima Rodrigues, Hernâni O. Carqueija and Leonor Fernandes Ferreira.

107). Besides, the terms "For" and "A" are indicative and should precede the accounts activated in debit and credit respectively. All transactions must be recorded in the journal first, then in the ledger. Each sheet of ledger must contain the synthesis of debit and credit of each account individually (Pacioli, 1494/2014).

The accounting department of the PPC followed Pacioli's (1494/2014) indications regarding books. In other words, the waste book was rich in details regarding the events occurred. Such details were not repeated in the other books, which received more synthetic events descriptions, keeping only essential elements. Carreira (1983, p. 245) did not have the same opinion and ranked the entries made at PPC as "confused" when compared to the CGPM practices for the slave trade. According to him, the CGPM's waste books recorded various details of the transactions such as the "number of embarked slaves, escapes, deaths before shipment (...)" (Carreira, 1983, p. 245). It seems that the author is comparing the waste books of both institutions to utter similar conclusion. However, there is in his list of sources the following reference: "PPC - 'waste-books' (Accounting Diaries)" (Carreira 1983: 424.), what raises doubts about the nature of the objects compared. The question of this citation is to report different books as having the same nature.

According to previous exposure of Pacioli (1494/2014), the details about the slave trafficking would be inherent to the nature of the waste-book, not a journal. Therefore, reading the waste book would be required to capture the detail on transactions of slaves. This task is difficult to complete because the waste books of the PPC unit located in Pernambuco are not available for consultation in the file, although they are referred to at several times throughout the documentation produced both internally and externally. However, on reading waste books recorded by *Junta* over the years of operation, it appears that this book did not fail to include details of the transactions. Thus, this dissertation disagrees with the Carreira's (1983) position about the lack of detailed information in the waste-books.

The observance of duality within the same book (i.e., journal and ledger) is an indispensable condition, but not enough to assure the use of double-entry (De Roover, 1937; Sangster, 2015). According to De Roover (1937), to state that an accounting procedure follows the double-entry rationale, it also should present: (1)

the amount indicated as a debt should be equal to the constant on credit. In other words, it should be noted the balance of debit and credit accounts. This balance should take place per event; (2) the measurement of the amounts should be based on the same currency; (3) the recordkeeping in the ledger must use five different types of accounts (see Figure 1).

The five types of accounts mentioned by De Roover (1937) form a complete set of accounts. It does not mean that such accounts would be arranged in a plan or manual, at the current conception (Conselho Federal de Contabilidade, 2009). Except for personal accounts, the others are referred by De Roover (1937) as impersonal accounts. The use of impersonal accounts is a hallmark of double-entry regarding single-entry. Such combination of account is necessary for the activities in which the resources management is performed by agents as it allows “providing details on the use of resources belonging to other person or community” (De Roover, 1937, p. 22). The relationship between accounts should respect the balance between debt and credit. Accounts are grouped into two major groups⁴⁰ nowadays (i.e., financial resources and economic resources). This categorization differs from that proposed by De Roover (1937) regarding of nomenclature, but should recognize similarities of essences.

Types of Accounts	Definition	Example
Personal	An account in the name of individuals for registering its debt or credit operations.	- Antônio José Brandão
Values	An account to register valuable resources owned by the firm.	- Cash - Inventory
Deferred	An account to register expenses incurred and/or expected whose realization will be at a future date.	- Fleet to Africa
Results	Counterpart of values accounts to calculate the financial result	- Balance
Capital	An account to register the total paid-in capital and accumulated results	- Capital - Accumulated Gain and Loss

Figure 1 – Type of accounts, its definitions, and examples

Note. Data displayed in the two first columns were obtained from De Roover (1937). The examples in the third column are from accounts used by PPC that serve the author’s definitions.

The duality and balance are also observed by Littleton (1981) as attributes that distinguish DEB. However, he adds that the balance should also be noted in the result presented in the financial statements. In this sense, Edwards (1960) attached

⁴⁰ According to the Comitê de Pronunciamentos Contábeis 00 (R1). Available at <http://static.cpc.mediatgroup.com.br/Documentos/147_CPC00_R1.pdf>

to as predicate of double entry closing the ledger on an annual basis for the calculation of income and subsequent preparation of the reports. As already pointed out by other authors (Andrade, 2013; Ribeiro Júnior, 1972), the PPC's financial statements were issued on a regular basis between the years 1760 to 1775, which corresponds to almost 80 percent of exercises during the monopoly. The financial report book does not include balance sheets for the years 1776 to 1780 (ANTT 394-6). It is not mean that the Company has failed to calculate its annual results. There are comments of income earned between 1776 and 1780 in letters issued by the PPC. The letter sent by the *Junta* to the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro, is an example of that. The document informed the PPC's financial position as of September 27, 1780, to mark the end of the monopoly from the accounting perspective (AHU_ACL_CU_015, Cx. 139, D. 10296)

After examining more than one hundred listed books on PPC's collection⁴¹ at Torre do Tombo National Archive (ANTT, hereafter), it is possible to say that the PPC's accounting procedures followed the rationality of DEB, since all the conditions described in the literature are noticed (De Roover, 1937; Edwards, 1960; Littleton, 1981). The principles of duality and balance have always been present in the accounting books. The static view offered by the accounting statement has always been balanced. In the face of such evidence, it is possible to say that the use of DEB per se for recording transactions in the accounting system of the PPC during the monopoly phase was not an obstacle to the accounting process. Therefore, it is necessary to exam other aspects inherent in the accounting process, enabling to understand its dynamics, such as the recognition⁴² and measurement⁴³.

Hendriksen and Van Breda (1992, p. 330) state that "revenues are the lifeblood of an enterprise. Without revenues, there are no earnings. Without earnings, there is no enterprise". According to Andrade (2013), the recognition of sales revenue at PPC

⁴¹ Section 3.2.1 shows the sources used on this dissertation.

⁴² Recognition is described as the process of incorporating in accounting books or financial statements an item that meets the definition of an element (financial or economic resources).

⁴³ Measurement is defined as the "process de of assigning meaningful quantitative monetary amounts to objects or events related to an enterprise and obtained in such a way that they are suitable for aggregation (...) or disaggregation as required for specific situations" (Hendriksen & Van Breda, 1992, p. 488)

occurred both at the time of their effective realization⁴⁴ as at the exit of goods from warehouses, in the case of shipping intended for sales overseas. The financial statements exhibited the gain of the transaction rather than sales revenue. It should be noted that the term gain widely used throughout the Company's documentation has a different meaning comparing the current literature. Thus, for the PPC, the gain would be the positive difference between the estimated sales revenue and incurred cost, rather than increases in equity from occasional, peripheral or incidental operations (Hendriksen & Van Breda, 1992).

The PPC used pre-established margins (i.e., an expected profit rate) in the Charter to measure gains (Andrade, 2013). The rate could also be defined by the experience of managers in the business. The recognition procedure of gains by estimate was justified by the need to calculate the results amid the lack of data on the achievement of sales overseas (Oliveira, 2014). Possible differences between the estimated value and the realized value were adjusted in subsequent years with the recognition of loss (when the estimated value was not realized) or gain (to complement the value previously estimated) (Andrade, 2013; Oliveira, 2014).

Andrade (2013) carried out analysis of the gain recognition of slave trading activity in Angola-Pernambuco route from 1760 to 1775. The gain estimated for this activity over the period accounted for 4.59 percent of the earnings shown in the accounting statements. Andrade (2013) states that "almost all" recognized gain were made by the expected profit but did not explicit refer which records were targets of the practice⁴⁵. It is observed that between the years 1761 to 1769, except for the years 1762 and 1764, the activity showed net losses at the annual general computation, which were recognized in the following years. Thus, as the author concludes, "the accounting balance sheets showed overstated profits that in fact did not exist" (Andrade, 2013, p. 330).

Therefore, considering that the PPC used the estimated gain recognition for other business activities, its statements did not reflect the entity's financial position, but a

⁴⁴ When the customer pays it.

⁴⁵ There is in the column "observations" some citations from "expected gains", but it remains unclear whether only the goods described on the line has been estimated, being the others free of practice.

high ideal position (i.e., the greater result that could be earned in the period). The “profit” overstatement is dangerous for the business and its owners, because of the consequences of loss or bankruptcy (Hendriksen & Van Breda, 1992). Other financial events were dependent on the PPC’s gain recognition: the dividends to be distributed among the shareholders; the shares price in the secondary market; and the director’s commission. As a result, all these items would also be overestimated. Thus, it is reasonable to say that the recognition of temporary differences caused adverse impacts on the financial performance of the Company, for example, working capital problems due to dividends and commissions overvalued (Andrade, 2013). For this reason, this dissertation chose **the accounting system of the PPC** as an issue of analysis (S3). The text continues with the discussion of recognition and measurement of financial items of the PPC available in previous studies.

The measurement of debtors and creditors occurred at two different times. The initial recognition was based on the agreed value of the purchase/sale of the product or loan acquisition. Later the amount would be adjusted by the interest rate agreed to by the parties to the transaction. The interest rate determined by the Institution Charter was five per year (§27), which was within the annual limit imposed by the Portuguese crown (6,25 percent) (Hespanha, 1998). Above this limit, the practice would be considered usurious. The Company used various interest rate to adjust the receivables, but the most common were three percent (Andrade, 2013) for all time during the term of waiting to receive the debt amount (§27). Thus, the interest charging “was being performed on the same day of purchase, rather than the expiration of the payment period” between the parties (Andrade, 2013, p. 280).

Moreover, another factor in the proper valuation of receivables, in particular, is the recognition of doubtful or bad debts (the ones that are unlikely to be collected) (Hendriksen & Van Breda, 1992). There is no mention in the historiography that has been practice in the PPC the recognition of bad debts before the closing of the accounts to determine the results. The CGAVAD began to recognize bad debts in 1774, that is, 18 years after company’s establishment (Oliveira, 2014). However, the author argues that the recognition of irrecoverable debts was determinate “much more by ‘available profit’ than by the ‘needs related to the true and fair view of the annual accounts’” (Oliveira, 2014, p. 171). In other words, the bad debts recognition

was an accounting option at the CGAVAD to "format the results of the Company" (Oliveira, 2014, p. 170). There is evidence in the accounting literature of bad debts recognition by merchants of the sixteenth century (Yamey, 1997).

The measurement criteria of receivables adopted by the PPC generated a distorted picture of the financial and economic information (Andrade, 2013). The calculation of interest (on the elapsed waiting time) produced overestimated values that were added to the Company's economic results. The recognition of estimated gains produced the same results. They both included an "abstract gain" (i.e., unlikely realization), which served as the basis for the calculation of dividends. In other words, the abstract gain would eventually generate a real obligation to the Company, which negatively affected their working capital (Andrade, 2013).

The inventory account included a variety of items such as textiles, household items, dry and wet groceries and slaves. The products were stored in the organizational units responsible for their sales. On initial recognition inventories are recorded at the cost of purchase, that is, the amount of cash paid when acquiring the good (Andrade, 2013). There is no reference whether the cost of purchase includes transportation, taxes, and charges related to the acquisition. After the acquisition, for example, when the Junta shipped the goods to another organizational unit responsible for selling, an expected gain is added to the purchase price paid. Thus, the cost of purchase of inventories on the unit receiving comprises the purchase price paid by Junta and the expected gain. As observed by Andrade (2013), the PPC was not efficient in the inventories management. The December 31, 1775, balance sheet reported that the overseas units had a significant amount of unsold inventory received from the Kingdom between the years 1760 to 1768 (Andrade, 2013). The value of these goods amounted to 57.9 percent (786.921\$436 *réis*) of the total paid-in capital of the PPC. Assuming that the estimated gains rate ranged between 10 and 25 percent, part of the value reported in 1775 as inventory had already been recognized as "profit" in previous balance sheets.

Whereas the PPC maintained commercial relations with suppliers and customers in several parts of the world was to be expected that its cash contained a variety of currencies (ANTT 293). However, there is no reference in the literature regarding the

possible recognition of amounts as a result of currency prices fluctuation. Andrade (2013) only points out that the amounts available in cash were quite insignificant for the operational needs of the PPC during the monopoly phase. This situation generated disorders in the purchase of goods. For instance, the company could purchase goods at better prices if there were not cash problems. This statement applies to both the PPC and the CGAVAD (Andrade, 2013; Oliveira, 2014).

Regarding the recognition and measurement of fixed asset little is known. This group of assets in the PPC amounted to 13.3 percent of total assets and 33.2 percent of the total paid-in capital in 1779 (AHU_ACL_CU_015, Cx. 137, D. 10242). The main item was the vessels fleet (84.2 percent). Some of the ships used by the Company were given by shareholders to pay up shares between 1759 and 1763 (Andrade, 2013; Marcos, 1997; Ribeiro Júnior, 1972). For these cases, the historiography reports that the ships were subjected to expert (*louvados*) assessment to determine their market value and the degree of usefulness to the PPC business (Andrade, 2013; Marcos, 1997; Ribeiro Júnior, 1972). The value attributed by the experts provided the basis for recognition of the item on the accounting books. Along the monopoly phase, some ships were produced by the Company, but there are no details on the value at which they were presented on the balance sheet.

After the initial recognition of ships, their values remained unchanged in subsequent reports⁴⁶ (Andrade, 2013). In other words, there was not recognition of further losses due to the use or time. Nevertheless, Andrade (2013) states that in 1775, the vessels fleet of the PPC was severely weakened with old ships. According to Hoskin and Macve (1994), the accounting procedure of recognition of changing value of assets over time was absent from the majority of business enterprises before the industrial revolution. Thus, it would be possible to say a priori that the accounting practice adopted by the PPC would be in keeping with the mental frame of the time. Andrade (2013) also noted that during the operation of the Company no reserve for possible replacement of these fixed assets was made.

⁴⁶ The table provided by Andrade (2013, pp. 390–391), based on data from the PPC's balance sheets, shows the unchanged values over time.

There is little discussion in the literature on recognition and measurement of a property of the PPC. It is only known that when the Company was established (i.e., in 1759), the Crown donated some land both in the kingdom (Lisbon) and overseas (Pernambuco) for the construction of the headquarters buildings (Andrade, 2013; Silva, 2014). The amount of property (i.e., buildings and warehouses) that PPC owned on December 31, 1763, was 15.183\$003 réis. It is reasonable that the amount would be only expenses incurred in the construction of the properties, comparing with the accounting treatment given to a donated ship. Thus, the value of land would be not included in property value⁴⁷. Similarly to ships, the property values remained unchanged in subsequent reports. However, the accounting literature suggests other forms of measurement and recognition for this item whose practice would also be possible to have been adopted by PPC (Yamey, 1997).

2.2 Theoretical approach

Figure 2 presents the synthesis of the theoretical and conceptual support used to analyze the liquidation at PPC. Next lines discuss the framework in more details.

The studies that question the effectiveness of the governing power of the Portuguese colonial empire gave support to this dissertation. The so-called Portuguese empire would be a multi-continental monarchy consisting of only a kingdom, an aristocracy, and many conquests spread across throughout America, Africa and Asia (Fragoso & Gouvea, 2009; Fragoso, 2012; Hespanha, 2001; Monteiro, 2010). The concept of multi-continental monarchy refers not only to the Empire's geographical-space dimension but also the links between the several geographical areas. The central zone (i.e., the center) is a "phenomenon of the realm of values and beliefs" instead of a geographical matter (Shils, 1982, p. 93). A set of legal tied, administrative mechanisms and institutions strengthened the feeling of belonging to the "Empire's political structure, ensuring their governance" (Fragoso et al., 2000, p. 75). It is the "centre of the order of symbols, of values and beliefs, which govern the society" (Shils, 1982, p. 93).

⁴⁷ This statements contradicts the opinion of Silva (2014, p. 62).

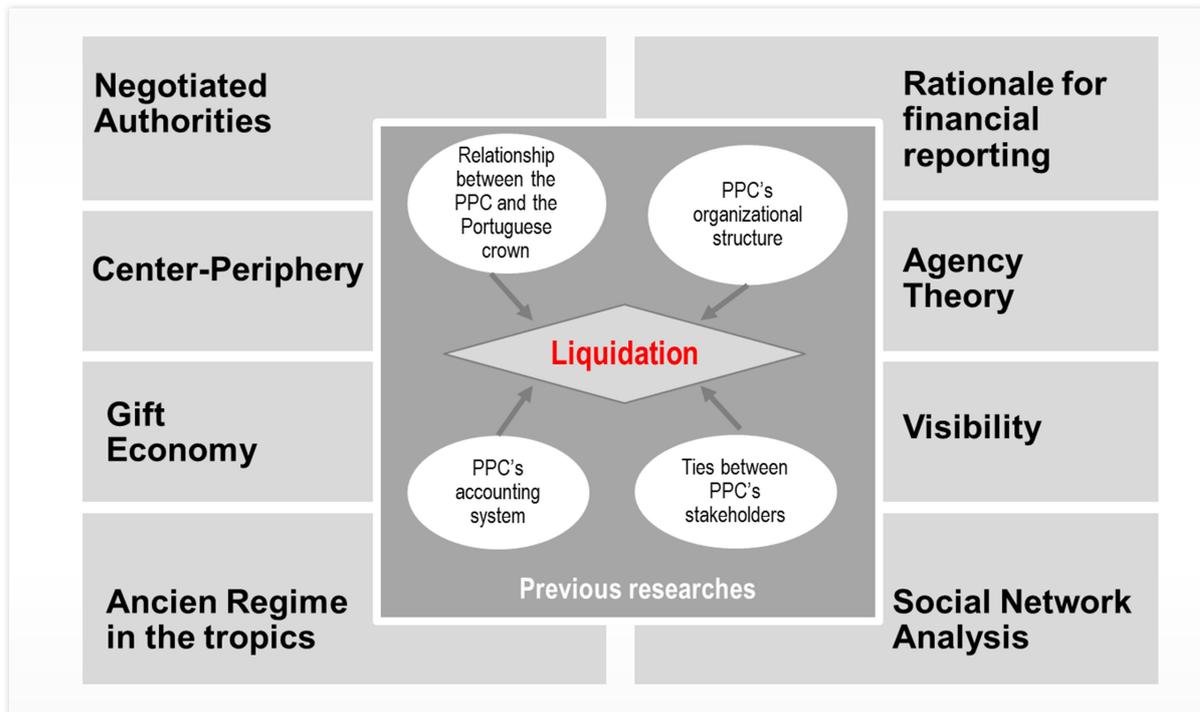


Figure 2 – Theoretical and conceptual framework

The king was seen as "head" of the society. He symbolically represents the social body, although it was not to be confused with it. It means that the king did not hold an absolute power of governance of the empire, as this was shared in the political space with institutions of several hierarchies and agents (Bicalho, 2003; Fragoso, 2012; Gouvea, 2010; Hespanha, 2001). Each of these institutions and agents itself comprises a "network of organization which are connected, with varying degrees of affirmation, through a common authority, overlapping personnel, personal relationships, contracts, perceived identities of interest, a sense of affinity within a transcendent whole and a territorial location possessing symbolic value" (Shils, 1982, p. 94). A division should be materialized concerning the political and legal autonomy of these entities, being the king a representation of the unity of the body. The king should articulate the jurisdictions of the various parts to ensure harmony and balance necessary for the conservation of the vast empire (Bicalho, 2003; Fragoso et al., 2000; Fragoso & Gouvea, 2009; Fragoso, 2012; Hespanha, 2001; Monteiro, 2012b). After all, both the Crown (i.e., His Majesty) as the first nobility (*fidalgua*) of this multi-continental monarchy lived from resources derived primarily from taxation on extra-

European territorial conquests and foreign trade (Fragoso & Gouvea, 2009; Monteiro, 2003, 2012b).

At the core of this monarchy, the central power would be "too weak to impose itself by coercion, but strong enough to negotiate their interests" (Fragoso & Gouvea, 2009, p. 42). Thus, the authority was "necessarily also the product of a process of negotiation among royal demands emanating from the center and local power and opinion deriving out of the peripheries" (Greene, 1994, p. 20). In this context, there is no space for the submission of overseas territories, via Colonial Pact; neither to "traditional image of Empire focused, directed and drained unilaterally by the Metropolis" (Hespanha, 2010, pp. 187–188). The relationship between the two spaces (metropolis and colony) is marked by continuous negotiations between the two (Fragoso et al., 2000; Fragoso, 2002a).

According to Hespanha (1994, 2009, 2010), the exercise of power under the Portuguese *Ancien Régime* was dispersed by several institutions and royal officials without clearly defined hierarchies and institutional limits of performance of each. The Crown played the role of "creating spaces of power where it had a role of arbitrator and may impose other role models, being able to offer blessings (material and symbolic) in exchange for subjection" (Hespanha, 1994, p. 496). The arbitration function was also necessary to solve potential conflicts between the several "powers" that come from the darkness that surrounded the hierarchies and jurisdictional boundaries (Hespanha, 1994). Such conflicts fragmented the governance, preventing the existence of an operational and efficient government (Hespanha, 1994).

This dissertation, therefore, is inscribed outside the theoretical limits of the old colonial system. The old colonial system does not contemplate the studies with individuals and their interactions. It does not realize the conflicts born of these interactions; nor the intentions of social action thereof (Fragoso, 2002b). Araújo (2012) supports this vision for studies wishing an institutional reading of the PPC. A critical issue in the concept of the old colonial system is the premise of subordination of colonial areas and its population. Carrying this assumption to the inner world of PPC (e.g., to understand the relationship among shareholders) means starting the research with bias, conditioning the analysis on rigid theoretical limits. There are no

“Metropolis shareholders” or “Colonial shareholders”, all perceived themselves and behaved within the statutory dictates, including making use of its loopholes.

This dissertation also shares the idea that the reason to create the PPC was to promote the interests of a group of individuals. This statement is based on historiography works (Araújo, 2012; Cardoso & Cunha, 2011; Dias, 2014; Falcon, 1982; Maxwell, 2009; Pedreira, 2014; Silva, 2014) and economics (Harberger, 1954; Jones & Ville, 1996a, 1996b; Ogilvie, 2011; Tullock, 1967). In a recent study, Pedreira (2014) states that the monopolistic companies served to put the foreign trade under the control of Portuguese merchants, but never contributed directly to the state's finances, on the contrary, its broad privileges may be withdrawn resources of the crown.

Since the sixteenth century, the sugar, primary vocation of the captaincy of Pernambuco, has always been an important product in the colonial trade (Godinho, 1953). Moreover, Ribeiro Júnior (1972) points out that the period immediately before the creation of the PPC, between 1741 and 1750, had a considerable rise in the price of sugar on the international market assured the enabling environment for installation of the same. Accordingly, the company's goal would be to capture the surplus income generated by the price increase and directs it to the nationals integrate the commercial project, something that goes with the effects of monopoly present in price theory.

According to Harberger (1954, p. 77), “one of the first things we can learn when we begin to study price theory is that the main effects of monopoly are to misallocate resources, to reduce welfare, and to redistribute income in favor of monopolists [emphasis added]”. It means, away from a measure that encourages trade and producing social benefits, a prescriptive distribution policy of income, in which the wealth of a portion of society – excluded individuals from the monopoly – is transferred to another – PPC's shareholders (Ogilvie, 2011; Pedreira, 1995; Tullock, 1967). Thus, monopolistic trading companies in general and the PPC, in particular, served to encourage or consolidate trading communities. As a result of such a policy, it is possible to extract positive and negative factors. In positive terms would be possibly the resolution of excessive foreign dependency, with particular reference to

Britain regarding market (Paquette, 2013c; Serrão, 1998). On the other hand, an adverse role by concentrating the wealth arising from trade internally in the hands of a few individuals raises the reaction of excluded or disadvantaged by the benefits attributed to the monopolistic (Ogilvie, 2011; Pedreira, 2014). Such reactions materialized in the form of petitions, in which its applicants reported the adverse effects of monopoly, or fraud through smuggling (Andrade, 2013; Araújo, 2012; Dias, 2001, 2014; Ribeiro Júnior, 1972; Silva, 2014).

The Company is materialized by the choices and actions of its agents, but both were inserted into a particular social place, connected by several ties (Certeau, 1982; Imizcoz Beunza, 1996, 2004, 2009; Schwartz, 2011). The links in the *Ancien Régime* society, whether inherited or acquired, were not merely "interpersonal relationships" or the result of a free and revocable membership of individuals. The conditions of the ties were present and previous to the individual; and its implications were imposed in a powerful way (Imizcoz Beunza, 1996). The implications were materialized in a series of strict rules that "were above their individual will, obligations to the group to which he belonged and duties to the members of the group or the network to which he was linked" (Imizcoz Beunza, 1996, p. 24). Owning a link enabled individuals to leverage their own resources and the resources of its network (Gouvea, 2010).

A social network is a group of people connected by one or more relationships, if and only if such relationships are socially relevant (Imizcoz Beunza, 1996; Jackson, 2011; Marin & Wellman, 2011). A relationship is relevant when it can influence beliefs, decisions and behavior of network members, leading them to a solidarity action in social field (Imizcoz Beunza, 1996; Jackson, 2011; Marin & Wellman, 2011). Relations from the inherited ties (kinship, lineage, people or clan) and acquired (friendship, trade or clientele) is assumed as "equally or more important" than the relationship of merely institutional or legal nature (Hespanha & Xavier, 1998, p. 339). The relations were seen as a "standard" of everyday social situations during the *Ancien Régime* unlike the negative connotation that today's mentality can assign to this superiority (Hespanha & Xavier, 1998).

The linkages of belonging also influenced economic relations. According to Levi (2009), the decisions of buying and selling land in Santena village in the late

seventeenth century were influenced by concepts such as honor, reciprocity and self-interest present in kinship and neighborly relations. The land prices varied in transactions by relations between buyers and sellers. It was higher as they reduced the distance of kinship because it changed the content of "reciprocity at stake" (Levi, 2009, p. 93). Thus, the "land exchange relation became gradually purer less loaded off the precedent transactions, duties and protections, that notaries act, with the final pass of the property, rebalanced somehow" (Levi, 2009, p. 93).

The concept of the reciprocity of the gift exchange (*economia do dom*) was a feature of the *Ancien Régime* societies (Fragoso et al., 2000; Hespanha & Xavier, 1998; Ricoeur, 2004). The act of giving implied in need of another in return, not by force assigned material thing given, but as mutual recognition of the donor-recipient relationship, dictated not by contract but by social conventions and customary rules. According to Ricoeur (2004, p. 23) "donner en retour, c'est faire revenir la force contenue dans le don à son donateur". The return establishes a continuous cycle of donations that characterizes the so-called gift economy (Cheal, 1988). In this context, the donor repudiates the reciprocal return because cancels the Don (grace) received (Cheal, 1988). This gift of the economy only made possible by the great breadth of the concept of friendship, covering branches relations (or family members who represented the extreme maximum friendly relations) of pure friendship (which resemble parental relations), and relations whose ties are uneven (king-vassal) at the other end (Hespanha & Xavier, 1998).

The acts of friendship, underpinning the nature of social and political relations, would have a tendency to drift into clientelistic relationships (Xavier & Hespanha, 1998). In those relations, the donor, by not requiring a "counterpart express and/or immediate", commits the receiver to "availability to provide future and uncertain services" (Hespanha & Xavier, 1998, p. 340), because of the symmetry pattern of social organization (Polanyi, 2000). Relations of this kind are recurrent both in Portuguese society as its overseas dominions. One example of this is the relationship between the sugar mill owner and sugar planters (*senhor de engenho-lavrador de cana*) that held sugar production in Brazil (Caldeira, 1999). The clientelistic relations could even be used as social mobility strategy (Hespanha & Xavier, 1998). The possibility of rising existed primarily when the receiver had a superior economic condition to the

donor. In this case, the return was made in exchange for symbolic goods (i.e., status) that would allow "access to prestigious positions, on the other unattainable mode" (Hespanha & Xavier, 1998, p. 343).

Another feature of the Portuguese *Ancien Régime* society was the sale of royal offices (*venalidade de ofícios*) (Stumpf, 2012a, 2014). According to McAlister (1987, p. 439), "the purchase price constituted a nonrefundable bond for correct performance, but it was used in fact as a source of revenue". The positions were sold mostly by auction (Wehling & Wehling, 1994). The highest cash bid won the position. The venality did not reach the most top positions of the royal financial administration and judicial institutions (Wehling & Wehling, 1994). From the social perspective, the venality favored social mobility, particularly for individuals who had money and education (Silva, 1988). The office-holders could nominate a third party to perform the job, called *serventuário* (Silva, 2005). The positions were also hereditary transmitted by inheritance (Silva, 1988). However, the heredity was not automatic. The position also could be passed from a parent to a child before his death. The descendant must ask the king to confirm its rights (Silva, 2005). According to Knecht (1982), the venality created a dangerous social situation in which offices tended to become the monopoly of a limited number of families. The feature of lost hereditary force by the nineteenth century, when the demands of rationality and administrative efficiency are beginning to dominate the social scene (Silva, 2005).

The PPC was immersed in a pre-industrial context in which there were no rules or guidelines (e.g. Generally Accepted Accounting Principles) for accounting practice concerning measurement and recognition. There were only written manuals, textbooks, and dictionaries of terms to instruct about bookkeeping and trade (Glaisyer, 2006). Some authors believe that these manuals had influenced the accounting practice of the time (Carqueja, 2011a; Hernández Esteve, 1994; Vlaeminck, 1956). However, Yamey (1940, p. 336) warns that "it is difficult to determine to what extent the textbooks are accurate mirrors of mercantile practice". In this context, the PPC accounting practice did not exist in the shadow of the practical regulatory configurations (Thompson, 1994). The only obligation required by law was the use of the double entry bookkeeping method. Thus, the PPC could adopt

any practice to measurement and recognition of debits and credits, including those recommended in the textbooks available at the time.

The critical analysis of measurement and recognition of the items that make up the Company's debt and credit is crucial for the liquidation process. It is important to understand, for example, why the accounting practice took the form that it did, why the PPC adopted some measurement practices and rejected others, and the consequences of the choice made. After all, the PPC's managers responsible for the liquidation acted by the picture communicated in the balance sheet (Hines, 1988).

The accounting information have the ability to create visibilities for abstracts concepts (e.g., assets and gains), and individuals (Boland, 1987; Funnell, 1998; Hopwood & Miller, 1994; Hopwood, 1987; Miller & Rose, 1990; Miller, 2001; Paisey & Paisey, 2011; Potter, 2005). The rationales (i.e., recognition and measurement criteria) and discursive practices attached to the concepts make them visible and "real". According to Boland (1987), the visibility is more than shining a light on things that were simply there but hidden, as it can invent or create things. However, this existence makes them dependent on accounting records and representations (Hines, 1988; Potter, 2005). For this reason, things not captured by accounting procedures and practices remain invisible (Funnell, 1998; Potter, 2005). The visibility enables control, especially at a distance when, for instance, the principal (e.g. a manager) is located at a place apart from the agent (e.g., an employee), responsible for performing the work (Hopwood, 1987; Roberts & Scapens, 1985). When the visibility shines people, it brings them into power relationships in which some people seek to control and coerce others (Miller & Rose, 1990; Miller, 2001; Roberts & Scapens, 1985).

The term power in the business literature is thorny (Clegg, Courpasson, & Phillips, 2006; Wells, 2015). However, the power of accounting in the firm perhaps lies in the way in which it comes to define what shall and shall not count as significant (Roberts & Scapens, 1985). Regarding organizational actors, someone has power if it influences the allocation of resources into the firm (Clegg et al., 2006; Wells, 2015). The concept of power differs from authority, which comprises the general rules that govern the making of specific binding decisions (Clegg et al., 2006). For instance, in a small firm where a single individual (i.e., the owner) can handle all activities

inherent in the business; this person concentrates power and authority. However, if a merchant (i.e., the principal) has to use other people (i.e., an agent) to do business on his behalf, the former has the power but gives an agent authority to enter into contracts in his name.

The organizational context of the PPC is similar to the second example cited in which different people exercised power and authority. According to Ogilvie (2011), this kind of relation (i.e., agency relationship) is particularly important in long-distance trade because enables the principal to trade simultaneously in multiple locations and diversify its activities. In this scenario, the principal's welfare depends on the choices and actions of agents. Once a merchant is involved in this relation with one or multiples agents, he confronts a problem called in the literature as principal-agent problem or agency problem (Andrade & Rossetti, 2009; Barney & Hesterly, 2004; Jensen & Meckling, 1976; Ogilvie, 2011). The agency problem arises when (1) there is disagreement on goals among principals and agents; (2) the principal cannot perfectly and costlessly monitor the actions of the agent; and (3) the principal cannot perfectly and costlessly supervise and acquire the information available to or possessed by the agent (Barney & Hesterly, 2004, p. 146).

The agency problems can occur even if they both principal and agent work nearby (e.g., local or regional trade). However, they were a much less severe problem (Ogilvie, 2011). The question is not the geographical distance itself, but in the agent's goals assuming that he is utility maximizer. The distance factor may provide more possibilities of opportunistic behavior on the agent's part that works against the welfare of the principal. The agency problem did not affect the merchants of the Ancien Régime (Koppell, 2011; North, 1991) exclusively. The problem still resonates quite loudly today since the subject has been studied by researchers from diverse fields of knowledge (e.g., Economy, Management, and Accounting) (Barney & Hesterly, 2004; Davis, 2011; Hill & Jones, 1992; North, 1991).

An agent entrusted with a merchant's capital or wares has an incentive to pursue his interest at the expenses of his principal (Jensen & Meckling, 1976; Ogilvie, 2011). By doing so, the agent (1) can perform hidden actions without the principal's consent or the activities performed are costly to the principal observe (i.e., moral hazard); and

(2) possesses information that is, for the principal, unobservable or expensive to obtain (i.e., adverse selection) (Barney & Hesterly, 2004). This situation creates a demand for institutional mechanisms to align agent's behavior with their principal's interest (Barney & Hesterly, 2004; Jensen & Meckling, 1976; Ogilvie, 2011). In the attempt to limit the irregular activities of the agents, costs are incurred (Barney & Hesterly, 2004; Jensen & Meckling, 1976). The agency costs are the sum of the monitoring expenditures by the principal, the bonding expenditures by the agent, and residual loss of the principal (Barney & Hesterly, 2004; Jensen & Meckling, 1976).

Table 1 – The issues of interest in the liquidation and their theoretical framework

Issues	Theoretical framework
S1 Relationship between the PPC and the Portuguese crown	Negotiated authorities (Greene, 1994); Center-periphery (Shils, 1982); Agency theory (Barney & Hesterly, 2004, Jensen & Meckling, 1976; Ogilvie, 2011; Harberger, 1954; Jones & Ville, 1996a, 1996b; Tullock, 1967; Pedreira, 2014); <i>Ancien Regime</i> in the tropics (Fragoso, 2002; Fragoso & Florentino 2001; Hespanha 1994, 2009, 2010)
S2 PPC's organizational structure	Agency Theory (as mentioned in the issue S1).
S3 PPC's accounting system	Rationale for financial reporting (Arlinghaus, 2004; Bonavie, 1758, De Roover, 1937, 1943; Edwards, 1960; ; Lemarchand, 1994; Littleton, 1981; Oliveira, 2014; Sales 1770/2013; Sales, 1723, Sangster, 2014; Yamey, 1947, 2004; Pacioli, 2014); Visibility (Boland, 1987; Funnell, 1998; Hopwood & Miller, 1994; Hopwood, 1987; Miller & Rose, 1990; Miller, 2001; Paisey & Paisey, 2011; Potter, 2005); Agency theory (as mentioned in the issue S1).
S4 Ties between PPC's stakeholders	Gift economy (Cheal, 1988; Hespanha & Xavier 1998; Polanyi 2000; Ricour 2004); Colonial Elites (Araujo, 2012; Dias 2014; Pedreira, 1995; Souza 2007, 2012; Silva 2014); Ties and SNA (Imizcoz Beunza, 1996, 2004, 2009, 1988; Jackson, 2011; Marin & Wellman, 2011)

The principal can limit agency problems by establishing arrangements that penalize agents for acting in ways that violate his/her interests or reward them for achieving his/her goals. The principal also can observe the behavior and/or performance of agents (Barney & Hesterly, 2004; Hill & Jones, 1992). All mechanism that controls and keep order on the relationship between principal and agent are called governance structures (Hill & Jones, 1992). These include the structure of law governing corporate behavior and its attendant legal apparatus, monitoring mechanism, and enforcement mechanism (Hill & Jones, 1992). The accounting information can function as a monitoring mechanism mainly when the principal and the agent are physically remote from one another (Roberts & Scapens, 1985). Besides accounting information, the medieval and modern merchants also used an

array of mechanisms for controlling agents such as kinship networks, merchant guilds, legal form of the firm, notarial systems, and law-courts (Ogilvie, 2011). The theories or concepts presented in this section gave support to analyze each issue of interest on the liquidation at PPC⁴⁸ as indicated in Table 1.

⁴⁸ See page 28 et seq.

3 RESEARCH DESIGN

Section 3.1 presents more details about the epistemological perspective which shape the way this study describes, analyzes and infers about the PPC's liquidation process. As mentioned in the first chapter, this study can achieve its research objectives best through an empirical case study. Thus, Section 3.2 provides the description of how the case study was organized, including details about the information gathering process to build the database (3.2.1) and the chain of evidence used in the analysis (3.2.2).

3.1 Epistemological perspective

The epistemological perspective adopted in this dissertation considers that History is an interpretative process, the product of the historian activity (Bloch, 1992). Therefore, the analysis presented here brings interpretations and explanations as to why the PPC's liquidation process took the form identified from examinations of the available evidence (Previts, Parker, & Coffman, 1990). The subsequent sections provide further details on the epistemological perspective in each field regarded.

3.1.1 Historiographical choice: *Annales*

This dissertation takes the epistemological approach of the French school *Annales* or *Nouvelle histoire* (Kuhn, 2006). It is considered new, not because the archaism of the prior historiographic field, but exclusively in contraposition to the paradigm that preceded it (Arruda, 2007). The term new is also associated by its way of seeing the world and practicing science on it (Kuhn, 2006). The name *Annales* comes from the media of diffusion of the new ideas, the French journal *Annales d'histoire économique et sociale* (1929). This school was initially led by the historians Lucien Febvre, Marc Bloch (i.e., founders of the journal); afterwards accompanied by names like Fernand Braudel, George Duby, Jacques Le Goff, Emmanuel Le Roy Ladurie, Ernest Labrousse, Pierre Vilar, Maurice Agullon, Michel Vovelle, Rolland Mousnier, and Michel Foucault (Burke, 1990).

However, what would be this new way of seeing the world and practicing science proposed by the *Annales*? In Kuhn's (2006) and Rüsen's (2011) opinions, the differential is the maintenance of historic integrity in the analysis which must use the mental frame of its own time. The *Annales*, as exemplified by Khun (2006, p. 22), do not ask "about the relation of Galileo's views to those of modern science, but rather about the relationship between his views and those of his group". The *Annales* also questioned the way historians do research. The history depends on the historian's gaze (Bloch, 1992). Next lines present a brief overview of the *Annales* and its interaction with the previous paradigm.

In the historiographic field before *Annales*, called positive history, the function of the historian during the research would be to collect historical facts, coordinate them and, finally, present them coherently (Cardoso & Brignoli, 1990). In other words, the historian had the function to reconstructing the past in a definite way (Dosse, 1987). The historical facts were enclosed in documents and written sources, and perceived as single facts, individual, with no repetition. The singularity of the event was the reason for the need to keep it using writing. This way, the historian should gather all documents, without choosing between them, because the truth of events would be enclosed on them. Therefore, the historical facts were like exogenous variables available to the researcher. The researcher had "the role of the chronicler that was to record rather than to analyze" (Russel-Wood, 2001, p. 75).

The activity of coordinating historic facts, the historical writing for the positivists, means summarize the facts and dispose of them in a linear chain of causes and consequences in time. The topics addressed were mostly political, diplomatic, military or religious, rarely economical and social (Cardoso & Brignoli, 1990). The temporal boundaries were predominantly short term. The narrative was centered in the duality time-event, the *événement*⁴⁹ perspective (focused on events), with the presentation of an emblematic figure in the position of the "great men" (Burke, 1990; Hespanha, 1982)

⁴⁹ This term was used for the first time by Paul Lacombe according Cardoso e Brignoli (1990)

The linearity conception, from the positive history, transforms the relation between past and present in a Cartesian relationship, in which the present would be predestined regarding its past. Rüsen (2005) characterized this relationship as a genetic structure, in which the past moves towards the present. Thus, it is possible to justify the action of the present and project the society to future, in which the progress present itself as something irreversible (Cosentino, 2009; G. Ribeiro, 2010). In cases of inconsistencies in the analysis, that is, when the past lose in some aspect its predictive power or when the intention is to erase a negative historical experience, the argument used is the time changed (Rüsen, 2005, 2009).

The *Annales* refute in some aspects the positive way in the making of history. However, the positive method is not useless, because its findings can serve as a basis for further analysis in some cases. It applies in particular for time boundaries. The *Annales* prefer the analysis of medium terms (i.e., between thirty and fifty years), but previous findings from a short-term study could be seen as a “gateway” for them (Arruda, 2011, p. 292). For *Annales*, the emphasis is on a medium-long term to observe the economy, society and civilization.

The "singular fact" concept ceased to dominate the horizons of *Annales*. The focus would be on capturing the economic life cycles and its social effects. The nature of the research requires an explanatory theory and its hypothesis, the criteria of selection and preparation of data, and the reasons for the choice of the statistical process (Cardoso & Brignoli, 1990). The possibility of selecting what is important or not to the research, as well the analysis perspective (i.e., economic or social) is a theoretical decision of the historian, which is not related to the condition of the sources. Once the decision is made, “the sources begin to speak for themselves” (Koselleck, 2004, p. 151). Nevertheless, as Bloch (2001) argues, the questions shape the analysis, even the most precise and compliant document, do not speak unless the researcher knows how to interrogate them.

The historical writing should include the diversity of human activities in a sophisticated analysis of the social interactions, not just limited to political, diplomatic, military or religious dimensions. It is the concept of total or global history proposed by

*Annales*⁵⁰. In this sense, the analysis changes from individual to collective. The study of the person in its singularity serves the requirements of encyclopedic knowledge, but do not contribute to the critical thinking required to developing the area of knowledge. For the *Annales*, the men should be studied in their collective realities and structures (i.e., state, economy, society, civilization) (Arruda, 2011). The individualities appear in the text as mere illustration, with no exaltation as the great man.

The focus of *Annales* is directed to the structure, that is, the interconnected set of social reiterative relations through time (Fragoso, 2002a), in the historical movement (Cardoso & Brignoli, 1990). The structure is defined by Braudel (1990, p. 14) as the “reality that takes a long time to wear out”. The Braudel’s definition is used to justify the need to extend the temporal boundaries. The intrinsic social relationships in the structure always have tense bonds. Thus, the structure “is always moving, has elasticity, being able to absorb new phenomena that change its 'features', with no change to its basis. Meanwhile, the accumulation of these events ends to 'destroy' the structure.” (Fragoso, 2002a, p. 63).

To reach its goals, the *Annales* proposed that History should incorporate concepts and methodologies from other sciences such as geography, sociology, psychology, economy, linguistics and anthropology (Arruda, 1998, 2007; Burke, 1990; G. Ribeiro, 2010). Cardoso and Brignoli (1990, p. 24) call this approximation between History and other sciences as “motor of evolution” for the historiography. In this sense, Febvre (1985, p. 47) urged “Historians, be geographers. Be jurists too, and sociologists, and psychologists; do not close your eyes to the big movement that, facing us, transform, at a vertiginous pace, the science of the physical universe”. As a result of this approximation, the History incorporated concepts, issues, vocabulary, and methodological aspects of each area. The intensity of contact between History and each science were variable. Cardoso and Brignoli (1990) state that in Politic Economy, Econometrics, and Demographics there was indeed incorporation. The influence was indirect in the case of Sociology, which History adopted part of issues and terminology (Cardoso & Brignoli, 1990).

⁵⁰ Febvre (1949) uses the term “histoire tout court”.

As a consequence of this approximation, the *Annales* cannot be perceived as a “monolithic group with a uniform historical practice, quantitative in the method, determinist in its assumptions” (Burke, 1990, p. 2). The uniform historical practice is not consistent with the objective of making a global history. When History touches another area of knowledge, it identifies new contours and objects of analysis, but what remains is the integrity of past time, meaning, and the understanding of praxis in its context.

This approximation between areas of knowledge was highlighted by Hopwood (2007) as an important factor in the guidance of new directions of the Accounting field. According to him, this interdisciplinary movement helps to redefine the “margins of accounting”⁵¹ with the inclusion of new practices to the accounting knowledge. Miller (1998, p. 605) believes that this inclusion occurs because the accounting faces “demands, expectations, and ideals of diverse social and institutional agencies” and then changes to meet those new concerns.

Within the Accounting field, the *Annales* resound in the so-called NAH⁵². The term appears for the first time in the accounting area in 1991 in an edition of the periodic Accounting, Organizations, and Society (AOS). In the introduction of the seminal paper, Miller, Hopper, and Laughlin (1991) link the movement to the changes occurred in History, as an area of knowledge. The authors did not make a clear citation of the *Annales* in the paper, but the studies cited in the reference are from authors associated with that style of historiography (e.g., Ginzburg, Koselleck, and Ricoeur). Similarly to what happened in History, the followers of NAH consider the periodic AOS⁵³ its main vehicle for the dissemination of this alternative conception of historical research in Accounting.

⁵¹ The concept was initially used by Miller (1998). It refers to that part of the terrain or surface of accounting that, at a particular point in time, is immediately within its boundaries (Miller, 1998, p. 605).

⁵² Carmona et al. (2004, p. 25) suggest that the movement would be in reverse. For them, the historians “also have import for, although by no means fully reflect, recent debates in accounting history”. However, this dissertation disagrees with this position, once the discussion in History date back to the 20th century. The debate in Accounting is more recent than in History.

⁵³ Anthony Hopwood founded the periodic in 1976.

Despite the spread of NAH term in 1991, this dissertation believes that the basis of this alternative way of making the history of accounting was already present in Hopwood et al. (1980). In this paper, Accounting is portrayed as a social practice that should be analyzed in a specified context. The authors did not restrict the practice of research to a particular temporality, but the historical studies arose as a possible application. They also said that “some scholars have made occasional comments which have pointed to the social origins and significance of the accounting craft” (Hopwood et al., 1980, p. 19). However, it would be necessary a broader discussion on the social nature of the accounting thought and practice, as well as, the interaction between social and organization (Hopwood et al., 1980). Research that describes events or confirms when the accounting practice was used for the “first time” is not sufficient. In their words, “accounting can no longer be regarded as a mere collection of techniques for the assessment of individual economic magnitudes” (Hopwood et al., 1980, p. 6). The words of these authors reflect the main issue of *Annales*, that is, to understand a “thing” based on its own conceptual frame. In 1983, Hopwood reaffirmed this way of research in the article entitled “On trying to study accounting in the contexts in which it operates”. Next Subsection drives the discussion towards NAH.

3.1.2 New Accounting History

The accounting historiography is “divided” between two research paradigms. The so-called Traditional Accounting History (TAH) defends the positivist approach while the influence of the *Annales* shapes the NAH. Sometimes the literature presents them as conceptual opposites, kept apart by a chasm of incompatibilities. Diverse caricatures were created: the TAH researchers are appointed as an endangered species (Fleischman & Tyson, 1997); the NAH researchers are a loose assemblage of various research questions and issues (Miller et al., 1991).

However, this relation should not be addressed by the short-sighted lens of an excluded antagonism, but by the complementarity, a possibility guaranteed by points that will be discussed shortly. The perception of potential and limits of each approach is essential for those developing research in Accounting History. The choice of one

approach depends on exclusively in the reconciliation between this perception and the binomial research objective-problem. A similar perception is defended by Carmona et al. (2004, p. 26) when states that “although TAH and NAH approaches exhibit fundamental differences, both contribute significantly to the field, and indeed to the sharpening of each other’s research agenda”.

The concept of the total or global history of the *Annales* appears in the discourse of some authors from the accounting field. Miller et al. (1991) state that NAH proposed the shifting of focuses of research from individual to collective. The ideal of "great men" represented by the bookkeeper or in the individual, who developed or implemented accounting methods, should be replaced by the relationship of the accounting professional with the different professional groups in society. The focus on collective was further referenced with the inclusion of a "variety of agents and agencies" (Miller et al., 1991, p. 396). The agencies are the set of firms with the most varied objectives (e.g., corporations, financial, educational institution, and others). The inclusion of entities, that seemed inexistent in the mainstream of literature, is advocated by Fleischman and Tyson (1997).

The perception of accounting as only a technique (i.e., double-entry) or as a set of administrative technologies should include the rationales and ideologies constant in the accounting thought. Moreover, according to Carnegie e Napier (1996) accounting should be perceived as a social practice among several others. From this fact derives the need to understand accounting in the context in which it is practiced, considering its relationship with other social sciences. This last proposition of the authors (Carnegie & Napier, 1996; Miller et al., 1991) fulfills as much the contours of global history, because it broadens the research topic, as well as react against the linearity of accounting postulated in the TAH positivist paradigm.

Accounting research has a controversial nature, being attacked because of the concept of accounting, matter not yet pacified in the literature (Miller et al., 1991). This issue was accented in another paper two years later, the “Genealogies of Calculation”. In this work, Miller and Napier (1993) proposed the expression "calculation" to substitute "accounting" in historical studies of accounting claiming:

By using the term “calculation”, we mean to avoid an a priori limiting of the field of study to accounting as it currently exists, or to a particular accounting technique such as double-entry bookkeeping [...].The territory of accounting is permeable, and there have been redefinitions of its boundaries and changes in its content. The term calculation rather than accounting enables us to register more fully the diversity and multiplicity of such components. We need to give a history to disparate and variable devices, without submerging or marginalizing them in an unbroken teleological narrative that begins with the “invention” of double-entry bookkeeping. (pp. 632–633)

This initiative, which harmonizes with the essence of the *Annales* concerning the maintenance of the identity of historical time in response to the positivist linearity, was misinterpreted in the Accounting field. Carmona et al. (2004) agree that the term “accounting” should not be restricted to a particular technique (e.g., double-entry). However, they question whether the mere change of terms is beneficial because there is a “serious risk of losing sight of the essence of accounting as a set of practices in terms of what may be deemed their unique or ubiquitous attributes as distinct from other forms of calculation” (Carmona et al., 2004, p. 33). The risk would be in portraying accounting “as an unspecified set of calculative practices, regarding what it does or can do” (Carmona et al., 2004, p. 34). The authors question the exchange of restricted objectivity of the previous setting for the alleged unrestricted subjectivity of NAH proposition claiming that this “helps little in progressing the discipline of accounting” (Carmona et al., 2004, p. 34).

Indeed, it would be naive to assume that the proposition of NAH would be restricted to the choice of a new expression. What is defended is the seeking of diachronic knowledge about accounting, practices, terms or expressions. This diachronic is only achieved from the thorough analysis of the contexts in historical research, preserving the identity of the past in relation to the present. If a researcher decides to do research using the NAH paradigm, he must know that the contemporaneous understanding of accounting cannot be used to interpret the accounting exercised in remote periods of time. Studies that promote this type of analysis are comparatives by nature, in which the present is the reference point and “Lord of evolutions”; while the past is something outdated. To *Annales*, this kind of analysis is called “Whig” view (Butterfield, 1979). It is an inappropriate way to do research because try to draw together conjunctures, definitely, distant, from the time point of view (Carnegie & Napier, 1996; Loraux, 1992). Even if the expressions used are the same, the

underlying rationale may not be the same (Luft, 1997). As Freire⁵⁴ would say “we change first and give a name to the change comes after with the language”.

Another item of the proposal of the *Annales* that has suffered some noise on its arrival to the accounting area is the analysis of the structure in the long term, to the detriment of the event in the short term. Carmona et al. (2004, pp. 37–38) assert that the focus of analysis would lay “on the outcomes of the past by attempting to uncover shifts or discontinuities at the micro or macro level in the economy or society in order to study the emergence of (...) practices”. According to Luft (1997, p. 165) “a multi-year or even multi-decade window of observation is needed to test the relationship between environmental changes and accounting changes”. However, the notion of the structure of *Annales* is in the opposite, meaning, of “permanence” and “survival” of structures through time, that in an extension could be said to habilitate the link between past and present (Braudel, 1969). The survival is only noticeable in a larger time horizon because the “social content can renovate itself two or three times almost entirely without touching some deep ties to structures, that will persist” (Braudel, 1969, p. 25). Corroborating this view, Holmström (1991) wrote that “history, with its long-term perspective, naturally filters out aberrations, leaving in clearer view the organizational characteristics that account for survival”.

Regarding the use of documentary sources in historical research, it is erroneous to state that NAH prefers secondary sources to primary or original sources. The examination of primary and original sources is a compulsory requirement in historical research (Carnegie & Napier, 1996). The *Annales* defend the inclusion of the so-called unconventional sources in the studies. For instance, in the preface of “The Masters and the Slaves” (*Casa Grande e Senzala*), Freire highlights the use and frequent reference to non-traditional sources like letters, travel books, cake and sweet receipts, newspapers, the narrative of former slaves, songs, and tales of rural folklore. The use of such diversified sources helps to prevent biases and limits, inherent to each one, and that is primordial for the writing of global, deep history. As states Bloch (2001):

⁵⁴ This Paulo Freire’s phrase is available at Moreno and Del Rosso (1995).

It would be a big illusion to imagine that each historical research problem matches a single type of document, specific for this use. The more the research, on the other hand, make an effort to reach the deep facts, less is allowed to the research hope for light, unless for converging rays arising from testimonies, diverse in its nature. (p.80)

The next section presents the used sources and the contribution of each one to the research.

3.2 Research method: case study

This investigation analyzes the PPC's liquidation process following the NAH/Annales' perspective. The research was shaped by an exploratory case study with multiple units of analysis (Yin, 2014). The purpose of the case study is to investigate the role of the four issues proposed⁵⁵ in the liquidation process at PPC. It focuses on the PPC's liquidator body in three business units (embedded units of analysis) within the same company (single-case).

The research question, together with the purpose statement and the boundaries⁵⁶, guided the data collection and analysis. In general, the data collection period happened from August 2012 to May 2015. The data analyses were carried out in parallel with the collection activity. The data collection also regarded the three principles stated by Yin (2014): using multiple data sources, developing case study database, and establishing a chain of evidence.

Evidence was collected in documents created corporately as well as those relating to the PPC but produced externally. The sources of corporate information include accounting and non-accounting information. The qualitative and narrative aspect of the non-accounting information helps to understand the accounting craft and to check out bits of information across documents through triangulation. This study depended on data source triangulation as a means of ensuring construct validity (Yin, 2014). Moreover, because it is not possible to apply other data sources (such as interviews, direct observation or participant observation), the extant documents offer limited

⁵⁵ Relationship between PPC and Portuguese monarchy (V1); PPC's organizational structure (V2); PPC's accounting system (V3); and Ties between PPC's stakeholders (V4).

⁵⁶ The boundaries of the study are described in subsection 1.4, page 28

information, the conclusions drawn rely on the assumption derived from the epistemological choice, and on the interpretation of that evidence.

Besides triangulation, a case study database was created as a means of ensuring methodological trustworthiness (Yin, 2014). The database was also essential to organize the names and numbers (Fragoso, 2002a). The financial information was stored in electronic spreadsheets. All the accounting records between 1759 and 1763 in the waste-book registered in the PPC's accounting department located in Lisbon were transcribed in a spreadsheet to understand the accounting process in its completeness (i.e., procedures and conceptual framework), avoiding anachronism. All accounting records in the journal of the *Direção* of Pernambuco, referring to the year of 1960, were also transcribed into a spreadsheet.

The software MHK/TimeLink (MHK) was used to store the data about the PPC's stakeholders based on concepts from the Social Network Analysis (SNA). This software was developed by Professor Joaquim de Carvalho's team⁵⁷, from the University of Coimbra. It is a relational database designed to deal with historical data in the scope of network analysis and prosopographic studies, allowing the integration of data arising from the varied documental typologies. Beyond storing data, MHK was used to generate the sociogram, a visual way to represent the social network (Scott, 1991; Wasserman & Galaskiewick, 1994). This instrument was used to the analysis of the V4 variable. This software has already been employed in Social and Economic History Research (Carvalho & Ribeiro, 2008; Carvalho, 1998; Pinto, 2012; Ribeiro, 2012).

The SNA began to be used in anthropological studies by Radcliffe-Brown (Scott, 1991). Historians use SNA, mainly when studying social elites and merchant groups (Goldthwaite, 1987; Padgett & Ansell, 1993; Pinto, 2012; Ribeiro, 2012). The SNA presents great potential as a tool to build the understanding of accounting, as argued by Chapman (1998), despite the recent use (McWatters & Lemarchand, 2013). Nonetheless, the literature has worked, even in the accounting history area, using this tool (Lee, 2000; Masquefa, 2008; McWatters & Lemarchand, 2013).

⁵⁷ This dissertation was allowed to use MHK. The description of the technique of the software can be accessed in Carvalho (1998) and Carvalho (2010).

It is important to highlight that SNA is neither a theory nor a methodology (Carrington & Scott, 2011; Marin & Wellman, 2011). Rather, it is a paradigm, a “way of conceptualizing and analyzing social life that guides the selection of social behavior data that are studied, influences the way these data are organized for analysis” (Carrington & Scott, 2011, pp. 5–6). It is a way of looking at social life, but it does not predict what future behaviors. It provides guidance on where to look for answers (Marin & Wellman, 2011). It is a specific application of graph theory which takes as a premise that social life is created by relations and the patterns formed by these relations (Marin & Wellman, 2011). Therefore, the investigation based on this paradigm study “patterns of relations, not just relations between pairs” (Marin & Wellman, 2011, p. 14).

There are three principles implicit in the SNA that guides the study and explanation of the social phenomena of interest. First, “network explanations do not assume that environments, attributes or circumstances affect actors independently”. Second, network explanations “do not assume the existence of uniformly cohesive and discretely bounded groups”. Moreover, third, “network analysis take context so seriously that relations themselves are often analyzed in the context of other relations” (Marin & Wellman, 2011, pp. 12–3).

The data stored in MHK was collected from accounting (i.e., primary and auxiliary) and non-accounting documents of the PPC. The compilation of data by the database was performed around the conceptual triple: entity, attribute, and relationship. An entity is “everything that exists or existed (and it is possible to represent in computer format)” (Ribeiro, 2012, p.37). An entity could be for instance something concrete (i.e., an individual) or something abstract (e.g., an account in the ledger of PPC). The specificities that characterize an entity are attributes, distinct elements fundamental to the identification of people or objects. The attributes result from a categorization set by the researcher. It takes into account the “terms and categories in the sources, but also, given the recurrent use of many terms to define the same reality, from an effort to standardize seeking, notwithstanding, respect the meaning of the conditions intended by the writer of the documents” (Ribeiro, 2012, p. 47). A relationship is an

interaction among entities. Three types of relationships were collected: social relations, flows, and interactions (Marin & Wellman, 2011).

Social relations include blood and spiritual kinships⁵⁸. Flows are relations based on exchanges or transfers between people. These include relations in which resources flow through the network (Marin & Wellman, 2011). It was classified as “flows” all merchant relationships described in the accounting books of the Company (e.g., X appears in the account of Y as a credit. That means that Y accepted part of the debt that X owed the PPC). Interactions refer to behavior-based ties and include relations in the context of social relations (Marin & Wellman, 2011) (X is an heir of the Y).

In the second supplement of the ledger B (ANTT 516, f. 75) there is an account called Julião Lumachi, identified as Captain. On December 30th, 1768, part of the debt balance was transferred to Jacome Lumachi's account, represented on the right side of the account. Including this data, once again we have two entities (Julião and Jacome); an attribute (Julião identified as Captain); and an accounting relationship between the entities.

The relational database has 40,498 occurrences about 9,855 entities (e.g., people or accounts present in the accounting books), featured by 87,368 attributes and 90,140 relationships.

This dissertation differs from previous studies in Accounting History that also used o SNA in, at least, four primary aspects: (1) the vast quantity of sources which is detailed in the next section; (2) the time boundaries of relations, between 1759 and 1813; (3) the notion of interest group in accounting associated with SNA (Wasserman & Galaskiewick, 1994); and (4) the complexity of analysis. On the whole, Scott (1991) states that complexity increases as a function of the number of involved actors in the network analyzed.

The accounting books of PPC were not limited to providing economic and financial information. Social information about all parties concerned in the PPC was equally

⁵⁸ Spiritual kinship is a form of kinship that derives from the participation in certain sacraments (Carvalho & Ribeiro, 2008, p. 172)

collected. In general, each account in the ledger, for instance, was not limited to the name of the individual who performed an economic transaction with the company. In the space dedicated to the title of the account, other information was available, as the profession or role, place of residence, guarantor's name, depositary's name, and the name of a reference member or another individual with whom the ownership of the account was shared. One fact that favored the collection of accounting relations was that PPC used, as standard, the name of the individual as the title of the account. When observing the composition of debts and credits, in each account, the other entry was the name of the other individual, not a generic term, like clients or suppliers. Recordings in the ledger with other entry in cash (as payment of part of the debt) sometimes also provided information regarding the relationship, in the description, when a correspondent or attorney was making the payment. The recurrent term for this relation was "*por mão de*", which can be translated as "by the hand of". Sometimes, this correspondent was also identified, in the description, by family (by his son's hand) or mercantile ties.

When the description mentioned that the recording was a correction (i.e., improper debit or credit) we did not consider the entry. It is important to note, that improper records and subsequent corrections were frequent because of namesakes. In such cases, the identification was made by the detail about job, profession or residence, as described earlier. For instance, in the accounting books of PPC were detected three individuals named João Batista de Vasconcelos, two identified as sugar mill owner and the other as a sugar planter. The two sugar mill owners are differentiated by the name of the sugar mill or the title. For example, one of them was identified as captain-major. As follows, those details were not just exaggerated accuracy, but a fundamental element to differentiate between individuals and allowed the acceptable accounting practice. When these details were missing, the accounting mechanisms were the decisive factor for the data collection, as the number of the page of the ledger was attributed to the individual. The number of the page of the previous book and the balance were necessary to verify information between books.

Scott (1991) points that the most general characteristic of relational data is that they are rooted in cultural values and symbols. Therefore, researchers should conduct the analysis considering the concepts of such cultural values and symbols. (Imizcoz

Beunza, 1996). The concepts used throughout this dissertation were already explained in the previous chapter (see Section 2.2). Although this dissertation considers the concepts valid for the society of the *Ancien Régime*, it also considers names and concepts specific for the PPC⁵⁹. Shareholder situation received specific comments. The use of terms like “*colonos*”⁶⁰ and “*reinós*” was avoided in the analysis. As Hespanha (2007) observes, the lack of a unified status for the colonial population was a mark of the colonial period, which makes this dichotomy opaque, given the porosity of the two categories. Thus, when mentioning a particular shareholder to illustrate a situation, the main points of description were: if was or not an original shareholder, the ownership hierarchy at the moment of the event, and any ties to organizational units.

The concept “original shareholder” (*acionista originário*) frequently appears in corporate and non-corporate documents. In consideration of the importance of this concept within the documents, the original label shareholder is assigned to individuals that contracted the debt and paid it up to December 31st, 1763. This group constitutes people who believed and financed the establishment of a merchant corporation. While reading the documents, it is possible to notice that those labeled as original shareholders claimed this condition when writing either to the company or the Portuguese Crown. Therefore, the label was used to contrast them from the other shareholder.

Ownership hierarchy depends on the number of shares owned by the shareholder in the moment of the event under analysis. Therefore, the position within the hierarchy is not a fixed condition according to the right to trade the shares. Shareholders could buy and sell their shares without prior communication to PPC. The number of shares implied distinct organizational rights and duties⁶¹. This database of this dissertation records all transactions referring to buying and selling of shares in the time set for the dissertation. This data was collected from four auxiliary accounting books, called “*livro de cessões*”, under the responsibility of the *Junta* (see Table 3). Despite registering the buying of shares in the notary office, for instance, the buyer only

⁵⁹ These concepts are presented in the next chapter, see section 4.2.2.

⁶⁰ “*Colono*” refers to the person born in the colony, while “*reinós*” where those born in Portugal.

⁶¹ These concepts are presented in the next chapter, see section 4.2.2.

satisfies the condition of shareholder after the notification of PPC and the subsequent recording of the transaction in the accounting books. Both dates, transaction date and date of recording in the accounting books were stored into MHK. In the absence of the first, it was assumed that the transaction took place at the time of recording. The identification of the dates was only possible through the information contained in the description.

Information about shareholders' ties to the organization was extracted from documents produced by PPC like shareholders lists produced before elections for the board. According to the constitution rules of the company, shareholders' rights and duties were exercised at the unit of PPC closest to the shareholder residence (§5). However, if the rules were considered literally, some misconceptions can be identified in the analysis. For instance, Antônio da Silva Pereira was original shareholder and owner of 10 shares between 1759 and 1761, resident in Captainty of Bahia. Despite Captainty of Bahia being geographically closer to Captainty of Pernambuco, where PPC had an organizational unit, this particular shareholder always attended his rights and duties at the Junta, in Lisbon. Based on this example, it is possible to note that some details directly interfere with the understanding in power matters within the PPC.

It is also important to highlight that the terms "consumers" and "suppliers" were avoided in the characterization of stakeholders of PPC. The documents of the time used the terms "debtor" and "creditor". Therefore, those terms were prioritized in the analysis. Additionally, it is important to mention that these terms are temporary and unstable when referring to any individual. Such classifications depended on the balance of the account, at the moment. Few individuals had a relationship with the company performing strictly one role (i.e., consumer or supplier). Therefore, a reference to these people was always accompanied by this information.

A chain of evidence was also established to increase the reliability of the information used in this case study (Yin, 2014). It is intended to make the process of analysis as explicit as possible. It also allows the reader to retrace and repeat the analyses. All the steps are subject to the subsection 3.2.2.

3.2.1 Sources

The research relied heavily on document sources accessed from archival collections kept by Brazilian and Portuguese institutions (see Table 2).

Table 2 – List of Institutions where the data collection was performed

Institution	Location
Arquivo Nacional da Torre do Tombo (ANTT)	Lisbon, Portugal
Arquivo Histórico Ultramarino (AHU)	Lisbon, Portugal
Arquivo Público Estadual Jordão Emerenciano (APEJE)	Pernambuco, Brazil
Biblioteca Universitária de Coimbra (BUC)	Coimbra, Portugal
Biblioteca Nacional (BN-PT)	Lisbon, Portugal
Biblioteca Nacional (BN-BR)	Rio de Janeiro, Brazil
Instituto Arqueológico, Histórico e Geográfico Pernambucano (IAHGB)	Pernambuco, Brazil
Laboratório de Pesquisa e Ensino em História (LAPEH)	Pernambuco, Brazil

Corporate documents produced by PPC were the main data source, consisting of accounting books (primary and auxiliary) and other administrative documents, as observed in Table 3. These documents are located at ANTT. Although most of the books are in good condition, the collection available is incomplete. Throughout the analysis, some books were referenced in documents, but not available for handling. The waste book produced by the unit of PPC in Pernambuco is an example. Even though mentioned in the corporate documents as well in documents produced externally, none was available.

The unavailability of some documents also restricted the analysis of procedures in the recording of requital of debts, mainly those residing in ultramarine, during the liquidation period. The collection of ANTT did not dispose of the ledger recorded in the *Direção of Pernambuco* of the PPC, during the liquidation period. Thus, it was not possible to accompany the liquidation of debts by the company's debtors. The most specific information that was accompanied was the general balance account on some specific date. The way that accounting recording was made by the accounting department of the *Junta* did not aid the data collection.

Some separate documents (*documentos avulsos*) produced by PPC were equally found in other documentary collections kept by AHU, LAPEH, and APEJE. They are

letters exchanged with the administration of Portuguese Crown, copy of balance sheets and debtor lists.

Table 3 – Sources from the PPC used in the research

Corporate document (Books)	Number of Books	Term
<i>Livro de Registro de Ações</i>	12	12/09/1759 – 30/12/1763
<i>Livro das Cessões de Ações</i>	04	01/03/1760 – 27/11/1833
<i>Livro de Recibo dos Pagamentos por Conta do Capital</i>	02	29/08/1787 – 25/11/1836
<i>Livro das Demonstrações</i>	03	31/12/1763 – 31/12/1836
<i>Livro de Negociação com a Ásia</i>	03	04/12/1779 – 27/03/1787
<i>Livro de Letras</i>	01	19/07/1775 – 07/04/1827
<i>Livro de Registro de Legislação</i>	08	1759 – 1892
<i>Livro da Marinha</i>	15	1759 – 1824
<i>Livro de Credores</i>	01	1763 – 1847
<i>Livro Copiador</i>	15	03/09/1759 – 11/03/1907
<i>Livro de Contas Correntes</i>	03	30/06/1777 – 01/03/1782
<i>Livro Copiador de Contas Correntes</i>	02	21/08/1771 – 24/03/1831
<i>Livro Borrador</i>	28	12/09/1759 – 29/11/1817
<i>Livro Diário</i>	17	12/05/1760 – 30/06/1821
<i>Livro de Diários Auxiliares</i>	15	31/12/1771 – 20/11/1782
<i>Livro Razão</i>	18	18/04/1760 – 03/10/1833
<i>Livro Caixa</i>	20	12/09/1759 – 30/12/1831
<i>Livro de Recibo de Lucros Partiveis</i>	18	18/01/1764 – 26/02/1829
<i>Livro de Devedores</i>	05	16/06/1761 – 12/04/1791
<i>Livro de Vendas</i>	07	20/10/1776 – 06/11/1815
Total	197	

Despite the discourse in the accounting books be perceived as the main information source for answering the research question, information from other sources were not ignored, even if produced outside the organizational environment of PPC. Such documents were useful for the understanding of the Company as well as for the verification of the accounting report. The cross reference to several sources is needed to attest the reliability of accounting information.

The search of the law in effect at the time was performed: (1) in law collections available at the *Ius Lusitaniae*⁶²; and (2) in royal orders, available at APEJE.

Among the material used in the research are detached documents and *códices*⁶³ of Captaincy of Pernambuco and Paraíba available at AHU, in Lisbon and *Projeto Resgate Barão do Rio Branco*, consulted at LAPEH. This collection is comprised of

⁶² Available at <http://www.iuslusitaniae.fcsh.unl.pt/>

⁶³ A *Códice* is a sewn book organized into notebooks (Arquivo Histórico Ultramarino (Portugal) & Martinheira, 2000, p. 12).

documents produced by several institutions of the Portuguese central administration in the reign, responsible for the ultramarine trade, as well as the local and peripheral. Documents of another captaincy were also consulted (e.g., Bahia, Rio Grande do Norte, and Rio de Janeiro) aiming to collect information about stakeholders of the PPC.

Data about the relationship between stakeholders of PPC (issue S4) were extracted from primary and secondary sources. The relations considered as accounting were extracted exclusively from accounting books (see Table 3). Regarding the sociability and kinship relations, they were collected from primary and secondary sources: (1) accounting books; (2) membership in the Order of Christ; (3) prosopographic studies. (Silva, 2014; Souza, 2007, 2012); (4) other historical studies (Araújo, 2012, Dias, 2014; Pedreira, 1995; Pesavento, 2013).

The total number of primary and secondary sources consulted was much larger than those referred. The need for triangulation of sources required such behavior during the collection, intending to increase the reliability of the data. The construction of analysis based on a sole contemporary source was perceived as fragile. Events in the analysis in this dissertation always involved individuals and their interpretation of the social, economic and political context. Therefore, comparing documents of at least two different sources is a required procedure to validate the information. José César de Meneses (governor of the captaincy of Pernambuco) demonstrate that the apparent "preciosity" of research is justifiable when the data include a large number of sources. In a communication sent to the Secretary of State for the Navy and Overseas in 1778, the mentioned governor, remarks the actions of the local unit of the PPC and the reaction of the population. According to him, while the local unit of the PPC was not following the regimental rules, the population was not innocent; some of them needed punishment (AHU_ACL_CU_015, Cx. 130, D. 9823).

Accounting documents also demand caution. Otherwise, it can lead to misconceptions. As an example, there is a document, included in an administrative book (ANTT 399), reporting a list of individuals that manifested the intention of invest at PPC. Among other names in the list, it includes the name of Felix Garcia Vieira (ANTT 399), who supposedly paid for six shares by handling a ship. Notwithstanding,

this intention never was fulfilled, according to other accounting books⁶⁴. The PPC issued no share in the name of Felix Garcia Vieira. Neither his name was found in an account in the shareholders' books of accounts. Therefore, given only the information of the mentioned list, without careful examination of other documents, could lead to the misconception that Felix Garcia Vieira was an original shareholder of the PPC⁶⁵. Thereby, to avoid hasty judgments, source triangulation was used to compare multiple perceptions of the same event or fact. The validation, or lack of, of economic and financial information about PPC, depended on the simultaneous examination of several accounting books (i.e., primary and auxiliary).

It is important to highlight that the inherent characteristic of the documents generated analytical difficulties of the social network of the stakeholders of PPC. The accounting departments of the company had different procedures in the accounting recording, what influenced and biased the data collected. The accounting department at *Direção of Pernambuco* kept all the accounting records about the merchant events of an individual in an account in the ledger. The name of the account was the person's name. This way, for instance, when X commit to paying Y's debt, X's name appeared at the left side of the ledger named after Y⁶⁶. This procedure was beneficial for this research since it provided an easy collection of data. However, the incompleteness of the books collection of PPC available for analysis at ANTT generates deficiencies in the data. For example, Elias de Góis de Vasconcelos appears on a list of debtors (540\$694 réis) elaborated in 1782 by *Administração da Paraíba* (AHU_ACL_CU_014, Cx. 28, D. 2114). Nevertheless, no account named after this individual was identified when looking at the 14 ledger books (ANTT 60, 512-519; 520-4) available at ANTT⁶⁷. As a result, no relation of Elias with other individuals was collected. In reverse situation are the individuals that worked for the company, especially as directors. Those had many relationships with other individuals because

⁶⁴ The information was checked in the following books: Stock Share Recording Book, Waste-book, Journal, Cash Book, Auxiliar Journal of Shareholders and Current Accounts Book from the ships of the company.

⁶⁵ The same situation of Felix Garcia Vieira is true for: Bento Soares Sousa, Luís Ferreira de Moura, Domingos Pires Ferreira, Antônio Gomes Ramos. All of them are considered original shareholder by Ribeiro Júnior (1972).

⁶⁶ Because of the double entry system, the "name Y" also appeared at the ledger account of X, but at the right side.

⁶⁷ This list informs that Elias de Góis de Vasconcelos presented himself at the dispatch House of the PPC and informed the debt, also committed himself to paying it in annual payments, to discharge his debt.

of the position of the enterprise. Therefore, caution is required during the analysis, since the measure of centrality, for instance, is based on the frequency of relationships in the database.

Otherwise, the accounting department of the PPC located at Lisbon used different procedures. Auxiliary books performed the control of accounts. Each person had many accounts, depending on its role in the transaction (e.g., clients, supplier or shareholder) and the form of payment. Moreover, the use of generic terms (debtors to cash, and sundry debtors) made it difficult to identify and collect the relationships among individuals. For example: when X, debtor to cash, pays for part of the debt of Y, "diverse debtor". This way, to the right of the account of X it will appear the term "diverse debtor" and not the name of Y. Similarly, the term "debtor to cash" will appear to the left of the account of Y in the Current Accounts book. This procedure added to the incompleteness of the collection of accounting books impacted on the data collecting, which, in turn, forfeited the data available.

3.2.2 Chain of Evidence

Figure 4 illustrates the chain of evidence of this study. The main interest is to understand how and why each issue selected evolved over time and had contributed to the delay in the liquidation process. The four issues selected were: Relationship between PPC and Portuguese monarchy (S1); PPC's organizational structure (S2); PPC's accounting system (S3); and Ties between PPC's stakeholders (S4).

In general, the issues S1, S2 and S3 were subjected to comparative analyses in the period 1759 to 1780 (see Figure 3). The goal is to see if the speech would be just a "dead letter" (Hespanha, 2007, p. 57) in the face of situations created by every day. Initially, the discourse of the time was compared with the practice of the PPC. The discourse materialized in a form of law, Charter; merchant rules must be carefully scrutinized. They reflect what Crown and merchants believed was desirable, but not how the economy worked (Ogilvie, 2011). As Tocqueville states who "attempt to form an opinion of the age [Old Regime] from its laws would lead to the most ridiculous errors" (1856, p. 90). In others, the legal recognition of a subject does not guarantee

its social practice as it is described in the body of law. The discourse was refuted with counter-examples, since it cannot be either rejected or confirmed, to verify consistency. Then, social practice is compared to the constant evidence in the literature. Here the goal would be to assess possible points of contact and convergence about the experiences described in previous studies. The literature used to compare issue S1 was based on studies about the governance of the Portuguese multi-continental monarchy. The Institutional mechanisms employed by the Crown to discipline its relationship with the PPC and other institutions that comprise its administration were analyzed. Regarding the issues S2 and S3, it was used investigations about other European companies, with ties to their national crown, and accounting practices during the period under analysis.

For the comparative analysis of issues S1 and S2, the rules in the organizational statutes were seen as the discourse (AHU_Cód. 450). For the issue S3, the comparison was with two contemporary sources of the PPC. They are work of the second professor of School of Commerce (Aula do Comércio) in Lisbon: o "Dicionário do Comercio", in four volumes⁶⁸, by Alberto Jacqueri Sales; and "Ditado sobre Partidas Dobradas". Regarding this last one, it is important to clarify that the work consulted was the version transcribed by the History Commission of *Ordem dos Técnicos Oficiais de Contabilidade* (OTOC)⁶⁹.

The "practice" (i.e., organizational structure and accounting procedures) of the PPC was compared with other Europeans companies such as Dutch East India Company (VOC), English East India Company (EIC), French East India Company (FEIC), and Caracas Company (CC). Qualitative and quantitative evidence were collected to support the conclusions brought by the analysis of issues S1, S2, and S3.

The analysis of the issues S4 depends on the sociogram. The sociogram was built combining the position-based and relation-based approach (Marin & Wellman, 2011). The interest actors to the construction of the network were the stakeholders of the

⁶⁸ Available at BN-PT

⁶⁹ The transcribed version is available in the annals of VI Encontro de História da Contabilidade da OTOC, event that took place in BN-PT at November 6th, 2013. The History Commission of the OTOC was constituted by the following researchers: Lúcia Lima Rodrigues, Hernâni O. Carqueija and Leonor Fernandes Ferreira.

PPC. The relationships between the actors were collected according to the literature (Cheal, 1988; Cunha, 2000; Hespanha & Xavier, 1998; Imizcoz Beunza, 1996; Polanyi, 2000; Ricoeur, 2004). After building the network, however, only one set of ties was considered. It refers to the stakeholders and their relationships. The sociogram was used for the exam of specific moments of activities of PPC, for example, the electoral process in the Junta and *Direção of Pernambuco*; and the closeness between debtors and directors residing overseas. At first, the examination of electoral process intends to verify the compliance to the statutory rules (discourse) of rotation of the board (§§4 e 6). The closeness between debtors and directors was only evaluated in *Direção of Pernambuco* due to the limitations inherent to documents reported in the prior section.

Issue	Discourse	Practice	Literature (examples)
S1	- Charter - <i>Diretório Econômico</i>	- Law Book (ANTT) - Accounting Books (ANTT) - Detached Documentos (AHU) - Chancellery Documents (APEJE)	(Bicalho, 2003; Fragoso et al., 2000; Fragoso & Gouvea, 2009; Fragoso, 2012; Hespanha, 2010; Monteiro, 2010, 2012c; Schwartz, 2011; Subtil, 1998b)
S2	- Charter - <i>Diretório Econômico</i>	- Law Book (ANTT) - Accounting Books (ANTT) - Detached Documentos (AHU) - Chancellery Documents (APEJE)	(Chaudhuri, 1981; Dibadj, 2011; Gelderblom, Jong, & Jonker, 2011; Hussey, 1934; Jones & Ville, 1996b; Jongh, 2011; Marcos, 1997; Ogilvie, 2011; Phillips, 1961; Ville & Jones, 1995)
S3	- Business dictionary - Book about DEB	- Accounting books (ANTT)	(Andrade, 2013; Baladouni, 1986, 1990; Carvalho, Rodrigues, & Craig, 2007; De Roover, 1937; Oliveira, 2014; Yamey, 1997, 2012)

Figure 3 – Elements of the comparative analysis of issues S1, S2, and S3 (1759-1780)

After the preliminary analysis of the period between 1759 and 1780, it started the analysis of the main period, the liquidation process. At this point, the objective is to understand how each issue affected or created barriers (or obstacles) for the liquidation. Contributions (positive and negative) arise from the confrontation between expected actions and those performed for each issue. Each subsection (in chapter four) evidences the contribution of each issue from a temporal perspective. The essential activities performed during the liquidation was: (1) collection of assets; (2) payment of liabilities; and (2) the payment of the shareholders.

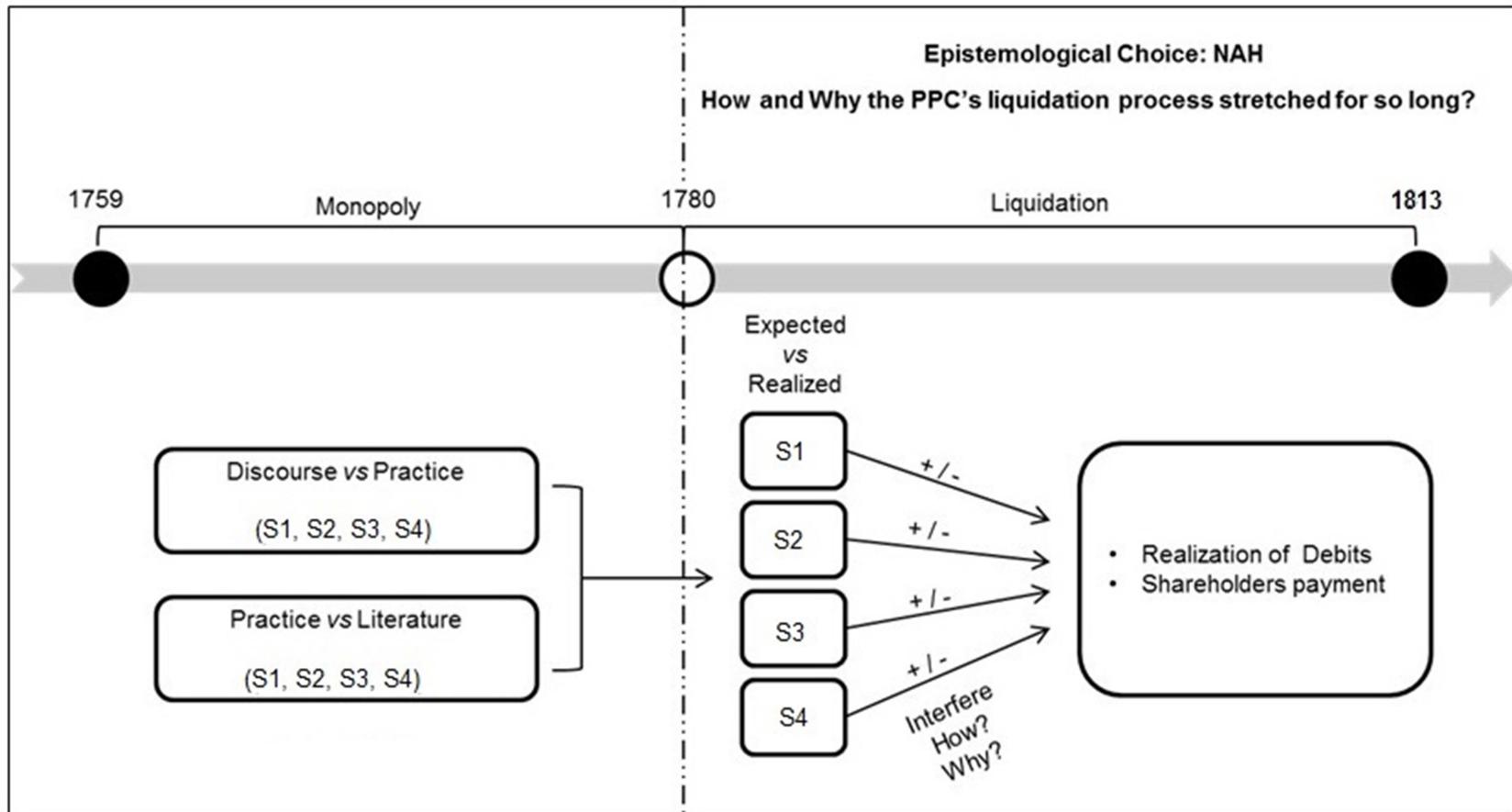


Figure 4 – Outline of the study

4 ANALYSIS AND DISCUSSION

This chapter presents the empirical results and discussion of research findings in two sections. The aim is to answer the following research question: **How and Why the PPC's liquidation process stretched for so long?**

Section 4.1 explores the context immediately before the beginning of the PPC's liquidation process, that is, from 1777 until 1780. It starts with the death of the King (Dom José I) and ends when the PPC faced with the decision of extinction. The aim is to show how the events and circumstances of the period lead up or help to explain the decision to liquidate the PPC.

Section 4.2 offers the analysis of the PPC's liquidation through the set of issues chosen. The purpose is to explain how and why these issues have evolved over time and have contributed to the delay in the liquidation process. Each issue is discussed in a different subsection: the relationship between PPC and Portuguese monarchy (4.2.1); the organizational structure (4.2.2); the accounting system of the PPC (4.2.3); and the ties between PPC's stakeholders (4.2.4). The analysis developed in this section respects the historical integrity of the PPC in its own time (Kuhn, 2006; Rüsen, 2011). Thus, the concepts used in the analysis are from the Company's views and those of its social group.

4.1 The background to the liquidation of PPC

Trade privileges, which were given to PPC by the monarch Dom José I, were not renewed by his throne successor Dona Maria I. As a non-autonomous body of the Portuguese empire, the Company was a pawn in the hands of these sovereign. However, were only the political courses responsible for the (ceased) existence of the firm? Alternatively, did internal factors also contribute to the discontinuity of PPC's

operations?⁷⁰ The answer to these questions divides historiography. Before starting the review of the academic discourse on this matter, it is necessary to introduce some royal and political actors.

Introduction of royal and political actors

The monarch Dom José I granted privileges to the PPC in 1759. In historiography, the reign of Dom Jose I is marked much more by the doing of his secretary of state, Sebastião José de Carvalho e Melo (better known as the Marquis of Pombal), than by the sovereign itself (Monteiro, 2006; Paquette, 2013). According to Maxwell (1995, p. 4), Dom José I "preferred opera and hunt over the government." These preferences might justify why the power of governing was vastly in the hands of the secretary since the beginning of the reign in 1750. Given these facts, history attributes mercantile companies created during the "Josephine providence", such as PPC, by the codename of Pombaline (Monteiro, 2014). The vast power of Pombal, of course, depended entirely on the King's reign (Maxwell, 1995). With the death of Dom José I, in February 1777, his daughter, Dona Maria I, mounted the throne; she became "the first female monarch in Portugal's history" (Maxwell, 1995, p. 151).

The Marian government did wish any further assistance by Pombal. Consequently, the Secretary had his resignation accepted by the new queen with the decree published on March 4, 1777 (Carnaxide, 1940). Three years after succeeding her father in mid-1780, Queen Dona Maria I and her body of secretaries were to confirm the decision on whether to proceed with the trade privileges granted to PPC. On May 8, 1780, they decided not to renew the monopoly of the Company, thereby allowing free trade in the captaincy of Pernambuco and Paraíba (ANTT 383).

For some authors, the queen, and her new body of secretaries followed an anti-pombaline movement, known as "*viradeira*" (Carnaxide, 1940; Dias, 1971; Rodrigues & Sangster, 2012). In their works on the *viradeira*, Carnaxide (1940) and Dias (1971) state that such this movement would have popular aspirations. Carnaxide (1940, p. 47) assigned the origin of the movement to the "courtesans", despite being not too clear in his positions. Dias (1971, p. 93) attributed the movement, more categorically,

⁷⁰ This second question does not deny the sovereigns' impact. It adds that internal decisions might have possibly affected the foreign policy decisions.

to "certain ecclesiastical factions" and "high nobleness offended" by the initiatives taken by Pombal during Dom José I's reign. The *viradeira*, therefore, would be a movement which regarded maintaining what reminded the former government as "intolerable" and "repulsive" (Dias, 1971, p. 96). From this point of view, the body of secretaries of the new queen rushed to "exterminate" the "Pombaline" projects, among which the PPC (Dias, 1971, p. 97). Cardoso (2000) did not recognize the *viradeira* as a popular movement but as a political turnabout.

Other authors are cautious in using the *viradeira* to comprehend the beginning of the Marian reign (Boxer, 2008; Dias, 2008, 2014; Marques, 1998; Maxwell, 1995; Monteiro, 2012a, 2014; Paquette, 2013a, 2013b; Pedreira, 1994; Subtil, 1998a). Accordingly, the *viradeira* puts a simplistic view on events (Subtil, 1998a); it passes on an idea of a precipitating decision (Dias, 2008). The existence of a "rejecting and contesting movement against the figure of the Marquis of Pombal" does not imply that the queen had initiated a counter-reformation (Subtil, 1998a, p. 419). In line, a more detailed analysis shows that not everything pombaline succumbed. Some "remarkable achievements" survived the fall of Pombal and "the clerical reaction that followed" (Boxer, 2008, p. 204). Politics, with a spirit of undoing the previous government, were only verified about royal gift concession (*mercê*) (Monteiro, 2003a, 2012a). For all other matters, a reversal of the Pombaline way by the new Marian secretary appears doubtful (Monteiro, 2012a). The reforming spirit started during the reign of Dom José I continued during the Marian reign, despite at a milder pace both in Portugal and Brazil (Paquette, 2013c).

In political terms, the notions and supremacy of governmental actions were the great pombaline legacy (Monteiro, 2012a; Subtil, 1998a). However, necessary policy decisions for the Kingdom in both periods emanated from the sovereign and the State Secretaries. They were superior to the other institutions of the central government (Monteiro, 2012a; Subtil, 1998a). The decision on the extension of the PPC monopoly illustrates the government's actions. The secretaries of Queen Dona Maria I voted against the company's future as a monopolist. Despite that most of the votes were for the end of the monopoly, the secretary of the Navy and Overseas, Martinho de Melo e Castro, voted in favor by extension (Dias, 2014).

The economic politics of the Marian period, although showing evidence of other doctrinal inspiration, still had vestiges of the pombaline period. However, trade was no longer the focus of economic policies. Trade had given place to agriculture and exploitation of natural resources (Pedreira, 2014). The Lisbon Royal Academy of Sciences, an institution created by Pombal, fostered such agrarianism ideas. The institute works had as their central reference discourses in natural order theory. Arguments lacked doctrinal restrictions, however. They were also inclined to physiocratic doctrine (Cardoso, 1989; Paquette, 2013a; Pedreira, 2014; Santos, 1993). From the physiocratic natural order standpoint, it was argued, for example, that economic life would be subject to automatic adjustments. These would make direct state interventions unnecessary. Such liberalism is not completely incorporated in the writings coming from the Royal Academy. Associated authors still defended some government intervention in economic matters (Cardoso, 1989). From the academy's point of view, "this intervention was similar to a tentacular body distension all powerful and arbitrary" (Cardoso, 1989, p. 86). In other words, the academy denies the extreme positions regarding the state role in the economy. It prefers to recommend an intermediate level of intervention. Government intervention should ensure the general interests.

This discourse on state intervention affects the guarantee of free trade and the end of private privileges. Free trade and freedom for individual agents' conflicts with the sovereign, the definition of duty (tax) laws and general regulations (Cardoso, 1989). The new way of understanding the state action undermined the basis of the pombaline trading companies, such as the PPC (Maxwell, 1995). Curiously, the discussion did not affect the PPC metropolitan counterparts. CGAVAD, for example, was created in 1756 and had kept its privilege until 1821 (Maxwell, 1995; Monteiro, 2012a; Oliveira, 2014). The renewed understanding of intervention did not affect the mercantile group benefited by Pombal either. They continued enjoying privileges (Maxwell, 1995). For example, the royal dairy products factories of Covilhã and Fundão fall into the hands of their owners João Ferreira, Joaquim Pedro Quintela, Jacinto Fernandes Bandeira, Antônio Francisco Machado and Joaquim Machado. The firm kept all its privileges, including the troop's uniforms and royal house servants (Ratton, 1920). Similarly, Anselmo José da Cruz, and Geraldo Braamcamp

became owners of another royal dairy products manufacturer, located in Portoalegre (Portugal) (Ratton, 1920).

The above group of profiteers is primarily formed by founders of PPC⁷¹ and their heirs. Some of the individuals were even in executive positions in the Directors Board at Lisbon (Junta) during the monopoly⁷² (Appendix A). Following Maxwell (1995), the Marian government had merely attacked some Pombaline symbols; the proclaimed liberalization neither affected the existing monopolies in the Kingdom nor were the mercantile groups favored by Pombal disempowered but maintained the as political elite. Paquette (2013a) adds that the interest in overseas monopolistic trading companies regained political intentions in late 1790 as smuggling eliminating tool, although never working that way.

Hence, the decision not to renew the Atlantic trading companies' monopoly, such as PPC's, was no disadvantage for the mercantile elite that had emerged during the Josephine reign (Maxwell, 1995). According to Pedreira (1995), this mercantile elite was made up of over a hundred residents merchants in the Kingdom, including Pombal's collaborators. Some of these collaborators were involved in managing PPC. Their wealth was not restricted to dividends distributed by the Company but was also widely derived from tax revenue agreements (Maxwell, 1973, 1995). The same holds true for to businessmen living overseas who were involved with the direction of PPC in Pernambuco (Araújo, 2012; Dias, 2014; Silva, 2014).

Historiographical discourse

The decision to liquidate PPC is a historical event that can hardly be attributed to a single reason (political decision). Unfortunately, the royal order of 8 May 1780 authorizing free trade in the captaincy of Pernambuco and attached does not include references any decrees, which summarize the reason that led to this decision. Dropping out the possibility that the secretaries cabinet of Marian government decided on free trade for the captaincy of Pernambuco and attached in the mid-1780 in – using Dias' (2008) words – a "rush", the next paragraphs review factors

⁷¹ The term "founders" describes those individuals which were involved during the creation of the Company and signed the Institution Charter of July, 30 1759.

⁷² Antônio Francisco Machado was the son of Policarpo José Machado, from whom he inherited thirty shares (ANTT 351).

previously described in historiography as having fostered the decision (the financial situation and public representations). In doing so, an effort is undertaken to analyze previous research on the study object of this thesis - i.e. arguments on the liquidation process of PPC.

The financial situation of the Pombaline companies

In historiography, the financial results obtained by the Pombaline companies appear as a cause of the failed renewal of the monopoly. Accordingly, profits were rather too tiny. For Cardoso (2000), dividends distributed by the Company to the shareholders "were modest" - about five percent per year". In this author's opinion, the greatest financial benefits were for those shareholders who had exercised a management position in the company. Dias (1971, p. 97) classifies the argument of tiny profits as "unacceptable". This opinion has also been shared by Saraiva (1941). The last one believes that the profits were "quite substantial" in various years, despite not making a detailed analysis of the PPC's profit. He argues that the profits could have been even higher if it was not for the slave trade (Saraiva, 1941, p. 15). Detailed calculations about the slave trade, which were carried out by Andrade (2013), support Saraiva's (1941) claim. Despite overall positive results, the sum of the slave trade activity at PPC, between 1761 and 1775, led to a net loss⁷³ of 73:345\$699 *réis*. This value is higher than the income reported by the Company (69:021\$753 *réis*) in its first operation year (AHU Cod. 1792).

From the examination of documents, it is possible to say that the shareholders, the stakeholder group most interested in the financial results of the PPC, had not protested about the value of profits distributed throughout the term of the Company monopoly. In the absence of protests, it is assumed that the amount distributed had not caused shareholders' concerns or complaints during the operation of the company. If at all, complaints were about the lack or delay of dividend payment or the "advance of interests" (AHU_ACL_CU_015, Cx. 139, D 10311). The latter was a

⁷³ In spite the first net loss that happened on the company accounts, Ribeiro Júnior (1972, p. 188) highlights that the activity analyze of the slave trafficking could not be limited to the direct result earned by the company, once "arms introduction, at the northeast captaincy, represented richness creation, by the production increasing at colonial products that has promoted the mercantile transiting of the Company".

statutory bonus (§60) that had allowed a prepayment of the parcel of the profit⁷⁴. The shareholders had repeatedly demanded this bonus. From 1761, just over a year after the beginning of the company, there were already many payment requests from shareholders asking for the advance of interests. Between March and December 1761, the PPC paid the total of 10:870\$000 réis in advance of interest to its shareholders (see Appendix B). Overall, in the PPC case, this thesis argues that the financial results do not appear to have motivated the failure to renew the monopoly. There is little evidence for a lack of profits or dividends.

Stakeholders' representations

In the opinion of some authors, the representations broad forward by the overseas elite and municipal councils against the PPC⁷⁵ also contributed to the decision of not to renew the monopoly (Andrade, 2013; Araújo, 2012; Dias, 2001, 2008, 2014; Ribeiro Júnior, 1972; P.P. Silva, 2014). The representations issued since 1777 differ from previous ones⁷⁶ regarding formal aspects (Ribeiro Júnior, 1972; P.P. Silva, 2014) and regarding their arguments (Araújo, 2012; Dias, 2014). Regarding their form, the representations were no longer anonymous but had begun to contain signatures, sometimes even recognized by a notary. On the arguments, the representations started focusing on economic subjects such as the disappointed expectations on the firm functionality (Araújo, 2012; Dias, 2014). The disappointment of expectations was shown by the mismatch between statutory requirements and Company's operations⁷⁷. All the arguments within the representations as well as the answers issued by the Company were subject to detailed analysis in recent works (Andrade, 2013; Dias, 2014). Nevertheless, one argument is important to discuss at this point: a change in the tax liability of the sugar subsidy. In the list of constant requests maintained by the Town Council of Recife, the controversy over the sugar benefit appears immediately after the refund demand of free trade in the region, on July 8, 1778 (AHU_ACL_CU_015, Cx. 130, D. 9807).

⁷⁴ This dissertation comes back to the profits prepayment at the sections 4.2.3.1

⁷⁵ It is notable that Lisbon's business-men also represented the Crown against the Atlantic Pombaline companies, CGPM and PPC, in 1777 (BNRJ MS-574 (4)). Curiously, despite mentioning PPC at the document title, all complains that support the free trade exclusively relates to CGPM.

⁷⁶ Representations were frequently used by the population to express their opposition to the Company ever since the foundation of the Company in 1759.

⁷⁷ The previous analysis developed throughout all 4.2 Section has a proposition to promote a confrontation between some statutory determinations and PPC's practice.

The subsidy was one of the Royal Treasury taxes in the captaincy. It was established by the decree of January 27, 1751. For each *arroba* of white sugar, \$060 *réis*⁷⁸ in tax had to be paid by the buyer. The price paid to sugar producers should be tax-free. Since sugar exports to the Kingdom were one of the Company's businesses, it was the responsibility of PPC to pay the subsidy. The accounting records show that the Company had indeed made the tax payments during its first years (ANTT 512 and 525). However, in a letter dated June 17, 1763, the Board of the *Junta* forbids the *Direção* of Pernambuco "to pay the sixty *réis* of the sugar subsidy by any use of its account" for the sugar issued in that year (ANTT 382, f. m0113). The action was justified by the "obligation (...) to take care of public interests"; to guarantee profits at the time of decreasing retail prices for sugar in the Kingdom, the Company could not afford the subsidy anymore (ANTT 382, f. m0113). In all purchases made from September of 1763 onwards, the Company transferred the responsibility of the tax to producers. It did so by reducing the tax amount from the payment of the purchased sugar.

The Company's decision caused dissatisfaction of local producers⁷⁹ and representatives were sent to the Crown asking for a solution (AHU_ACL_CU_015, Cx. 105, D. 8126). The Company itself also had a consultation on the matter on January 14, 1774. During this plea, the Board of the *Junta* added that the decision had also considered fraud committed⁸⁰ by the producers of sugar boxes (ANTT 400). Nevertheless, a royal order on the matter in 1775 declared that "the Board [of the *Junta*] could not regulate the subsidy payment nor any expenses, which she considered doubtful for itself" (ANTT 400, f. m0109). The order and reconfirmed the 1751 decree. The Company was forced to retreat and was obliged to take responsibility for the subsidy payment. However, the royal decree of 1775 did not solve the entire problem of the producers⁸¹. There were no words about the amount which was wrongfully charged by the Company during the preceding twelve years. For this reason, a representation of producers claimed a subsidy refund in 1778 for

⁷⁸ In the case of brown sugar, the subsidy value was \$030 *réis* per *arroba* (Decree January 27, 1751).

⁷⁹ The local problems generated by this decision are worked in details by Souza (2008) and Araújo (2010).

⁸⁰ For more details about the mentioned frauds, see Dias (2014).

⁸¹ At this point, this thesis disagrees with Souza's (2007, 2008) work. The author had argued that the decree ordered the Company to refund illegal charges to the producers. In the copy of the decree analyzed, there is no such order.

the wrong charges during the period 1763-1775. The claim amounted to more than eight hundred thousand cruzados⁸² (AHU_ACL_CU_015, Cx. 130, D. 9807). Thereby, the claimed amount represented more than half of the debt of all sugar mill owners, tenants and sugar planters⁸³ (AHU_ACL_CU_015, Cx. 137, D. 10206). The existence of 'doubtful or bad debt' was not merely attractive to the mentioned group of debtors; it could have also affected the recollection of debt during PPC's liquidation process⁸⁴. Nevertheless, additional historical facts must be reviewed to assess whether the representations can be seen as an important trigger of PPC's liquidation.

The producers' representations lead to tempers between the *Junta* and the *Direção of Pernambuco*. In 1778, the directors were already aware of the sovereign's decision not to extend the monopoly of the CGPM⁸⁵. Spreading the news to Pernambuco, a letter dated February 13, 1778, issued by the Board of the *Junta* warned that the queen could apply the same decision to PPC. The latter also expressed concerns about the large number of debtors (ANTT 383; AHU_ACL_CU_015, Cx. 128, D. 9736). Also, the document ordered to fulfill some procedures classified as essential for business continuity in an ordinary, non-monopolistic situation. The letter recommended new procedures for credit sales (especially for existing borrowers with intentions to increase their debts); it stopped the construction of new vessels, asked for an organization and inventory of the wood stock and demanded to send a copy of the accounting books to the Board of the *Junta* (AHU_ACL_CU_015, Cx. 128, D. 9736).

After the above letter by the Board of the *Junta*, no further communication referring to the possibility of the liquidation was found. Similarly, none of the marking changes in the Portuguese monarchy (death of King Dom Jose I, fall of the Marquis of Pombal and ascension of Queen Dona Mary I to the throne) were evaluated on effects on PPC in letters exchanged between the *Junta* and *Direção of Pernambuco*.

⁸² No exact value was presented in the documents. The value of eight hundred thousand cruzados equals around 320:000\$000 réis.

⁸³ The group's total debt was 577:250\$636 réis. Their split is as follows: sugar mill owner: 394:690\$741 réis; sugar tenants: 43:380\$182 réis; and sugar planters: 139:179\$713 réis.

⁸⁴ See Section 4.2.3.2.

⁸⁵ The decision not to renew CGPM monopoly was a Royal decision made on January 5, 1778.

Nevertheless, both mentioned units of PPC rushed to issue responses to representations of overseas chambers during mentioned times. Apparently, they perceived need to refute all charges as soon possible because the sovereign would issue her position on the continuation of the privileges granted by the Institution Charter in due course. The Lisbon Board was quick to blame the *Direção* of Pernambuco for all the imbalances in the operations. Pernambuco, in turn, did not exempt herself from the blame but emphasized that decisions or bad practice were not carried out in her "free will"; it relied on the "connivance" of the Lisbon Board (Andrade, 2013, p. 293). The above findings indicate that PPC believed that the public representations barred the risk of losing it is the monopolistic privileges.

Similarly to PPC's view of the situation, several public institutions were also concerned about the representations. They considered whether the monopolistic privileges given to PPC were beneficial for the public or not.

On February 18, 1778, the State Secretary of Navy and Overseas, Martinho de Melo e Castro invited the governor of Pernambuco, José César de Meneses⁸⁶ to give its opinion on the Company and its activities in the captaincies of Pernambuco and attached (AHU_ACL_CU_015, Cx. 130, D. 9823). The view of the Governor dates to July 13, 1778; it is based on certificates and attestations issued by other institutions of the local government⁸⁷. Early in his letter, the governor recognizes that the continuity of the Company's monopoly was useful for trade because the profits and benefits from the activity would remain in the hands of vassals of her Majesty. Nevertheless, he comes to the conclusion that this utility does not overcome the abuses committed against "people" of Pernambuco (AHU_ACL_CU_015, Cx. 130, D. 9823).). In his view, these abuses were committed by the Company as a whole. According to the governor, it would be "naive" to believe that the Board of the *Junta* was "deceived" and only *Direção of Pernambuco* had not acted with the diligence

⁸⁶ Meneses governed Pernambuco's captaincy between 1774 and 1787.

⁸⁷ The Inspection Board issued a report on the number of boxes and sugar bundles that were embarked to the kingdom in 1756. The Customs issued a view about the slaves' number and tobacco rolls embarked within the eighteen years before and after the Company's founding. The Administration Chamber and Royal revenue Service issued a certificate over: (1) slave numbers embarked by the Company within the eighteen monopolistic years; (2) the decimate income within the eighteen years before and after to the Company's founding; and (3) - without temporal delimitation - the main royal contract prices before and after the Company's founding (AHU_ACL_CU_015, Cx. 130, D. 9823).

expected of an enterprise so useful to trade (AHU_ACL_CU_015, Cx. 130, D. 9823, f. 0346).

The governor's subsequent arguments especially favored the local elites⁸⁸ (i.e., sugar mill owners, tenants, and sugar planters) and strengthened the opinion previously delivered by local councils' representations⁸⁹ (Dias, 2014; Marques, 2011; P.P. Silva, 2014). According to the governor, adding all the abuses committed in the eighteen monopolistic years, PPC was indebted to the people, not the reverse. On the sugar subsidy, for example, he estimated the amount unduly paid between 1763 and 1775 to hundred and fifteen *contos* and two hundred thousand *réis* (AHU_ACL_CU_015, Cx. 130, D. 9823). This value is the one mentioned⁹⁰ by the Recife Town Council's representation. The reason for the difference probably lies in the assumption of the calculation⁹¹. Following the governor, the Company's total debt towards the population was one million, four hundred and eighteen thousand cruzados, two hundred thousand *réis* (AHU_ACL_CU_015, Cx. 130, D. 9823).

In Dias' (2014, p. 361) view, the opinion of the governor and the representatives of municipalities of the captaincy "entered in a crucial way into the initiation of the liquidation of the institution [PPC]." Regarding this last point, namely the shutdown of activities, this thesis disagrees with the position of that author⁹². In the way this thesis considers the liquidation process, the mentioned opinions and representations contributed solely to the decision not to renew the monopoly. The Decree of May 8, 1780, declares free trade for the pots of the captaincy of Pernambuco and Paraíba (AHU_ACL_CU_015, Cx. 136, D. 10172). The decree does not demand the Company's liquidation, which was only regulated by a notice of the State of Navy and

⁸⁸ Dias (2014) guarantees that despite favorable evaluations of the local elites, there is no documental prove of alliances between the elites and the governor.

⁸⁹ Four Town Councils of the captaincy of Pernambuco send representatives to the Kingdom between 1777 e 1780. These are: Recife (AHU_ACL_CU_015, Cx. 128, D. 9686; AHU_ACL_CU_015, Cx. 130, D. 9807; AHU_ACL_CU_015, Cx. 133, D. 10009); Olinda (AHU_ACL_CU_015, Cx. 126, D. 9577; AHU_ACL_CU_015, Cx. 127, D. 9656; AHU_ACL_CU_015, Cx. 128, D. 9718); Goiana (AHU_ACL_CU_015, Cx. 130, D. 9830; AHU_ACL_CU_015, Cx. 133, D. 10010); and Igarassu and Sirinhaém (AHU_ACL_CU_015, Cx. 130, D. 9834).

⁹⁰ The Governor had estimated that around 36% of the chamber estimative.

⁹¹ The Town Council might have considered white and brown sugar, dispatch forms (box or bundle) and quantities sold differently. Only the governors assumptions are available (AHU_ACL_CU_015, Cx. 130, D. 9823). However. Thus, incomplete records at ANTT disable a profound comparison of the different amounts.

⁹² For Silva (2014), the decree of May 8, 1780 also extinguished PPC.

Overseas on December 11 of the same year. Thus, the analysis proceeds in the next section (4.2) with the PPC as its primary focus.

4.2 Understanding the PPC through the set of issues

This section provides the PPC's analysis focusing on the four issues that were considered critical to understanding the liquidation process. The mentioned issues are the relationship between the PPC and the Portuguese monarchy (4.2.1); the organizational structure of the PPC (4.2.2); the accounting system of the PPC (4.2.3); and the ties between PPC's stakeholders (4.2.4). Each issue entitles a further subsection as indicated in the bracket.

The discussion in Subsection 4.2.1, 4.2.2, and 4.2.3 follow the same heuristic logic. The analysis decomposes time into two distinct phases in which the liquidation process appears as the frontier: the first from 1759-1780; and the second 1780-1813. The temporal decomposition enables analysis of how the actions of one period lead to changes in the following context (Mills, Durepos, & Wiebe, 2010). Subsection 4.2.4 returns to the discussion of managers' turnover and lending which was presented in Sections 4.2.2, and 4.2.3, and extends it to consider in further detail the ties between PPC's stakeholders.

4.2.1 Relation between PPC and Portuguese multi-continental monarchy

The analysis developed in this section is located in the external organizational environment and examines the limits imposed on the Company as an institution set in a particular time and space. Legislative documents disciplined the relationship between the PPP and the Portuguese crown. These documents defined how the relationship should be performed and used (i.e., a mandatory format). Therefore, the analysis developed here compares the relationship in practice and mandatory form into two distinct phases: 1759-1780; and 1780-1813. The notion of multi-continental monarchy used here is based on Hespanha (2001, 2009), Subtil (1998b), Fragoso, Gouvea e Bicalho (2000) and Bicalho (2003).

Subsection 4.2.1.1 examines the relationship from 1759 to 1780, preceding the liquidation. The discussion focuses on some aspects: the role of the crown, the consultation mechanism, and the independence provision. Subsection 4.2.1.2 considers the relationship from 1780 to 1813 through the same aspects mentioned. Subsection 4.2.1.3 offers a summary of research findings and discusses some implications.

4.2.1.1 PPC and Crown (1759 to 1780)

The PPC cannot be understood from the modern concept of the firm, as something purely commercial belonging to the private sphere. Despite the particular nature of its capital, it had emerged from an *Ancien Régime* in which the business would have been embraced in the public domain, in the modern sense of the term (Caldeira, 1999). The separation between public and private in an *Ancien Régime* society was little (Ferreira, 2010, p. 221), and the concepts had kept a very different meaning from nowadays (Caldeira, 1999). The best dichotomy, therefore, to understand the "commercial" ventures would be the legal-illegal, whose distinction would be in the existence or not of a royal charter to confer legitimacy to the existing. The opening of any company at the time required a royal permission (Caldeira, 1999). Otherwise, the venture would be considered "illegal" (Caldeira, 1999).

Rodrigues and Sangster (2012) consider the interface between the PPC and the Portuguese Crown as an early example of public-private partnership. The current literature does not find the practice of mixing public and private endeavors in business as something simple or without risk or effort (Coulson, 2005; McQuaid, 2009; Pongsiri, 2002; Wettenhall, 2007, 2008). The mixing of two distinct organizations often leads to some adverse outcomes such as conflict over goals and objectives, loss of decision-making autonomy, information asymmetry, and oppression (Coulson, 2005; McQuaid, 2009; Pongsiri, 2002). A critical issue lies in the balance of interests and power (Coulson, 2005; McQuaid, 2009). Regulation may be required to assure that a balance of interests is reached (Pongsiri, 2002).

The role of the Crown

The regulation of the Portuguese chartered companies followed a similar logic. A group of merchants asked King's permission to establish a business through the proposed by-laws. In the case of acceptance of the terms and conditions proposed, the King issued the *Alvará de Confirmação*, a legislative document that gave existence to the institution. Thus, the Portuguese Charter comprises two distinct documents: by-laws and its *Alvará de Cofirmação* (Marcos, 1997).

The regulation applied to PPC was formed by two "Charters": (1) the by-laws of July 30, 1759, and its *Alvará de Confirmação* of August 13, 1759; (2) the by-laws of January 5, 1760, and its *Alvará de Confirmação* of January 7, 1760 (AHU Cód. 450). To avoid misunderstanding, the term Charter is used in this dissertation to refer the first one, while the second is called *Diretório Econômico*, the title assigned to the second by-laws. These regiments turned the PPC in a corporately multi-continental not autonomous entity of the Portuguese monarchy (Gouvea, 2010; Marcos, 1997), responsible for operating and management business belonging to the King, foreign trade (Faoro, 2001; Serrão, 1998). They also conferred meaning and significance to the objectives and governorship form (Gouvea, 2010).

This legal apparatus was also used by the Crown to build the institutions that made up its politic-administrative body as, for example, the *Junta do Comércio* (Board of Trade) (Maxwell, 1973). The similarity ended up involved the PPC in a public character. Another legislative act reaffirmed the public entity nature of the PPC. The Law⁹³ of May 16, 1757, stated that the Pombaline companies should be considered "public" banks⁹⁴. In other words, The legislation assigned a symbolic connotation of public affairs, recognizing them as a privileged social body of the Portuguese corporatist monarchy.

This public nature was not restricted to the legislative documents since the start of operations. The Company's speech, issued by the Board of the *Junta*, had also incorporated it into the internal communications for the other units (ANTT 382-4). The

⁹³ Available at <<http://www.iuslusitaniae.fcs.unl.pt>>

⁹⁴ It is out of the aim of the dissertation discuss whether the PPC was or not a financial institution. The citation was used because of the qualification (i.e., public) that grants to the company.

Junta was the highest hierarchical business unit at PPC⁹⁵. Other Europeans chartered companies also experienced a similar situation (e.g., VOC⁹⁶, EIC, and FEIC) (Bowen, 2002; Dibadj, 2011; Gaastra, 2002; Gelderblom et al., 2011; Jongh, 2011). The public nature sense still prevails in the speech of that unity on the eve of the end of monopoly in 1779. At the time, the *Junta* commenting⁹⁷ on the behavior of the Board of the *Direção of Pernambuco* governing as follows: "that the mentioned Deputies [directors] had done in their administrations, distracting, and converting on their particular uses the Public *Cabedais*" (ANTT 400, f. m0156). The term "*cabedais*" (or *cabedal*, its singular) refers the "wealth bearing, whether of an individual or society" ever since the seventeenth century (Marcos, 1997, p. 436). This meaning is similar to the term capital (Pacioli, 1494/2014). The PPC's *cabedal* would be equal to the total amount of funds of their actions (§12). The PPC's shares were paid at private expense⁹⁸. Thus, the connotation of public "*cabedais*" would only have a symbolic meaning in the discourses given by *Junta*.

Despite the Crown's resources have not been used for payment of one action of the Company, some boon granted to the company start up may have contributed to the gestation of the public nature. It is instructive in this regard, donations and permissions granted to Start-up Company's operation. For instance: (1) part of the land donation of the Money House, in order to build the customs house; (2) war frigate donation, to escort ships (§§13 and 18); (3) permission for using Royal warehouses for Company's products storage, whenever its warehouses were fully loaded (§39); (4) authorization for the guard corps of the Money House to carry out surveillance of offices and Company's stores as commanded by their directors (ANTT 400); and (5) preference in customs clearance for the company's ships (§36).

In addition to the boon, the charter also granted legal, economic and social privileges for the Company, shareholders, and officers. The corporate nature of the Company's legal existence is pointed out as a privilege, because the status generated significant gains, despite the inherent duties (Marcos, 1997). In this context, also stands out the

⁹⁵ Subsection 4.2.2 presents the details about the organizational structure of the PPC.

⁹⁶ At least during its first formation between 1602 and 1623 (Gelderblom et al., 2011; Jongh, 2011)

⁹⁷ The referred comment was at a consult sent to the Crown on November, 10, 1779 under request of Ana Joaquina de Freitas Sacoto, widow of Manoel de Almeida Ferreira, who had been director of *Direção of Pernambuco* from 1769 to 1776.

⁹⁸ The exam of capital formation will be introduced forward in the section.

establishment of private courts⁹⁹ for judging Company's litigate cases and for its shareholders and officers¹⁰⁰ (§§8 and 9). In economic terms, the greatest privilege would be a monopoly in different activities to be enjoyed strictly within the geographical area of Pernambuco and Paraíba's captaincies (concession area), except for Sertão, Alagoas, and Rio São Francisco do Sul's ports. The activities included in privilege were: bulk trade; and navigation on routes (1) kingdom-concession area-kingdom and (2) concession area coast of Africa-concession area (§§25 and 26).

Tax exemptions were also granted to PPC. Woods acquired for any purpose were royal tax-free (§35). The Company was exempt from paying the fee of one percent for transporting money or overseas gold to the kingdom (§ 18). All overseas goods, when exported to foreign countries, would pay only half of the real rights, being sugar the only exception to this rule (§35). The wine for the ships' crew could also be purchased upon payment of half of the rights (§36). The PPC's Charter had also foreseen receiving a monetary compensation in money (*dinheiro de contado*), paid by the Crown, in case any Company's ship was shot down while it was being used by the kingdom service in war (§20).

The social privileges granted by the PPC's Charter were allocated to shareholders and company officials. All original shareholders who acquired and kept in their possession, at least, ten shares of the Company would enjoy the privilege of noble¹⁰¹ (§43), "passive retirement", and they would not be obliged to serve in offices of Justice or Treasury (as a counselor or as depositaries) (§44). The same privileges described in §44 applied to all officials (i.e., no hierarchical distinction) while they were carrying out their functions. However, the directors' privileges did not cease with the mandate completion.

However, all these benefits had a price: Crown presence over the PPC throughout its existence (Marcos, 1997). According to the Charter (§12), the PPC was immediately

⁹⁹ For more details see Section 4.2.2.1.

¹⁰⁰ Only for original shareholders with at least ten shares.

¹⁰¹ This means tax exemption and automatic release of the mechanical handicap (*defeito mecânico*) (Olival, 2001). More details about "mechanical handicap" see (Guedes, 2006; Mello, 2000; Olival, 2004; Schwartz, 1988).

subordinate to the King's person. The company's interlocutor with King was the Board located in Lisbon, composed of some wealthy shareholders. Thus, the shareholders, considered in the majority, did not have control rights over the company. This dependency was the Portuguese empire governance hallmark (Bicalho, 2003; Gouvea, 2010; Subtil, 1998b; Xavier & Hespanha, 1998). The King had a position of "head", leaving the majority of shareholders out of the decision-making functions.

The PPC's Charter indicated the shareholders' rights. The PPC's shareholders had the right (AHU_Cód. 450): to run in the Board elections¹⁰² (§3); to vote¹⁰³ (§5); to consult the King (§10); of free transferability of shares with no obligation of first refusal (§57); to exit in case of change of the Charter's conditions (§58); to consult the Board (§59); to receive profit distribution (§60); and to share any remaining proceeds in case of liquidation (§61). About the shareholders' right to information, they could exercise it by presenting a consult to the Board.

The Charter said nothing about the shareholders' right to replace members of the Board. The private interest of shareholders was not a concern of the PPC's Charter, presumably because the King had the obligation, as the "head" of the company, to monitor the observance of duties of each and to protect the established rights. The right to vote do not guarantee control over the business (Zingales, 1994).

The consultation mechanism

The King had the ultimate word on PPC's government rules, but he licensed the company to consult him on omitted or unforeseeable matters or eventually to change rules (Marcos, 1997). According to Rodrigues and Sangster (2012, p. 1151), the consultation mechanism was a right "granted so as to maintain the special nature of privileged companies operating in the interface with the state and to ensure that the partnership continued throughout the time for which it was established to operate".

¹⁰² This right was assigned only to shareholders with at least ten shares. More details are presented in Subsection 4.2.2.1.

¹⁰³ The voting rights depended on the number of shares owned by the shareholder. More details are presented in Subsection 4.2.2.1.

The consultation on issues related to the Charter would not have essential character. However, for some materials clearly marked on *Diretório Econômico*, to consult was an obligation. The imposition of consulting was prescribed on matters such as: (1) confirmation of the election result (§XXXX); (2) nomination of higher and lower officers, including board's member (§XXXX); (3) recurrent cases of directors' absenteeism (§§IV, V); and (4) punishment for evil zeal of activity, illegality or violation of operational secrets (§§XI, IV)

The provisions on punishment within the company seemed to be in harmony with the corporate logic applied to the cited matters in the Portuguese empire (Cardim, 2005). It is important to highlight that the chairman (*provedor*) of each company's board had rights to punish the first occurrences of absenteeism and bad zeal. However, in the case of persistence of unwanted behaviors, only the King had the right to apply a "definitive" punishment. Therefore, it justifies the need to seek consultation on the matter.

The consultation mechanism was not applied to PPC exclusively. It was a mechanism incorporated into the political practice of the Portuguese monarchy (Bicalho, 2010; Cosentino, 2013) Institutions and agents who composed the political-administrative body of the crown also enjoyed the same right (Cosentino, 2013; Marcos, 1997). The King was responsible for considering what would be more useful for the "public welfare". The concept of "public welfare" (Russel-Wood, 2012) also permeated the relationship between the Crown and the public officials. It was a mechanism which reaffirmed the corporate character of the monarchy and government refresh the king image as the arbiter of the interest balance between many institutions and agents (Bicalho, 2010; Hespanha, 1994).

From an organizational point of view, the consultation mechanism can also be regarded as an opportunity for dialogue with the King (Rodrigues & Sangster, 2012). This dialogue was necessary for the conservation of the collaborative nature of the relationship (Rodrigues & Sangster, 2012). From the Crown perspective, the consultation mechanism served to monitor compliance with the conditions confirmed in the organizational regulations. Besides, the issues consulted became sometimes the subject of legislation to discipline not only the PPC but all others Portuguese

chartered companies. For this reason, it is not too much to affirm that the Company daily lives had helped to build the Portuguese societal Law (Marcos, 1997).

The PPC depended on the state secretaries' mediation to present a consultation to the Royal presence. Pombal, Sebastião José de Carvalho e Melo, was the main mediator with the secretary of State for the Navy and Overseas alongside. During the monopoly phase, there were three secretaries: Thomas Joaquim da Costa Corte Real (1756-1760), Francisco Xavier Mendonça Furtado (1760-1769) and Martinho de Melo e Castro (1770-1780) (Subtil, 1998a). It was through the secretaries that the king dispatch orders to the Company. The intermediary role played by those agents does not mean it would serve as "simple transmission flows", but would have a normative mission (Marcos, 1997, p. 425). The PPC's Charter elucidates this normative role whose authorship is attributed to some merchants¹⁰⁴ and even the Secretary of State of the Kingdom. The company's documents also confirm the existence of many *Avisos*, issued by the secretaries before the consultation. They asked the Company to submit consultation along with the *Aviso* (Marcos, 1997). The answers given to the overseas representations between 1777 and 1780 are examples of backstage activities from the secretaries.

The apparent boon of to having a direct dialogue with the King does not imply that there were not negatives points. The waiting time between the consultation submission date and the king's decision could be a problem. Any matter would be on hold until the royal decision. For instance, even the departure of the company's ships from the Lisbon port depended on Royal's consent (ANTT 382). Given this, an exam of the consultation mechanism was conducted to check the waiting time to assess whether the consultation mechanism could be an obstacle to the operation. The concern with the waiting time was also present in the eighteenth century. The *Alvará*¹⁰⁵ of 24 July 1713 is an example to illustrate this concern. This *Alvará* added some procedures for the *Desembargo do Paço*¹⁰⁶ with the purpose to speed up

¹⁰⁴ Beyond Conde Oeiras' signature (Pombal), there are signatures of: José Rodrigues Bandeira, José Rodrigues Esteves, Policarpo José Machado, Manoel Dantas de Amorim, Manoel Antônio Pereira, José da Costa Ribeiro, Anselmo José da Cruz, João Xavier Telles, José da Silva Leque, João Henriques Martins, and Manoel Pereira de Faria (AHU Cód. 450).

¹⁰⁵ Available at <<http://www.iuslusitaniae.fcsh.unl.pt>>

¹⁰⁶ According to Schwartz (1973, p. 11), the *Desembargo do Paço* was at the "apex" of the Portuguese judicial system.

clearance process. Unfortunately, the *Alvará* did not stipulate in a clear way the number of days used as the parameter so it could be employed in this dissertation as an analytical reference. Nor studies were found that contained temporal parameters for clearance processes in other institutions of the administration of the Portuguese crown.

The PPC recorded consultations and its resolutions in a book. However, before presenting the information gathered is necessary to emphasize some methodological limitations. Only one consultation book (ANTT 400) was found in the collection of documents available at ANTT. It does not mean that only this book existed or that it contains all consultations conducted by PPC. The ANTT's catalog informs the existence of several other PPC's documents that have not been cataloged. Moreover, the letter's book (*livro copiado*) suggests that other consultations were made, but they were not recorded in the consultation book. Despite the inherent limitation of documentation (incomplete), it is believed that the examination of the book mentioned above can help to understand the timing factor as a negative aspect of the consultation mechanism.

The analysis¹⁰⁷ adopted the average (mean) and standard deviation of the waiting time of the consultations. The total of consultation recorded was, therefore, 64 during the term of the monopoly (1759-1780). Of this twenty-one were disregarded for the analysis because they contain incomplete data (consultation date or clearance date). Thus, the total number of valid consultations was 43. The valid consultations were divided into two groups for analytical purposes in reason of the subject matter: (1) Group A for non-compulsory matters; and (2) Group B for compulsory matters.

Table 4 presents the consultation classified as Group A. The consultation matters the Group A are very heterogeneous with 24 events. Of these, three consultations were removed from analysis due to their atypical waiting time (191, 53, and 112 days). Thus, 21 consultations were considered valid for analyses. This group had meant "waiting time" of 12 days and standard deviation of 13 days.

¹⁰⁷ This is a proxy because the sample size is insufficient and it is unknown whether the distribution is normal.

Table 4 – Waiting time for non-compulsory matters (Group A) during the monopoly phase

Consultation matter	Consultation Date	Clearance Date	Waiting time (days)
Bodyguards	22/10/1759	24/10/1759	2
Fleet Regulation	21/07/1760	22/07/1760	1
Loan	01/07/1761	22/07/1761	21
Shares (<i>meias ações</i>)	20/11/1761	26/11/1761	6
Fleet Regulation	23/12/1761	02/01/1762	9
Deportation	14/05/1762	16/05/1762	2
Tax exemptions (<i>carne seca</i>)	25/02/1763	02/03/1763	7
Punishment	01/10/1763	12/04/1764	191
Electoral Fraud – Board of Inspection	28/09/1768	12/10/1768	14
Contraband	07/04/1769	12/04/1769	5
Directors payment	07/07/1769	12/08/1769	35
Board changes	25/08/1769	14/09/1769	19
Board Election	27/09/1769	09/10/1769	12
Creditors	08/05/1770	26/05/1772	18
Passport	08/04/1772	01/06/1772	53
Sugar subsidy	14/01/1774	06/05/1775	112
Opportunity for business	12/01/1776	17/01/1776	5
Profit distribution	11/10/1776	14/10/1776	3
Contraband	28/08/1778	11/09/1778	13
Shipment	22/12/1778	23/12/1778	1
Ships	10/03/1779	12/03/1779	2
Ships	26/05/1779	02/06/1779	6
Embargo	13/08/1779	16/08/1779	3
Business (<i>Casa da Índia</i>)	20/08/1779	15/09/1779	25

Note. Data obtained from ANTT (400).

Table 5 presents the consultation classified as Group B. All 19 events categorized in this group were officers' appointments. Atypical events were removed (290 and ten days). Thus, 17 consultations were considered valid for analyses. This group had meant "waiting time" of nine days and standard deviation of six days.

Comparing the results obtained from each group, it is possible to state that the clearance performance of non-compulsory matters (Group A) was worse since their dispersion is more than double of compulsory matters dispersion (Group B). The probability of the waiting time for a mandatory consultation lies around the average (i.e., nine days) is higher due to the lower dispersion (i.e., six days). Therefore, the Crown's clearance was more efficient in the field whose consultations were mandatory.

In general, it was not possible to find in the literature about European's chartered companies or Portuguese public bodies a parameter concerning the delay in decision-making that could be used for comparison purposes. Robertson (2011)

points, for example, that at the VOC a decision “require a lengthy, complex process. Consequently, necessary changes to corporate policy and procedures were subject to some delay” (p. 308). Despite the observation made, the author has not undertaken any analysis of the waiting time.

Table 5 – Waiting time for compulsory matters (Group B) during the monopoly phase

Consultation matter	Consultation Date	Clearance Date	Waiting time (days)
Appointment of clerk	31/10/1759	11/11/1759	11
Appointment of bookkeeper and clerk	10/03/1760	22/03/1760	12
Appointment of captain of sea and war	25/06/1760	27/06/1760	2
Appointment of tax attorney	05/05/1761	06/05/1761	1
Appointment of clerk	22/09/1761	25/09/1761	3
Appointment of director	20/11/1761	26/11/1761	6
Appointment of commander	09/12/1761	12/12/1761	3
Appointment of bailiff	19/02/1762	09/12/1762	290
Appointment of officer	23/04/1762	28/04/1762	5
Appointment of private judge	29/05/1765	11/06/1765	12
Appointment of private judge	29/05/1765	11/06/1765	12
Appointment of private judge	04/11/1768	22/11/1768	18
Appointment of secretary	09/12/1768	25/03/1769	106
Appointment of tax attorney	04/01/1769	17/01/1769	13
Appointment of director	23/05/1770	07/06/1770	14
Appointment of private judge	30/01/1771	20/02/1771	20
Appointment of clerk and bailiff	01/02/1771	20/02/1771	19
Appointment of private judge	12/06/1775	21/06/1775	9
Appointment of tax attorney	05/10/1778	06/10/1778	1

Note. Data obtained from ANTT (400).

Also, regarding the Crown interference in PPC's officer's issues, it should be noted some peculiarities. The sources display that the officers' appointment followed a fundamental feature of the political culture of the Portuguese monarchy (Monteiro, 2012c; Stumpf, 2012b, 2014; Wehling & Wehling, 1994). The King was responsible for the appointment of all PPC's officers, independent of their internal hierarchical position in the company. The company could indicate officers to the position by submitting a consultation. However, only individuals appointed by royal order could take up activities. The appointments made for the PPC's officers were both temporary (*concessão precária*) and permanent (*em propriedade*). In the latter case, the position could be transmitted by inheritance (Stumpf, 2014). In both cases, the office-holders could nominate a third party (*serventuário*) to perform the job. In an event of vacancy, regardless of the reason given, the PPC would appoint a replacement for the position, and the king could or not accept this nomination (ANTT 404). The prohibition of *serventuário* could be associated with the defense of the

efficiency of the PPC's tasks and, therefore, the administration effectiveness. The *Diretório Econômico* defended that the activities of the PPC should be distributed on the competence basis and experience of each (§§VIII, XII).

The venality did not reach the highest positions at PPC (e.g., board members), which were filled by bureaucratic criteria. However, evidence shows that the crown sold "intermediate" and "minor" positions. For example, the Crown sold the clerk¹⁰⁸ position (*escrivão*) of the *Direção do Porto* to Bernardo José Soares by the cash payment of 20\$000 réis. The property letter (*carta de propriedade*) was issued in 1770 with the highlight that in the case of termination for any reason neither the crown nor the PPC would repay any amount paid by the position (ANTT 404). The doorman¹⁰⁹ position of the *Junta* was also sold (*em propriedade*) to José Antônio Pimentel¹¹⁰.

Regarding the nomination of the Board members of the PPC, Marcos (1997, p. 747) believes that the consultation presented itself as "*a posteriori* confirmation". According to him¹¹¹, the King "never intended to interfere". However, the PPC's documents do not help in Marco's opinion. According to the *Diretório Econômico* (§XXXIX), a document with the election result (candidate name and number of votes received) in a unit should be submitted to the Crown in consultation for the elected nomination. The document should point out for each position the best three candidates voted, being given to the King the possibility of choosing the better candidate. Thus, the list of nominees by the monarch might or might not match the vote of the shareholders. Unfortunately, the lists of the election results submitted in consultation by the PPC during the term of the monopoly were not available for research at ANTT archive. However, it is known that the monarch has not confirmed the vote of shareholders resident overseas in 1781, as will be discussed further (Subsection 4.2.2.2). Thus, whether the will of the shareholders has not been observed at the occasion, it is possible that the king had done something similar

¹⁰⁸ It is an intermediary position.

¹⁰⁹ It is a minor position.

¹¹⁰ Unfortunately it was not possible to determine the conditions of the grant, because the property letter was not found. It appears this statement from the appointment of the replacement (ANTT 403).

¹¹¹ Marcos' (1997) analysis was not only about the PPC, but also included the CGPM and the CGAVAD.

before. Therefore, it is reasonable to argue that shareholders did not effectively have rights to choose or replace the Board members.

The King promised to ensure compliance with organizational rules included in the Charter and the *Diretório Económico*. However, the zeal did not materialize in effective control of the PPC's activity. The zeal was held at a distance. In the absence of close monitoring, the PPC's directors were free to take decisions to extract private benefits. As a result, abuses were committed¹¹². The change in the taxpayer's sugar subsidy¹¹³ decided by the board of the *Junta* is, in this dissertation opinion, the highest example of what the distance control associated with the incorporation of the public nature¹¹⁴ may result. For over ten years the Crown did nothing to reverse the Board's decision that oppressed the overseas population. The Crown only pronounced something about the case after the consultation presented by the *Junta* and the PPC's directors did not receive any punishment.

The behavior observed on PPC's directors is referred in the literature as "agency problems" or "principal-agent" problems (Ogilvie, 2011). It could affect any merchant that has to use other people to do business on his behalf (Ogilvie, 2011). The legal rules that insulate management from shareholders intervention partly favor this kind of director's behaviors (i.e., extraction of private benefits of control) (Bebchuk, 2005; Nenova, 2003). The right to control a company is valuable per se because it guarantees the owner of this right some unique benefits (Zingales, 1994).

As at the PPC, others European chartered companies also had similar agency problems (Carlos & Nicholas, 1988, 1990; Carlos, 1992; Dibadj, 2011; Gelderblom et al., 2011; Jongh, 2011; Nordenflych, 2011; Philips, 1961). According to Costa and Rocha (2007), even the existence of kinship ties prevented the occurrence of agency problems between traders involved with the gold shipment from Brazil to Portugal in the mid-eighteenth century.

¹¹² Subsection 4.2.2.1 presents a further discussion about this matter.

¹¹³ See page 106 et seq.

¹¹⁴ It is important to emphasize that the directors appointed by the crown to the first Board of the *Junta* were the authors of the taxpayer subsidy change (ANTT 382).

The independence provision

The Company subordination to the Crown had a peculiar characteristic indicated in the Charter (§12). The term "independent" was used to characterize the relationship that the Company should maintain with any other public agents or institutions of the Crown's administration. The independence provision applied to the Company's management and accountability. The question about the applicability of this provision requires a careful examination.

Despite the clear statutory shield, the *Junta* always sought to maintain a near and cordial relationship with the Crown officers, including overseas agents. The "independence" did not materialize in distance. For example, as soon as the PPC was established, the Board of the *Junta* reported it to the principal local authorities in the captaincy of Pernambuco. The letters, dated November 24, 1759, were addressed to the governor, the bishop, and the chief financial officer¹¹⁵ (*provedor da Fazenda Real*) (ANTT 382). The letter addressed to the chief financial officer requested that he dedicate the same zeal and efficiency applied to royal service for the PPC's affairs. The *Junta* sought for protection to the governor and the bishop to the Company's flourishing. In return, the Junta stated that was willing to perform the potential demands issued by them faithfully. This discourse was present in all letters sent to governors¹¹⁶ Luís Diogo Lobo da Silva, Antônio de Sousa Manoel de Meneses (Count of Vila Flor) and Manoel da Cunha de Meneses (ANTT 382).

The discourse full of prolixity was in the letters sent to Luís Diogo da Silva Lobo and Count of Vila Flor, possibly in gratitude for the protection of the Company's interests. The first was responsible for convincing local elites to invest in the purchase of the Company's share; and local population about the benefits that would turn up to the captaincy through the enterprise operation (Andrade, 2013; Araújo, 2012; Dias, 1999, 2001, 2014; Silva, 2014). After the start of the Company's activities, Luis Diogo Lobo da Silva also worked to stifle the first murmurings contrary to the Company (Dias, 2014). About the second, it is known that repressed sending a representation of the

¹¹⁵ At this time the positions were held by: Luís Diogo Lobo da Silva, Francisco Xavier Aranha, and João do Rego Barros, respectively.

¹¹⁶ This statement is based on a corporate book (ANTT 382). In the book, there was not any letter sent to the Governor Luís José da Cunha Grã Ataíde and Melo (Count of Povolide). He was governor in the captaincy of Pernambuco between 1768 and 1769. However, examining the AHU archive, Dias (2014) affirms that this governor protected the Company's interests.

Recife Town Council to the Crown in 1765 against the PPC. Lack of money motivated complaints at the time in the captaincy and the volume of the Company's debts to the local population (ANTT 382). In inner speech, the *Junta* repeatedly warned to the *Direção* of Pernambuco about the need to conserve "the perfect harmony" with the governor of the captaincy to avoid conflicts; and flatters him when he worked for the Company's interests (ANTT 382, f. m0020).

The harmony between the governor of Pernambuco and the local branch of PPC seems to have remained only during the first decade of monopoly phase. Both governors mentioned to the Pernambuco's captaincy (i.e., Manoel da Cunha Meneses and José César de Meneses), whose periods of government coincided with the last years of the PPC monopoly (1770-1780), did not support entire the Company's attitude (Dias, 2014). The lack of good understanding with the *Direção of Pernambuco* is pointed out as one of the reasons for the end of the government of Manoel da Cunha Meneses¹¹⁷ in the captaincy of Pernambuco (Dias, 2014). José César de Meneses said, answering a congratulations' letter¹¹⁸ for governor's nomination in March 1775 sent by *Junta*, that hoped to find the balance between the Company's activities and utilities generated by this operation to the public. Sending greeting cards was the custom of the Junta (ANTT 382-3). The greetings message accompanied the reminder that royal grace had established the Company. Thus, the Junta asked for protection whenever necessary for the flourishing of commercial enterprise and happiness of people from the captaincy. For this reason, it is that José César de Meneses cited the issue of balance of interests in its response.

After a few months of this episode, José César de Meneses wrote a letter to the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro, complaining about the Antônio José Souto's behavior, a local PPC's director (AHU_ACL_CU_015, Cx. 121, D. 9218). In the letter, the governor said that the director offered him "bills" of exchange and "money", and had delivered to his home a "little seat" at the beginning of his term (AHU_ACL_CU_015, Cx. 121, D. 9218, f. 0523). According to the governor, such gifts serve to persuade him to work for the

¹¹⁷ Manoel da Cunha de Meneses governed the captaincy between 1769, named at the end of the first term of this year, until half 1774. José César de Meneses replaces him (AHU_ACL_CU_015, Cx. 106, D. 8270; AHU_ACL_CU_015, Cx. 116, D. 8887).

¹¹⁸ The letter was sent on December, 26, 1774 (IHGB, Lata 49, Doc. 32).

Company's interests. By not accepting such donations, the governor accused the director of being embarrassing the governmental activities (e.g., a late ship's dispatch with the wood cargo to the crown¹¹⁹). Moreover, the director was making slander about the governor, saying that he was a Company's enemy (AHU_ACL_CU_015, Cx. 121, D. 9218).

The *Junta*, as soon noted the unwillingness of overseas leaders, warned that the *Direção of Pernambuco* should be submitted to the governor's orders to ensure the necessary effectiveness in fulfilling the services required by the King (ANTT 383). The following year, in August 1776, the *Junta* has reviewed its position and softened the tone of the recommendation stating that the *Direção of Pernambuco* should come to an agreement with the governor (ANTT 383). As would say the *Junta*, "when it comes to serving Your Majesty the Company should not look shareholder's interests" (ANTT 383, f. M0128). This statement makes clear that the directors considered the Portuguese crown as the first principal rather than the shareholders. The PPC must please the King especially when the representations of overseas elites rose up against the mercantile enterprise. It was necessary to refute the allegations and ensure the Company continuity.

The Portuguese Crown's decision of not to renew the CGPM's monopoly has befallen the PPC as a threat at the beginning of 1778. In the wake of this event, the Junta recommended¹²⁰ to the *Direção of Pernambuco* to seek the support of the local governor (ANTT 383). From then on, it was permitted the governor's interference in the Company's management.

The governor José César de Menezes received the notification of his new duties by letter dated February 18, 1778, issued by the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro. According to the letter, the governor should exert greater vigilance over the Board of the *Direção of Pernambuco*, particularly as regards the shipment of exports; and, if necessary, punish "the smallest repugnance that might have [the directors]" during the execution of his orders (AHU_Cód. 583,

¹¹⁹ This same event was mentioned in other letter from the governor to the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro (AHU_ACL_CU_015, Cx. 120, D. 9161).

¹²⁰ The letter was written on February, 13, 1778.

f.189). This provision clearly contravened the principle of independence of the PPC's Charter (§12).

Apparently, this decision was made by Martinho de Melo e Castro himself with no submission to the crown in consultation. If so, it was a complete subversion of the consultation custom. The fact of the consultation did not ascend to the royal dispatch; it does not diminish the character of the decision issued; either reduces the value of the consultation mechanism as an essential instrument in the Company's daily life.

The very different context justified the possible breach of legal formalism. After all, there were only eight months to the end of the initial term of the monopoly granted by the Charter of 1759. It was necessary to ensure the profits and advantages of the trade in the Portuguese vassals' hands, as was warned by Martinho de Melo e Castro (AHU_Cód. 583). The next lines on Subsection 4.2.1.2 provide the analysis of the relationship between the PPC and the Portuguese Crown during 1780-1813.

4.2.1.2 The relationship during the liquidation

Before entering in the contours of the relationship between the PPC and the Crown during the liquidation, it is worth highlighting the historiographic disagreement about the length of monopoly phase. The Charter of 1759 granted the PPC a trade and navigation monopoly for 20 years. The definition of the end date of the monopoly depends on the start date of the monopoly. The end date is an important temporal point for understanding how unfolded the PPC liquidation's process.

Carreira (1983, p. 225) states that monopoly "started in 1761" with the shipment of the first cargo of slaves to Pernambuco. Following his statement, the monopoly would end in 1781 and the royal decision of not renewing the monopoly of the PPC in 1780 was anticipated. By examining the documentation, it can be said that the dispatch of the first fleet of slaves from Angola to Pernambuco occurred on February 18, 1761 (ANTT 293). However, the count criterion in the Charter did not define a specific kind of cargo as a critical event to start the monopoly. The Charter says that the monopoly period starts with the first fleet of the PPC (§58). Considering that the same corporate

documentation shows that the PPC dispatched cargos in 1759 and 1760, the previous Carreira's (1983) claim is improper.

Araújo (2012) states that the end of the monopoly would be even earlier in 1778 and support her assertion in a Decree of 22 December 1758. According to her, this Decree says about the establishment of a commercial venture for Pernambuco. Based on it, the royal decision of not renewing the monopoly of the PPC in 1780 was belated. This dissertation consulted the document referenced by the authoress. It is a letter from the Governor Luís Diogo Lobo da Silva, in which he comments on a received letter on September 12, 1758, from the State Secretary of the Navy and Overseas, Thomas Joaquim da Costa Corte Real. The letter of September said that Dom José I had the intention to establish a company for the prosperity of trade "in a few years" (AHU_Cód. 583, f.15v). The cited company was not established yet. In 1758, the company did not exist. Thus, this dissertation disagrees that 1778 is the year of monopoly's end. In Marcos' (1997) opinion, letters with king's intention would be a strategy to avoid failure of the societal projects.

The Charter of the PPC was granted on July 30, 1759. Later on, in September 1759, the waste-book received the first entry. The investors purchased the first 125 shares of the PPC. The first inventory purchase entry recorded on September 26, 1759 (ANTT 293). However, the beginning of activities did not imply the start of the monopoly according to the Charter (§58). The twenty-year monopoly would begin to be counted from the dispatch of the first fleet by the Company without distinguishing the nature of the cargo.

It is impossible to deny that the *Junta* sent a cargo, valued at 5:515\$975 réis, bound for the captaincy of Pernambuco on November 25, 1759 (ANTT 293). This event probably led¹²¹ Dias (2014) to state that the monopoly of PPC would end in 1779. However, this first ship¹²² sank near the Gorée Island, on the African coast (ANTT 293). Probably because of the ship did not have completed its course, this expedition was not considered for monopoly counting purposes. According to the corporate

¹²¹ She made the statement, but did not show the source used to support the assertive Dias (2014, p. 111).

¹²² It was a middle-sized merchant ship (*curveta*) called *Nossa Senhora Madre de Deus, São José e Almas* (ANTT 293).

documents, the trigger for the monopoly count was the dispatch a fleet of seventeen ships on April 8, 1760, from Oporto (ANTT 378). The captaincy of Pernambuco received fourteen ships, and the rest went to the captaincy of Paraiba. The total cost of this cargo was 208:860\$054 *réis* on wet and dry goods (ANTT 382). The PPC had incurred in a high risk with this cargo expedition. The value dispatched was equivalent to 63.76 percent of the total paid-in capital¹²³ to date (ANTT 400, 293, 382). A possible failure would have compromised the continuity of its activities, in addition to the fact that would have engendered an ineffective campaign to encourage new shareholders' investment.

In this way, all privileges granted by the Charter (among them the monopoly of trade and navigation) would cease in April 1780. At this point, the *Junta* submitted a representation¹²⁴ to the crown, which confirmed the end of the monopoly and requested the "continuance or suspension of its privileges" contained in the charter (ANTT 400, f. m0159). It is worth to note that the word "privileges" was properly used in the plural. As mentioned earlier, the Charter granted the monopoly of trade and navigation and others legal, economic and social privileges for the Company, shareholders, and officers¹²⁵.

The Crown

The Decree on 8 May 1780 revoked indirectly one of the privileges established by the Charter (i.e., monopoly) when declared that the trade and navigation in the concession area of the PPC were free (AHU_ACL_CU_015, Cx. 136, D. 10172). The decree did not state how the Company would be in the absence of the monopoly. The change from monopoly to free trade authorized by the Decree of 1780 would enable the shareholders to withdraw the amount invested and retained earnings, according to the Charter (§58). The particular legal nature of the charter only gave the existence to the PPC within the rules established in the document (Marcos, 1997). Thus, it was the King's obligation to establish new guidelines or decide the closure of the enterprise through the enactment of a new legal document. Otherwise,

¹²³ The balance of sundry shareholders account was 327:525\$000 *réis* on April 05, 1760. The next entry was on April, 12 (ANTT 293, 470).

¹²⁴ The document did not show the day, it was only mentioned the month and the year (ANTT 400).

¹²⁵ See page 114 et seq.

the shareholders would not be long to come to the company requesting the withdrawer the paid-in capital and profits not yet distributed.

The decision about the “liquidation” was declared months later by the *Aviso* December 11, 1780. Meanwhile, between the Decree and *Aviso* the PPC had submitted three consultations to the crown on necessary measures by free trade. The lack of king's decision on the matter (i.e., how the company should function in a free trade context) limited the daily activities. The shipments of new products were suspended by the Board of the *Junta*, and recommendations in this sense were requested for the others units (ANTT 383). The *Junta* dispatched ships in ballast (i.e., without cargo, empty) with destination to the captaincy of Pernambuco solely to the rescue of the sugar harvest. The Board of the *Junta* believed itself unable to assess the usefulness of continuity of the collection of receivable accounts in the absence of royal guidelines for this particular matter (AND 383).

The *Junta* presented the first consultation on 26 May 1780, requesting rules for the Company's government in a free trade context (ANTT 400). The rules accompanied suggestions for amendment of statutory provisions¹²⁶, one of which was about the independence of the PPC's government (§12). The *Junta* requested authorization to the governor of the captaincy of Pernambuco intervenes in two internal matters: the process of closing the accounting books (i.e., waste-book, cash book and inventory book), and the investiture of new directors of *Direção of Pernambuco*. This request reaffirms the interference trend of a public agent in the internal affairs of PPC, which has started yet in the monopoly phase. According to the statutory provisions, the recordkeeping function was a particular activity of the official who worked in the accounting department. Even the directors were forbidden to perform such activities (§X). The private judge was responsible for conducting the investiture ceremony (§XXXX). However, in the *Junta's* opinion, the governor must perform both activities¹²⁷ the closing of accounting books and the inauguration ritual (ANTT 400).

¹²⁶ The others demands were about changes in the organization structure. Subsection 4.2.2.2 presents the discussion on this matter.

¹²⁷ For details about the rights and duties of each position, see Subsection 4.2.2.1.

There is no record of the clearance date of this consultation. However, the day after its submission, the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro, issued a letter to the governor with an order to perform the activities requested by the PPC (AHU_Cód. 583). The only difference between the consultation and cited letter lay in the inclusion of three accounting books in the previously list (i.e., ships' ledger, purchase ledger, and shipment ledger). On August 3, 1780, the governor already remitted letters with the balance of each book (AHU_ACL_CU_015, Cx. 137, D 10217). The crown did not pronounce rules suitable to the Company's government on the free trade scenario but modified the criterion for appointment of the private judge¹²⁸ in *Junta* and *Direção* of Pernambuco. Until a final solution was pronounced, the directors who were in office since 1776 remained at their posts (see Appendix A).

The *Junta* presented the second consultation was submitted on 2 August 1780 (ANTT 400). After the presentation, the Queen requested two documents: the financial state of the Company and the measures to conduct the liquidation in *Junta's* opinion (ANTT 400). The required documents made up a third consultation submitted on September 6, 1780, which reaffirmed the requests made earlier (ANTT 400).

This dissertation believes that the enjoyment of monopoly rights was surely essential to support the operation of the PPC, as stated by the §25 of the Charter. The absence of such right would leave the PPC in a tight position once its shareholders had the exit option also proclaimed in the Charter (§§58 e 61). However, the Queen had the power to revoke all those rights (Marcos, 1997). The fact of not having expressly determined the liquidation in the Decree of May 1780 gave expectations to the directors of the PPC that business continuity could be possible even in the condition of the free trade. These expectations were later confirmed by the Aviso December 11, 1780. According to it, the PPC was allowed to undertake two activities: (1) management, collection and liquidation of the resources; and (2) realization of any new business that could be useful and advantageous for the benefit of shareholders (ANTT 400).

¹²⁸ See page 208 for more details.

The authorization for new negotiations was probably the work of intervention of the Secretary of State of the Navy and Overseas, Martinho de Melo e Castro. He was favorable for extending of monopoly rights for Pombaline companies (Dias, 2014; Dias, 1970; Ratton, 1920; Valadares, 2010).

The decision created an agitation among the shareholders (i.e., Kingdom and overseas residents). They expressed their displeasure by individual and collective letters. These letters were submitted for a consultation to the Portuguese crown on 10 February 1781(AHU_ACL_CU_015, Cx. 139, D. 10311). In João de Araújo Mota's opinion, the second activity allowed to the company (i.e., the realization of new business) contradicted the first one and put at risk the paid-in capital in new economic transactions. The shareholders who signed joint letter shared this same opinion. They disagreed with the continuity of business in any case even if the transaction was considered safe or with no risk. Domingos Pires Monteiro Bandeira proposed a more conciliatory position concerning shareholders' interests according to which a meeting of all stockholders should decide about the PPC's activities. The shareholders also complain in those letters that they were deprived of information (AHU_ACL_CU_015, Cx. 139, D. 10311).

In response to shareholders, the royal order stated that the consultation could only be examined when two conditions were satisfied. First, the complainants must prove they are shareholders showing their shares or another document issued by the company as prove of ownership. Second, the complainants must represent the majority of shareholders (AHU_ACL_CU_015, Cx. 139, D. 10311). This order showed an apparent availability of the King to discuss the matter. However, the conditions imposed seemed to have frustrated the complainants. It was not possible to find a second consultation with the documents attached. In the absence of records, this dissertation analyzed the ownership situation of each subscriber of those letters¹²⁹. Thus, it is possible to state that the complainants did not represent the majority of shareholders; they were only 10.5 percent (see Appendix D).

¹²⁹ The total of shares were 3400 (§53). The date of cut for examining the ownership situation was on 10 February 1780, day that the set of letters was submitted to the consultation.

The group composition could explain the small number of complainants' shareholders. At the beginning of the PPC, shareholders were mostly merchants. However, twenty years after, they were mostly "widows, orphans, convents, chapels, and sacred places", which were classified by the Board of the *Junta* as "innocents vassals of Your Majesty" (ANTT, 400, f. m0185). In *Junta's* opinion, the interest of those shareholders in the firm was little because of ingenuity.

Some subscribers of the letters did not even own PPC's shares when the consultation was submitted. It was the case of Francisco Bruno de Lemos, João José da Costa and Principal Menezes. The first had become PPC's shareholder in 1775, reaching to possess ten shares, but had got rid of all between 1777 and 1779. The second did not own shares during the monopoly period. The only reference of similar name in the documents it is an individual who maintained a trade relationship with Antônio Francisco Monteiro, a shareholder resident in the captaincy of Pernambuco. Even if João José da Costa has signed the letter as Antônio Francisco Monteiro representative, the set of subscribers would not reach the status of the majority of the shareholders. Antônio Francisco Monteiro had only ten shares at the pleading time. Concerning the third, he was not a shareholder; neither there was any reference to him in the corporate documents.

This dissertation believes that the low representativeness and the fraudulent signatures of some subscribers weakened the shareholder activism. As such, both these facts ultimately strengthened the board's ability to continue with new business actions. It is reasonable to assume that if the activism had been honest and with a better adhesion, the shareholders could have changed the course of affairs at PPC favored by the political scenario (i.e., *viradeira*). The activism promoted by VOC's shareholders, for example, which was attended by almost 40 percent of the share capital, resulted in an amendment to the Charter (Jongh, 2011).

The authorization for new transactions did not remain only on paper¹³⁰, and many disgruntled shareholders required their exit right (§58), but the *Junta* did not allow it to them (Ratton, 1920). The *Junta* understood that shareholders should wait for the

¹³⁰ See page 250 et seq. for more details.

realization of all valuable items owned by the company, in particular, receivables accounts. For the *Junta*, if it met the demands of disgruntled shareholders before the realization of items, it would act with “illegality” and “injustice” to the other shareholders (ANTT 400). Notwithstanding the moral arguments presented by the Junta, it does provide a noticeable contrast concerning the power of each group, that is, shareholder-directors¹³¹ and ordinary shareholders. This contrast was the result of the way the relationship between the PPC and the Portuguese Crown was structured, which assigns to the majority of shareholders the condition of simple investors with no control rights over the company.

The slave trade, for instance, lasted until 1789 (see Appendix H) by sending cargoes from Angola to Pernambuco and Rio de Janeiro. Ships were sent to make purchases and sales of goods in Asia (ANTT 472). As a consequence, there was a delay in the sale of vessels which contributed negatively to the liquidation. The sale of the fleet was part of the liquidation process. The realization of new negotiations was expected according to the literature. As indicated by Bebchuk (2005), in the absence of shareholder power to intervene, the directors might have an excessive tendency to reject opportunities to dissolve the company because termination might not serve its interest. In 1786, a Portuguese crown agent¹³² (*Secretaria de Negócios Estrangeiros e Guerra*) issued an *Aviso* requiring the sale of the PPC’s fleet (ANTT 400). Shortly after the *Aviso*, the Crown confiscated the four best PPC ships to the royal service (ANTT 398). This decision certainly contradicted the previous royal order and reduced the number of valuable items to convert into cash¹³³.

The permissiveness of the *Aviso* on 11 December 1780 gave rise an ambiguous environment for control. Both activities (i.e., liquidation process and undertake new business) were permitted. This situation remained unchanged for seven years until the publication of a new royal decision. The Decree on 5 June 1787 requires that all efforts must be applied exclusively to the liquidation (ANTT 398). For this reason, this dissertation argues that between 1780 and 1787 would be a transition period in the liquidation process.

¹³¹ See page 148 et seq. for eligibility criteria for directors positions.

¹³² The *Aviso* was issued on 25 April 1786. The document was signed by the viscount of Vila Nova de Cerveira (ANTT 400).

¹³³ See page 263 et seq. for more details including financial information.

Behind the Decree of 1787 was a new activism initiated by shareholders, and, this time, also by creditors (ANTT 398, 400). Before the publication of the Decree, the Crown requested an explanation from the PPC about the complaints. The decision of the crown was favorable to complainants (i.e., shareholders and creditors). The presence of creditors among the complainants probably weighed in the crown's decision. It is not by chance that creditors were the first mentioned and the only ones identified (i.e., from Oporto) in the introduction of the decree. The access to money allowed creditors the access to decision and protection of the Crown.

The Decree of 1787 ordered the completion of liquidation activities (i.e., the realization of assets and payment of creditors and shareholders) for the restoration of good faith and the reducing the disadvantage of creditors. Besides, it reaffirmed the preparation of the annual balance sheet was mandatory, despite being largely neglected by the directors during the liquidation. The Decree ended stating that the non-compliance of the activities described there would be subject to the royal displeasure, but it did not mention any possible punishment that could be applied. It seemed that the mere mention of the application of a penalty, albeit virtual, was sufficient to demonstrate that the crown continued to play its role of guardian of the common interest.

The consultation mechanism

The relationship between PPC and the Crown maintained the same subordination contours. The consultation mechanism continued unchanged. In the interim between the *Aviso* of 1780 and the Decree of April 7, 1813 (i.e., time boundaries of this dissertation) the number of valid consultation on administrative matters was less than during the monopoly period. There were only 16 petitions¹³⁴. The analysis of the waiting time has shown that the queen took longer to grant clearance to the consultations. The mean of "waiting time" was 22 days with a standard deviation of 21 days. During the monopoly, administrative matters were dispatched in 12 days on average (standard deviation of nine days). The clearance delay of administrative matters was expected. The royal decision of not to renew the monopoly withdrew the

¹³⁴ There were registered 64 petitions in the book (ANTT 400), but only 16 were about administrative subjects. In the previous analysis, during the monopoly phase, the number of valid petitions was 43.

role of an economic instrument of the Portuguese Crown from the PPC. Thus, the royal protection given did not have the same strength after 1780.

The Independence provision

The Independence provision, although maintained, weakened by interference granted to the Governor of the Captaincy of Pernambuco and the Captain-major of the Captaincy of Paraíba¹³⁵ in all internal affairs of the respective PPC local units, including the directors choice. Both received the information about the new duties in late March 1781 (ANTT 383). Some months later in January 1782, the Governor of the Captaincy of Pernambuco received a second document saying that he was the Chief of the liquidation process in overseas (ANTT 383).

The interference of the Governor and the Captain-major in internal matters cannot be taken only by a sound spectrum. In practical terms, it meant the addition of another agent with authority to intervene the progress of liquidation activities. It is important to stress that these public agents were individuals who had their interests that perhaps could not coincide with the benefit of the company. The exam of corporate documents attests that both public officers met the royal orders and had a more active presence in the internal operation of the PPC, a topic that will come back to later¹³⁶.

The *Aviso* of 20 January 1798 issued by the Secretary of State for the Navy and Overseas confiscated the PPC warehouses to the royal service. The warehouses confiscated had been constructed by PPC on land donated by the Crown at the time of the Company's institution (ANTT 399). Because of this confiscation, the Company was forced to rent warehouses to store its inventories (ANTT 400). By knowing that the confiscated warehouses were unoccupied around 1802, the PPC presented a consultation to the crown requesting the return of the property for the company's service. However, the petition was denied (ANTT 399). In 1813, the warehouses were still in possession of the Portuguese Crown¹³⁷ (ANTT 399).

¹³⁵ José César de Meneses and Jerônimo José de Melo e Castro, respectively (ANTT 383).

¹³⁶ Subsections (4.2.2.2. and 4.2.3.2) present their presence in the liquidation process.

¹³⁷ The whole property (land plus building) of the PPC were declared national property in August 4th, 1821 (ANTT 399).

The Decree of 1808 (*Carta Régia*) came following a request made by the Governor of the Captaincy of Pernambuco, Caetano Pinto de Miranda Montenegro¹³⁸, to Dom João VI, the Prince Regent. At this time, Queen Dona Maria I had been taken away from government for health reasons¹³⁹ and the Portuguese Court had already been transferred to the city of Rio de Janeiro (Monteiro, 2012a; Ramos, 2012). The Decree ordered that: (1) all resources in the *Direção* of Pernambuco's coffer must be transferred to the Treasury board's coffer in Pernambuco (*Junta da Fazenda*); (2) the *Direção* of Pernambuco was prohibited from making any sale or alienation without the approval of the *Junta da Fazenda* in Pernambuco; (3) the *Direção* of Pernambuco was only responsible for collecting receivables accounts and payment of expenses (e.g., wages); (4) all money collected by *Direção* of Pernambuco should be transferred to the *Junta da Fazenda* in Pernambuco at the beginning of each quarter, after payment of expenses; and (5) the *Direção* of Pernambuco should prepare a balance sheet, accompanied by a debtors list and details about the interest calculation method.

The Decree alleged that such measures would be necessary for the benefit of the Portuguese vassals. It was feared the remittance of funds to Portugal, which was under French yoke (Ramos, 2012). Once the PPC's resources were safe in the Treasury Board in Pernambuco, they would be transferred to the *Erário Régio* (Royal Treasury) in Rio de Janeiro.

The Decree of 1808 reaffirmed the prohibition on undertaking new business. It was understood, therefore, that the local unit should undertake collection efforts with the aim of converting Company's receivables accounts into cash. The Decree also extended the Governor's interference permission. According to the document, the realization of any strange activity depended on the authorization of the Treasury Board in Pernambuco, which was chaired over by the governor of the captaincy (Wehling, 1986). The governor was also responsible for guarding the PPC's cash funds. The lack of accounting books did not allow the exam to verify some resources from the PPC transferred to the Treasury Board. Neither there was a reference to

¹³⁸ He was nominated to the post in 1802 but took office on 1804 (AHU_ACL_CU_015, Cx. 237, D. 15955; Cx. 248, D. 16649). He stayed at the office until 1817 (Bernardes, 2001).

¹³⁹ The Queen has been taken away on February 1792 (Monteiro, 2012a).

those values in the documents from the Treasury Board¹⁴⁰. It is known, however, that the measure displeased the Board of the Junta. The unit was waiting for them to reimburse shareholders for their shares (ANTT 472).

The years passed, and the lack of progress in the liquidation caused more complaints from shareholders between 1812 and 1813. Beyond the delay, the complaints also accused the PPC's directors of abuse of power. According to them, the directors did not protect the "common good" of all shareholders; and the only beneficiaries of their actions were former directors and their friends. When the complaints were presented to the Crown, the shareholders had received only fifty percent of the nominal value of their shares¹⁴¹ despite all royal orders issued to help the liquidation (ANTT 350-1). At the same time, the CGPM's shareholders had received seventy-five percent of the nominal value of their shares (Dias, 1971). Given the facts presented by the PPC's shareholders, the Crown demanded explanations from the PPC.

According to the PPC, the delay in the liquidation activities was motivated by two factors. First, the difficulty in collecting debts scattered throughout the overseas territories, largely because of "circumstances and calamities of the times". However, the document did not offer more details about the situations, and calamities cited. Second, the vast amount of resources held by the Treasury Board in Pernambuco following the decree of 1808. According to the *Junta*, the amount retained by Treasury Board in Pernambuco was 58:410\$896 réis on July 15, 1812 (ANTT 400). The retained value would be three times and a half higher than the cash amount in the *Junta* and enough to pay the balance of the third parcel of the shareholder's shares (ANTT 400 e 473). Thus, the slowness cause resided in contingent factors, and it did not have relation with the protection of a particular group.

The decision of the crown about the shareholders' complaints led to the publication of the Decree¹⁴² of April 7, 1813. The persistence of shareholders to denounce the delay in the liquidation was rewarded. The shareholders became more than just financiers of the Company with the publication of the Decree of 1813. It was

¹⁴⁰ It was consulted the AHU and BN-BR archive.

¹⁴¹ See page 276 et seq. for more details about the payments to the shareholders.

¹⁴² Available at *Coleção de Leis do Império do Brasil - 1813, Página 10 Vol. 1 (Publicação Original)*.

recognized their rights to intervene directly in the PPC' government. The Portuguese Crown withdrew from the role of "head" of the PPC. The Board of the liquidation was dissolved. From then on, the majority of shareholders were responsible for the nomination of the new directors who would receive a commission to perform the position. The Crown also gave powers for shareholders to sue former directors of PPC and their heirs against abuses committed previously. If necessary, the new directors chosen by the shareholders would require the Prince's help towards to conclude the liquidation. However, the request should not be submitted directly to the Prince, but to the Board of Trade (*Real Junta do Comércio, Agricultura, Fábricas e Navegação*), the royal agent responsible for supervision of the trade.

4.2.1.3 Summary and conclusion

The crown determined its relationship with the PPC through the same institutional logic that ruled its connection with the rest of the Empire administration agencies. Such logic has already been discussed in the literature by other authors (Cardim, 2005; Gouvea, 2010; Hespanha, 1994; Marcos, 1997; Stumpf, 2012a, 2014). Thus, it was created the impression that the PPC would be a public agent, despite its funds being originated privately. The Board of the *Junta* has incorporated this image on the internal and external organizational speeches during the whole period (i.e., 1759-1813). As a consequence, they played as a body of government representatives and committed abuse of power. This behavior was favored by the absence of three elements: the effective control of the king, the shareholder powerlessness, and the independence principle. These findings are consistent with previous studies (Carlos & Nicholas, 1988, 1990; Carlos, 1992; Dibadj, 2011; Gelderblom et al., 2011; Jongh, 2011; Nordenflych, 2011)

The agency problem of the PPC could have been lessened, for example, by transferring more rights to shareholders. However, this would require changes in the Charter of the PPC. According to Zingales (1994) and Nenova (2003), a better legal protection of outside shareholders is associated with lower private benefits of control. The 1820's doctrine would recommend as a solution to impose on directors a fiduciary duty toward the company's owners (Wells, 2015).

The link between the PPC and the Portuguese crown remained active through the consultation mechanism, which as a right or as an obligation encompassed many aspects of the Company's social life. While the consent of the King was not given, the consulted matter remained on hold. Thus, the price to pay for the Company would be waiting for higher decisions. Between 1759 and 1780, the crown's clearance proved to be diligent. However, the same cannot be said about the period between 1781 and 1813. During this period, the waiting time for the Crown's decision was superior. A change from the monopolistic to a free trade phase altered the attention given by the Crown to the company's affairs.

The delay in the clearance of administrative matters was an expected behavior in due to priority changes in the political scenario (i.e., *viradeira*). The non-renewal of the monopoly withdrew from the Company the role of economic policy instrument of the Portuguese crown in promoting trade in the captaincies of Pernambuco and Paraíba. As a result of this analysis, it is possible to state that the consultation mechanism has contributed to the delay in the liquidation process. In the absence of similar analyses in the literature, it is not possible to extrapolate this result, but further research could allow progress on this issue.

The independence provision ensured the PPC immunity to external interference. It is possible that the principle was established to avoid potential jurisdictional issues that could jeopardize the progress of the company's activities. However, in practical terms, the independence principle meant restricting institutions that could serve as an external control of the PPCs performance. In that event, the king would be the only element with the authority to regulate the activity of the company's directors, the ones responsible for the daily operations of the PPC. Consequently, it is possible to say that this principle has facilitated the action of the directors towards their benefit at the expense of the Company.

The immunity to external interference provided by the Charter was revised before the end of the monopoly stage of the PPC's own request. Apparently, the *Junta* could not internally enforce its orders to the *Direção of Pernambuco*. Therefore, it was requested that a local representative of the Crown was designed to ensure that the decisions issued by the Board of the *Junta* would be executed as intended. The

application was accepted, and the governor of Pernambuco captaincy started playing this role. The beginning of the competitive phase promoted the extension of the governor's internal intervention powers, and other crown officers received similar tasks. There was an attempt to correct internal weaknesses of the PPC with the interference of Crown agents.

The incompleteness of the documentation does not assess whether the interference of the governors of the captaincies of Pernambuco and Paraíba in internal matters of the PPC contributed positively or negatively to the liquidation process. During the liquidation, the *Junta* has always referred to the governor José César de Meneses as the "effective Protector of the fair interests of the Company" for its efforts in the collection of receivables (ANTT 383, m0422). However, the absence of documents does not assess how effective was his role for the realization. Also, between 1781 and 1813 (analysis period of the thesis) the governorship was also in charge of other people¹⁴³. Therefore, the analysis should consider all participants.

The delay in the liquidation process, reported by shareholders, ended up changing the relationship between the crown and the PPC. Faced with evidence that its liquidation orders had been unsuccessful, the Portuguese crown withdrew itself from the project leading position in 1813 and transferred the task to the shareholders. It means that the shareholders could exercise control over the directors and the company's course of affairs for the first time. Moreover, the Portuguese Crown empowered shareholders to sue PPC's reformed directors (including their heirs). The recognition of the shareholders' rights was a significant finding. It means that the PPC followed, albeit belatedly, a trend from other majestic European companies since the previous century.

This dissertation concludes that the reason for the delay in the liquidation between 1781 and 1787 relates to the ambivalence of the orders issued by the *Aviso* of 11 December 1780. The order to liquidate the PPC was consented with the authorization to undertake new business activities. The directors, attracted by the possibility of

¹⁴³ Tomás José de Melo, between 1787 and 1798; a governmental board composed initially by José Joaquim da Cunha Azeredo Coutinho, Pedro Severim and Antônio Luís Pereira da Cunha; and Caetano Pinto de Miranda Montenegro, between 1804 and 1813.

profit and excited by the king's consent, held further talks and did little to promote the liquidation until 1787. The continuation of the company in its existing form was more financially attractive for the directors than the liquidation process¹⁴⁴. Therefore, the Crown decision gave the lead to the delay in the first six years. The seizure of certain royal service assets of the PPC also had a direct impact on the liquidation by reducing the amount of resources that had the possibility of being converted into cash. Furthermore, it is reasonable to assume that the seizure has created the need to undertake new business between 1787 and 1813 to pay creditors and shareholders.

The case of the PPC shows that well-defined agreement and rules are crucial to a partnership between the State and a private company. Due to an ambivalent decision, the PPC's liquidation process delayed. A similar argument is also present in the current literature on public-private partnerships (Coulson, 2005; McQuaid, 2009; Pongsiri, 2002; Wettenhall, 2007).

4.2.2 The Organizational Structure of the PPC

In the following, this dissertation explores PPC's parameters of the organizational structure. These parameters were in the organizational regulations. They delimit the physical boundaries and responsibility of PPC's units as well as the roles, authorities, and power of PPC's officers. Remark that these regulations also attempted to restrict the officers' (directors and employees) moral hazard (Barney & Hesterly, 2004), for example, through disciplinary instruments (i.e. *enforcement*)

Section 4.2.2.1 contrasts the rules institutionalized in the organizational regulations (i.e., Charter and *Diretório Econômico*) with the organizational practices during the monopoly. Subsequently, Section 4.2.2.2 discussed the "new" organizational structure given to PPC by the Aviso of December 11th, 1780.

¹⁴⁴ See Subsection 4.2.2.2 for more details.

4.2.2.1 Rules versus practice (1759-1780)

The organizational structure institutionalized by the Charter consists of three business units of two hierarchical levels. These business units operated in different parts of the Portuguese Empire¹⁴⁵ including the overseas regions. At the top level should be the central body of the hierarchy, called the *Junta*. Subordinate bodies below the *Junta* should be two decentral units, called *Direção*¹⁴⁶ (§1). The Junta's headquarters was to be in Lisbon. The city of Oporto and the captaincy of Pernambuco were chosen to host the head office of the two *Direções*. The PPC was institutionalized as a vertical organization. Management powers and authorities should be located at the central body. The *Junta* was made responsible for PPC's "governmental" activities (i.e., the management of company's people, goods, and wealth) (Cardim, 2005).

The administrative organization that functioned during the monopoly (1759-1780) differed from the Charter in some respects (see Figure 5). Despite remaining vertically organized, the organizational structure had four hierarchical levels instead of two. In addition to the *Junta* and the *Direções*, there were two *Administrações* on a third hierarchical level and Representatives¹⁴⁷ on a fourth level. Except for one of the *Administrações* (i.e., Paraíba), the second, third and fourth hierarchical level were direct subordinates of the *Junta*.

¹⁴⁵ The notion of Portuguese empire used throughout this chapter is based on, for example Hespanha (2001, 2009), Subtil (1998b), Fragoso, Gouvêa and Bicalho (2000), and (Bicalho, 2003).

¹⁴⁶ In the eyes of Araújo (2012, p. 156), the the Charter (§1) created the *administração* in Angola as another hierarchical level. But, this accretion is improper. §1 mentions neither the term *administração* nor the name *Angola*. The only evidence of Angola in the Charter is in §38. That section does not set out organizational hierarchies, however. It merely clarifies that employees of the PPC would lose their jobs with no chance of being re-hired if they were caught trading wine, wheat, oils or meats in the Kingdom. In addition, §38 rules that the deceitful workers would be sentenced to (a) two thousand cruzados (paid to the whistleblower) and (b) to live in *Angola* for five years (i.e. a ban).

¹⁴⁷ Documents also refer to these units as "*procuradores*" (legal representative) or "*comissários*" commissioners.

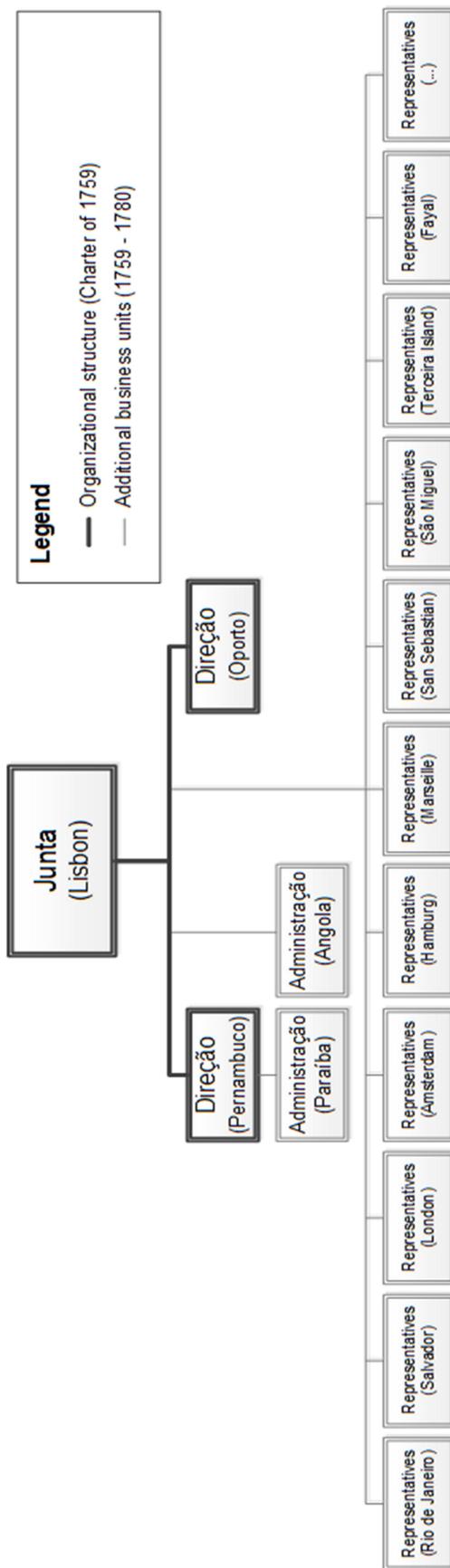


Figure 5 – The organizational structure of the PPC: theoretical versus practical (1759-1780)

As pictured in Figure 5, the unit in the captaincy of Paraíba was a subordinate of the *Direção* of Pernambuco. A second *Administração* was established in the city of São Paulo de Assunção, the capital of Angola. It was a direct subordinate of the *Junta*¹⁴⁸. The Representatives were located at various locations worldwide (see Figure 5). They were direct subordinates of the *Junta*.

Regardless the four hierarchical levels, the geographical dispersion remained a distinctive characteristic of the company's organizational structure. The PPC had a business unit in each city of commercial interest. It can be contrasted to the organizational structure of the VOC. Despite being present internationally as well, the criterion for unit establishment (called Chambers) in the VOC's case was the presence of shareholders (Jongh, 2011). Other European chartered companies had the similarly peculiar organizational structure (Carlos & Nicholas, 1988; Jones & Ville, 1996a; Ogilvie, 2011).

The organizational structure of PPC is a "vertically integrated" one (Demsetz, 1988). According to Carlos e Nicholas (1988), such a structure decreased the transactions costs of the royal companies if compared to individual merchants. In contrast, other authors (Jones & Ville, 1996a, 1996b; Ogilvie, 2011; Price, 1991) claims that the royal companies suffered diseconomies of scale if they were vertically integrated. Accordingly, the larger scale of operations and the organizational arrangement had several disadvantages regarding cost (e.g. set-up high costs, information, enforcement, and employee motivation). Furthermore, centralizing the decisions rights would result in inflexible "decision-making which can increase costs and reduce competitiveness" (Ogilvie, 2011, p. 324). Also in contrast to Carlos e Nicholas (1988), there is evidence of individual merchant's large scale, long distance and low-cost trading activities that were economically viable (Jones & Ville, 1996a; Ogilvie, 2011).

The Chartered Companies, as the case of PPC, chose to exploit their activities via structure vertically integrated because this institutional arrangement permits more effective appropriation of monopoly rents (Chaudhuri, 1981; Jones & Ville, 1996a;

¹⁴⁸ On the organization chart, Andrade's (2013, p. 201) dissertation pictures the *Administração* of Angola as a subordinated of the *Direção* of Porto. This illustration is improper because throughout the entire monopoly the *Administração* of Angola was no subordinate of the *Direção* of Porto.

Ogilvie, 2011). The data offered by a shareholder on (*comissários volantes*) traveling agents' price ranges for three products sold in the captaincies of Pernambuco and Paraíba before and during the Company's monopoly, illustrates the generated monopoly rents (see Table 6).

Table 6 – Price range of three products traded by PPC

Products	Price range (in réis)	
	Before the PPC monopoly	During the PPC monopoly
<i>Bretanha (Peça)</i>	1\$400 – 2\$000	2\$400 – 3\$000
<i>Baetas (Côvado)</i>	0\$520 – 0\$580	0\$720 – 0\$800
<i>Aniagem (Vara)</i>	0\$140 – 0\$200	0\$220 – 0\$280

Note. Data obtained from AHU (AHU_ACL_CU_015, Cx. 110, D. 8507).

The price increases ranged between thirty-seven and over seventy percent. The other products sold by the Company, the shareholder ensures, were subject to the same trend shown in Table 6. He complained that the company could not justify these price adjustments via its supply side. Following him, the value of goods from the European suppliers has not been subject to adjustments after the establishment of the monopoly. The *Junta* refused the shareholders complaints and justified the prices with wars¹⁴⁹ (ANTT 382). Regardless of who may be right on this point, if the company tried to adjust prices directly or indirectly¹⁵⁰, it did because price setting is an institutional characteristic of PPC. The success of its price setting depended on upon the company's ability to prevent competition (Ogilvie, 2011), for example, by combating smuggling.

The following information still comes from the comparison of the organizational rules institutionalized by the *Charter* and the daily practices at PPC; it, however, is concerned with the individual units. The establishment of the *Administração* of Paraíba as a subordinate of the *Direção* of Pernambuco violates PPC's Charter (§1) which established the *Junta* as the principle body of control. It suggests that the company decentralized some authority from Lisbon to Pernambuco. A detailed discussion of the terms and limits of subordination between the business units must be preceded by an introduction of the structural characteristics of each business unit.

¹⁴⁹ The main conflict of that time was the *seven-year war* during 1756-1763. See Marston (2001) for details.

¹⁵⁰ For example, the Company can regulate its scale or lay down rules for credit and for terms of sales.

The units located in Lisbon, Oporto and Pernambuco, showed similarities regarding internal organizational structure (see Figure 6). Nevertheless, two things differentiated the units' internal structures. First, only Lisbon and Pernambuco had an accounting department. There was no such unit in Oporto. Second, only the *Junta* had an Administrative Department (*Expediente Geral*).

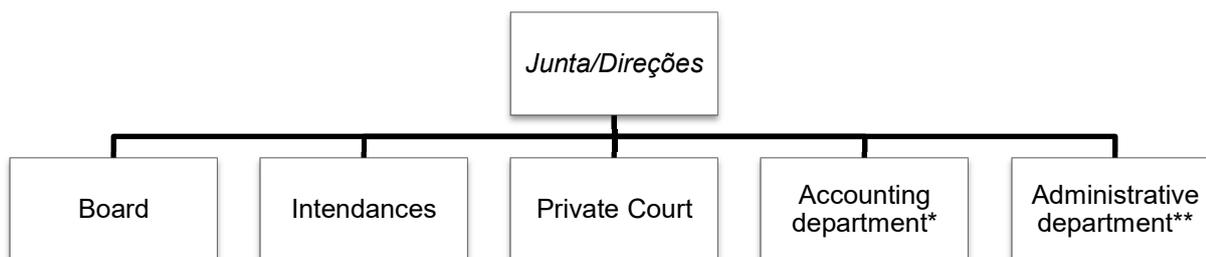


Figure 6 – Structure of the *Junta* and *Direções* during the monopoly

* The department is present at the *Junta* (Lisbon) and the *Direção* of Pernambuco only.

** The department is present at the *Junta* (Lisbon) only.

The organs forming the PPC units' internal structure are introduced in detail hereafter. Thereby, the discussion follows Figure 6. First, the analysis explores the boards of the PPC in two subsections (the board and their positions and boards turnover). After that additional subsections are devoted to the intendances (*intendências*), the firm's private court, its accounting department and the administrative department (*expediente geral*).

The Boards and their positions

Within the PPC, the main organ of power which determined the firm's actions and corporate direction was the Board (*Mesa de Administração*). The overall head of PPC's organizational structure was the Board of the *Junta* in Lisbon. The constitution of the Board is the first matter addressed by the Charter. The Board of the *Junta* was composed of fourteen directors being, namely, a chairman (*provedor*), ten deputies (*deputados*), and three counselors (*conselheiros*)¹⁵¹ (§1). For convenience, the term "directors" is used in reference to all Board positions throughout the text.

¹⁵¹ §1 of Charter mentions that a *Junta* (referred as a business uniy) would have "one *provedor* (chairman), ten *deputados* (deputies), one *secretário* (secretary) and three *conselheiros* (counsellors)". However, this dissertation argues that the secretary was not part of the Board. Neither the investiture criteria for the position nor the remuneration system were not the same as for the other positions of the board.

The management decisions were made collectively by the board. In weekly meetings, the directors decided upon corporate directions (§VIII). The measures that received the majority of the directors' votes (§XI) were implemented. Thus, the exercise of power was not to an individual activity but a collective exercise of a political body. The crown and corporate regulations limited the body's scope of action of the body; the previous section 4.2.1.1 discussed PPC's "relative autonomy" in detail.

The so-called *Diretório Económico* established the frequency and schedule of the board meetings of the *Junta*. Between October and March, the meetings should take place every Wednesday and Friday at three o'clock in the afternoon. From April to September, the meetings were to start at four o'clock in the afternoon. If necessary, additional meetings could be held (§VII). The board's decisions could not contradict PPC's organizational regulations or the general laws of the crown such as *Alvarás*, *Avisos* and *Resolução de Consultas* (§III). If the board disagreed with the organizational regulations or found them inapplicable, it could consult the sovereign for a change. Until the royal resolution, the Company's decision was suspended (§I).

The described characteristics of the Board of the *Junta* also applied to the Board of the *Direções*, except for the number of directors. The units in Oporto and Pernambuco had seven members each. Following the statutory precept (§1), both units had one chairman (*intendente*)¹⁵² and six deputies (*deputados*). A Royal Decree from November 13, 1759, increased the number of directors of the *Direção* of Pernambuco from six to eight. Following the Decree, the original number was insufficient to manage the company in the captaincy of Pernambuco (ANTT 397). The *Direções* based their corporate actions on the decisions of the majority of their directors too. However, there was one particularity regarding the voting regulations of the *Direções*. Even if a particular matter had the majority of votes, if any director understands that the decision is unacceptable, he could forward the decision to the *Junta* for reevaluation (ANTT 382).

¹⁵² Note that the chairman in the *direções* received a different Portuguese label (*intendente*). Remaining unclear from the documents, the differing label might have highlighted the difference between authority and power of each position in the company as a whole. Thus, the chairman of the *Junta* would be higher ranked than the chairman of the *direções*.

The PPC's boards in Lisbon, Oporto and Pernambuco were elected by Shareholders¹⁵³. The *Diretório Econômico* (§§XXXV- XXXXI) regulated the election procedures. The election took place at all PPC's offices (*Casa do despacho*); shareholders exercised their voting right for the PPC entity that was closest to their residence (§5). The voting process was based on a majority voting system. After the election, a list of all candidates and the number of votes they received was sent to the crown for consultation and confirmation. The King was free to reject the elected individuals. As such, the shareholders, despite being the owners of the firm's capital, did not govern PPC.

The Charter also regulated the application to the board and the voting rights. To run for a position of *provedor* (chairman at the *Junta*), *intendente* (chairman at the *Direções*) or *deputado* (deputies), a shareholder had to be (§3): natural of the kingdom or naturalized, vassals of the sovereign¹⁵⁴, merchant of the kingdom or residents of the cities with a PPC entity (Lisbon, Oporto or Pernambuco). Moreover, the shareholder had to possess at least ten shares. With the law of August 30, 1770, the Company started asking merchants for registration at the Board of Trade to prove their status as a merchant of the kingdom. To become a *conselheiro* (counselor), all the above requirements except the minimum number of shares applied (§3). Shareholders in the position of *provedor*, *intendente* or *deputado* were obliged to own at least ten shares during their entire mandate (§XXXIV) as well.

Because the ability to participate in an election depended on the number of shares and social status, the *Diretório Econômico* (§XXXVI) divided shareholders into three layers. In the top layer were the shareholders with more than ten shares – they were the only electable candidates for a position on a board. The intermediate layer included those shareholders with five or more shares – these were allowed to vote for the board members individually. The bottom layer included those shareholders with less than five shares – to vote for the board, these shareholders had to join others in

¹⁵³ As will be discussed below, the maxim "one share, one vote" did not apply to the PPC.

¹⁵⁴ Following the *Raphael Bluteau dictionary*, the word vassal is who "is bound to obey their Prince, King (...) People make the Kings, not the Kings make the people". That is, even if the individual were not kingdom natural or naturalized, but considered himself vassal of the Portuguese Crown, would be able to apply for a position on the governing corps. Available in <http://www.brasiliana.usp.br/pt-br/dicionario/1/sudito>;

representing five shares to have right of one vote. Hence, the maxim “one share, one vote” did not apply to the PPC.

The segregation of shareholders became evident during the elections. At that time, the *Junta* prepared list of shareholders and marked their voting or participation rights with asterisks (§XXXVI). The layer one received two asterisks, layer two one and layer three none. The *Junta* justified this practice with a need to segregate the shareholder according to their right to vote and/or to participate without specifying the number of shares of each shareholder. This system was applicable in full only to the shareholders of the top layer in which it knew only the minimum number of shares held. Hence, Marcos (1997) argues that the lists did not hide the ownership structure but merely the wealth of the social costumes. The asterisks system used by the company and described in its *Diretório Econômico* is no innovation of PPC. Marcos (1997, p. 698) finds that practices "identifying signs of his [the owner's] unique position for electoral purposes was widespread in eighteenth-century England". This finding is in line with the preamble of the *Diretório Econômico* which states that the document's regulations were based on the "dictates of similar corporations in many courts of Europe".

Table 7 – Shareholder structure on December 31, 1763.

Hierarchical layer of the shareholder	Number of shares	Distribution of shares among the hierarchical layers (%)	Number of individual shareholders	Allocation of individuals among the hierarchical layers (%)
High	2.870	84,4	196	46,8
Intermediate	202	5,9	37	8,8
Bottom	328	9,6	186	44,4
Total	3.400		419	

Note. Data obtained from different corporate documents (ANTT 437-448).

Confirming (Marcos, 1997), the formation of the company's organs was plutocratic (see Table 7). Only higher-ranking shareholders could exercise management control over the firm. For Marcos (1997, p. 749), the value a shareholder invested in the business turned into a guarantee for the company “for any damage caused by a bad managerial procedure”. Regardless the pecuniary nature of social participation, it is important to emphasize the closeness between management and ownership in PPC, at least for the two highest levels of the organizational structure. This confirmation

equally applies to all PPC units. Even in the overseas unit of Pernambuco, shareholder managed the business. In this respect, PPC differs from other royal European companies. In these firms, employees or agents who carried out business for or on behalf of others regularly managed the overseas entities (Carlos & Nicholas, 1990; Carlos, 1992; Ogilvie, 2011).

The Charter also regulated the boards' terms of office at the *Junta* and the *Direções*. While the crown appointed the first governing body with an office term of three years (§§4 e 6), the Charter formulated a shorter office term for the subsequent elections (§6). Individuals were not allowed to serve more than two years. The royal appointment of the first management body without prior elections was due to time restrictions. The urgency to set-up the business and the difficulties in share subscription did not justify the time required to set-up elections¹⁵⁵ (ANTT 400). Marcos (1997) adds that with the appointment, especially for the *Junta*, the crown recognized the role played by various individuals in the company inception. Subtil (1998b) puts it differently. According to the author, political loyalty and technical competence were the basis for the appointments by the crown. Indeed, it can be observed that all individuals that signed the Charter but José da Costa Ribeiro and the Pombal (assigned in the document as *Conde de Oeiras*) were appointed to the first governing body of the *Junta*. Potentially, Ribeiro's and Pombal' additional responsibilities disable their appointments¹⁵⁶.

The Charter did not exclude but merely restrict the possibility of being reelected. If an individual received at least two-thirds of the votes and with the agreement of the Crown¹⁵⁷, it was possible to renew a mandate through a re-election. Nevertheless, (Marcos, 1997, p. 686) argues that, in theory, the regiment guaranteed a "turnover

¹⁵⁵ Created in 1755, the CGPM was the first Pombaline company. CGPM's shares subscription was open until 1759. Still, the firm could not sell all its 1,200 shares. Only 1,187 shares were subscribed (Dias, 1970) and provided corporate funds. The planned corporate funds of PPC exceeded the ones of CGPM by factor two. Difficulties with respect to the subscription of shares were no exclusive problem of the Pombaline companies. The Caracas company, for example, did not have its shares fully sold in 1728, i.e. five years after its foundation (Hussey, 1934).

¹⁵⁶ The first, despite having the sufficient number of shares to enable the Board of the Junta, exercised position in the justice system. He appears in the documents as *desembargador*, a high court magistrate. The second was Secretary of State of the Kingdom. Besides this, during the subscription period (1759-1763), he did not purchase PPC's shares.

¹⁵⁷ As explained previously, for the first and second levels of the organizational hierarchy the Crown appointed the governing bodies based on, but not restricted to, the results of the shareholders' elections.

system for the management of the company" and "periodic control of the management". Other royal companies also institutionalized such turnover rates to ensure the independence of the governing body and to protect from influences that operate against a firm's interests (Philips, 1961). For the twenty years of PPC's business (and liquidation) activities analyzed in this dissertation, the turnover rate for the highest levels of the governing body remained rather low (see Section 4.2.4.1). Other companies experienced similarly low turnover rates. The management units of the British East India Company, for example, were also characterized by low turnover rates, irrespectively the restrictive statutory rules, such as a gap-year after a mandate¹⁵⁸. Despite the institutionalized Gap-year, patronage ensured that the same individuals remained in charge. In the eyes of Philips (1961), the only way for a person with no experience to join the management board was the death of a previous manager.

After the crown's appointment of the first board in 1759, there were two additional elections in all three units that make up the first and second level of PPC's organizational hierarchy (Lisbon, Oporto, and Pernambuco). The first board holds office between 1759 and 1768; the second board was in office from 1768 to 1776 and the third board officiated between 1776 and 1781¹⁵⁹. As can be seen, the first board held office way longer than the initially appointed three years. The analyzed documents explicate a reason for this finding. On September 3, 1762, one year before the end of the three-year mandate of the first governing body, the Junta consulted¹⁶⁰ the sovereign requesting the suspension of the 1763 elections. The Junta claimed that conducting an election "in the current state of the Company was neither convenient nor compatible with the spirit and system" of management (ANTT

¹⁵⁸ The East India Company (EIC) forced a year's break for ex-directors of the executive body. The executive body of the company in England had six directors, who were "chosen in each year to replace six retiring Directors, the later not being eligible for re-election until the following April. Each Director therefore held office for four years and then 'went out by turnover' for a year" (Philips, 1961, p. 4).

¹⁵⁹ The end of the monopoly did not mean the immediate closure of the company. The organ responsible for the liquidation only took over office on February 14, 1781. Therefore, the managers who were in power since 1776 continued in office until the liquidating managers took over. Retiring managers handed over their activities to the newly elected managers in an opening ceremony. Therefore, the third board left office in 1781. The indicated terms of office apply to all three unity on PPC's top hierarchical levels. However, there were differences in the exact dates, the boards took and left office.

¹⁶⁰ The date of the consultation was not available in the firm's documentation.

400, f. m0059). The document clarified that the inconvenience¹⁶¹ was due to the ongoing process of share subscription, which had motivated the appointment of that board in the first place. Therefore, the *Junta* requested a deferral of the election until the end of the inconvenience (i.e., at least until all shares were sold).

In general, the office times of all boards exceeded the two-year period requested by PPC's Charter. Despite violating the firm's institution by not holding elections on a two-year basis, the number of elected individuals was very restricted as well (see Appendix A). The appendix shows all board members within the three top level hierarchical entities in Lisbon, Oporto, and Pernambuco at the end of all the three election periods. Thus, the presented names diverge from the ones presented by other authors (Andrade, 2013; Araújo, 2012; Ribeiro Júnior, 1972; Silva, 2014). The focus of the cited analyses was on the originally named directors.

Among others, the deaths of directors changed¹⁶² the structure of the boards in Lisbon, Oporto, and Pernambuco. In Lisbon's first board, José Francisco da Cruz and Felix Teixeira de Matos became directors after the death of José Rodrigues Esteves and Manoel Dantas Amorim (ANTT 400). The first board in Oporto, Antônio Rodrigues da Silva Praça took over the position of Antônio da Costa Cardoso after the latter's death (ANTT 382). In Pernambuco similar substitutions are evident on the second board (1768 - 1776); they were especially due to family matters. José Bento Leitão left office in 1769; the director position was taken by Luís Pereira Viana (ANTT 400). Moreover, Francisco Xavier Fetal resigned in April 1772. As for the above examples, the *Junta* presented the case to the crown and recommended to name no substitution because the number of directors in Pernambuco was sufficient for business continuity. After the Crown had agreed to the recommendation in June of the same year (ANTT 400), the position was left vacant.

Finding a restricted number of individuals to hold the board positions at all three units that make up the first and second level of PPC's organizational hierarchy (Lisbon, Oporto, and Pernambuco) hints at another violation of the firm's institutional Charter:

¹⁶¹ The document also points out the inconveniences for firm's fleet caused by the war between Portugal and Spain (1762-1763).

¹⁶² The corporate documents did not explain the criterion for the choice of substitutes.

the expected turnover rate. There are various rather subjective views¹⁶³ on the turnover rate within the literature. Ribeiro Júnior (1972, p. 102) states that the renewal of the governing bodies was "only partially". Araújo (2012, p. 160) finds only "a few" changes. For Silva (2014, p. 85) "there was nearly no change" and Andrade (2013, p. 211) concluded that "there was no effective renewal."

Boards Turnover

In an attempt to evaluate the renewal of the members of PPC's boards more objectively, a quantification of the turnover rates guides the following analyses (see Table 8).

Table 8 – Turnover rates characterizing the 1768 and 1775 elections for the board of the *Junta* and the *Direções*

PPC units	Turnover rate (%)			
	1768		1775	
	According to Greene (1994)	Adjusted	According to Greene (1994)	Adjusted
<i>Junta</i>	71,4	64,2	64,2	57,1
<i>Direção</i> of Oporto	85,7	85,7	85,7	57,1
<i>Direção</i> of Pernambuco	75,0	75,0	77,7	55,5

Note. Data obtained from different corporate documents (ANTT, 397, 401-402; AHU_ACL_CU_015, Cx. 125, D. 9490).

This dissertation adopted the formula used by Greene (1994, p. 217), in his study the legislative turnover in 22 British colonies, to compute a turnover rate. Greene's turnover rate is a ratio between the number of new board members and the total numbers of positions on the board. Thereby, individual functions (e.g. *deputados*) are analyzed conjointly¹⁶⁴. Greene regarded a turnover rate as high if the at least half of the board positions were replaced during an election (i.e. a turnover rate of 50 percent or greater). He added, the "replacement is any man who was not a member of the immediately previous legislature [board] at the time of its expiration, whether or not he had earlier been a member" (Greene, 1994, p. 217). This measure is also not without problems, especial in the context of the PPC. In the PPC case, several directors were reelected after pausing for one term. Greene (1994) considers these individuals as new replacements. However, such pauses were common for all three

¹⁶³ The authors do not offer an objective analysis about the matter.

¹⁶⁴ Note that Greene's (1994) original formula controlled for the "number of new jobs". However, since the number of positions at PPC was constant throughout the monopoly period (1759-1780), no such adjustment was necessary. The total number of board positions are as follows *Junta* of Lisboa: 15; *Direção* of Porto: 7; *Direção* of Pernambuco: 9.

analyzed units. Therefore and to provide a more comprehensive picture of the turnover, Table 8 also shows an 'adjusted' turnover rate. The adjusted measure's numerator only considers a board member without any prior experiences within PPC's boards as a replacement.

The results in columns 2 and 4 of Table 8 reveal that all considered PPC units had high turnover rates. Greene's (1994) original turnover ratio yields values above 50 percent. However, there are remarkable differences between Lisbon, Oporto, and Pernambuco. In Lisbon, the turnover rate decreased whereas the contrary holds true for Pernambuco. The turnover rate for the board in Oporto remained constant for both elections. Moreover, the latter unit presented the highest turnover rate of all three units. In Oporto new managers replaced previous managers quite substantively.

The adjusted turnover rate (columns 3 and 5 of Table 8) show a somehow different result. The turnover rates remain high (i.e. above 50 percent). However, in all three units, the turnover rates decreases from elections 2 to election 3. Most peculiarly, this change is for the *Direção* of Pernambuco. At that unit, the relation between the turnover rates for the second and third election reverses if compared to the results of Greene's formula. In Pernambuco, the third board, despite being formed by different individuals than the second board, consisted of a vast number of people that had already served the PPC. Besides, the adjusted results in Table 8 indicate that more than half of the managers were replaced by new individuals (adjusted turnover rate is close to 50 percent) during the third election. The adjusted values for the second election were substantially higher. This difference could be due to the time of the second election. During the election period, classified as a crisis by Ribeiro Júnior (1972), members of the *Direção* of Pernambuco were accused of violating the firm's statutory principles (§§31 and 34). Documents report that directors were using their positions to conduct private business at the expense of the company's interests (AHU_ACL_CU_015, Cx. 110, D. 8507). Therefore, replacing these individuals by new managers could have been a remedy to solve the conflict of interest. However, apparently the measure was neither genuine nor lasting. The data highlights that several of those individuals returned during the third election.

Overall, the results for both formulas show that more half of the board members were replaced during the elections in 1768 and 1775. It holds true for all three analyzed units (*Junta, Direções* of Oporto and Pernambuco). Finding, in the words of Greene (1994), rather high turnover rates somehow contradicts the position of other authors (Andrade, 2013; Araújo, 2012; Ribeiro Júnior, 1972; Silva, 2014). Nevertheless, this dissertation does not disagree with the cited authors. Potentially, the applied formula does not reflect all subjectivism of the PPC context. As can be seen by the adjusted formula, which is close to the threshold of 50 percent for the third election, previous researchers might have looked more closely at the elected individuals. Complementing the analysis by issues such as trade or family ties among directors might clarify the apparent contradiction. Section 4.2.4.1 takes on this discussion¹⁶⁵.

For the turnover of directors, a sufficient number of potential candidates were crucial. §5 of the firm's Charter ruled that shareholders should vote for the board of that unit of the first and second level of PPC's organizational hierarchy (Lisbon, Oporto, and Pernambuco) that was located closest to their residence¹⁶⁶. Contesting and voting for management positions (nine in total) at the *Direção* of Pernambuco, for example, was restricted to those shareholders resident in the captaincies of Pernambuco and Paraíba. As such, the turnover rates in Lisbon, Oporto, and Pernambuco depended on the structure of the local shareholders. This structure differed substantially between the three units. Table 9 exhibits the shareholder structure of the three units as of December 31, 1763¹⁶⁷.

Table 9 illustrates that the *Junta* had a significant number of shareholders which affect the unit's management (high layer shareholders). In contrast, a significant number of shareholders without individual voting or contesting rights (bottom layer

¹⁶⁵ The turnover rate will be discussed in the light of directors' trade and family ties on Subsection 4.2.4.1.

¹⁶⁶ Proximity of residence was only a general rule. There are examples of shareholders from Europe, Africa and Brazil (i.e. shareholders from foreign districts) voting for the *Junta*. Shareholders residing in Bahia, for example, exercised their voting rights for the *Junta* of Lisbon even though the *Direção* of Pernambuco was of greater proximity. Residents of Pernambuco and Paraíba generally exercised their voting rights for the *Direção* of Pernambuco.

¹⁶⁷ Marcos (1997, p. 595) clarifies that the hierarchy of shareholders was quite dynamic due to the rules regarding share-transactions (Charter §58). Hence, the *Junta* initiated each election process by deriving a list of shareholders that showed shareholders' hierarchical levels using asterisks. Nevertheless, using the shareholder structure as of December 31, 1763 does not distort the following analyses. An analysis of all share transaction during the monopoly revealed the presented structure to be rather representative.

shareholders) characterized the *Direção* of Oporto. Less than 10% of all shareholders were residents of the captaincies of Pernambuco and Paraíba. Most of these shareholders, however, could affect the unit's management (high layer shareholders).

Table 9 – Structure of PPC's original shareholders by entity (as of December 31, 1763)

Hierarchical layer of the shareholder	Original shareholders							
	Junta		Direção of Oporto		Direção of Pernambuco		Total of PPC	
	Quant.	%	Quant.	%	Quant.	%	Quant.	%
High	134	66,0	37	20,7	25	67,6	196	46,8
Intermediate	19	9,4	14	7,8	4	10,8	37	8,8
Bottom	50	24,6	128	71,5	8	21,6	186	44,4
Total	203		179		37		419	

Note. Data was obtained from (ANTT 399, 437-448; e AHU_ACL_CU_015, Cx. 139, D. 10311).

According to the information in Table 9, the elections in Pernambuco could be based on thirty-two votes, at most. Twenty-nine of these came from the intermediate and high layer of shareholders; three votes came from the individuals in the bottom layer. The reported eight shareholders possessed 15 shares. This setting contributes to the lower turnover rate at the *Direção* of Pernambuco if compared to the others (Lisbon and Oporto). There were only twenty-five individuals to run for the board positions at the *Direção* of Pernambuco. Even if all high layer shareholders had participated, this unit would have only been able to form two boards with full turnover; the third board's turnover rate would have needed to be close (77.7 percent) to its actual value (77.7 percent or 57.5 percent, see Table 8). The small universe of voters at the *Direção* of Pernambuco also decreased the number of votes necessary to be elected. Of course that shareholders could trade their shares (§58). Hence, the conclusiveness of the presented analyses for the *Direção* of Pernambuco is subject to the changes to the situation pictured in Table 9. Redoing the analysis for later results, however, would underline that the low turnover rate in Pernambuco is closely linked to the shareholder structure in the captaincies. During the time the second board was elected, the number of shareholders had decreased by 20% to 29 individuals. Only 23 of these were electable as members of the board¹⁶⁸.

¹⁶⁸ Subsection 4.2.4 complements the turnover examination by a consideration of trade and family ties between the directors.

On the number of shareholders, Table 9 contradicts Ribeiro Júnior (1972, p. 128). The differences are due the following reasons. This thesis analyzed the subscription and issue of the total number of PPC shares (3,400 shares) whereas Ribeiro Júnior (1972) based his conclusions on a fraction of the subscriptions (2,813 shares). The tables provided by Ribeiro Júnior (1972, pp. 116–124) include only share-subscribers, irrespectively whether or not these individuals did buy shares after that. This dissertation recognizes that subscribing a share only demonstrates an individual's interest in a share, but any shareholder rights are only achieved after paying the total amount due¹⁶⁹. Indeed, the PPC only registered a shareholder and issued his share after receiving the full amount due¹⁷⁰ (Marcos, 1997). Once included in the shares registration book, the name of the original shareholder was never removed from the share, even if the shareholder sold it. The share register would only show a brief note of that sale on the back of the document. A more detailed note would be made on the record in an auxiliary accounting book (*livro de cessões*).

Following this chapters structure (Figure 6), the following sub-section introduces the board's tasks.

Intendances (*Intendências*)

Besides their decision-making activities in the Board, the directors were also nominated to exercise additional management routines. Organizational regulations made to chairmen (*provedor* or *intendente*)¹⁷¹ responsible for the following activities:

- Compliance and enforcement of internal rules and general laws of the Portuguese crown (§I);
- Guard of the company's seal (§XXXIII);
- Choice and control of the minor workers (§7);
- Controlling the absenteeism of major and minor workers (§§IV e XXIX);

¹⁶⁹ The merchants of Pernambuco captaincy Antônio Gomes Ramos, Bento Soares Sousa, Felix Garcia Vieira and Luís Ferreira de Moura, for example did not buy the full number of shares they subscribed.

¹⁷⁰ Only original shareholders and owners of more than ten policies, enjoyed the statutory privileges given by §§9, 43 and 44 of the Charter.

¹⁷¹ In its preamble, the *Diretório Económico* clarified that included standards and norms only apply to the "body of the same Junta", that is, to the top level entity of the organizational in Lisbon. However, §XXVII clarifies that "the same order and formality" will be observed in PPC's additional units. Thus, the activities assigned to a *provedor* (chairman of the *Junta*) apply analogously to an *intendente* (chairmen of the *direções*). Therefore, the provided management routines are valid for all chairmen.

- Warning the deputies (*deputados*) in cases of an unjustified absenteeism (§IV);
- Receipt of checks and balances of the deputies (§XII);
- Price setting and quality checking of inventory (§XVI);
- Nominate a counselor (*conselheiro*) to replace a deputy in case of a prolonged (i.e., more than eight days) absence of the latter (§VI);
- Set-up of extraordinary meetings (§VII);
- Distribution of responsibilities among deputies (§XII);
- Inspection of the accounting department (§§XVIII e XXIX);
- Conducting and supervising the election process (§XXXVIII);
- Opening the ballot box and counting votes (§XXXIX); and
- Elaborate the result election list and conduct the inauguration ceremony (§XXXX).

According to the Charter, the counselor at the *Junta*¹⁷² was responsible for the following activities:

- Replacing deputies in case of prolonged absence (§VI);
- Assist the chairman in the tasks distribution (§XII) and the receipt of checks and balances of the deputies (§XII).

The *Diretório Econômico* segregated administrative routines for deputies¹⁷³ in six major practical areas, labeled intendances (*intendências*)¹⁷⁴ (§XIII) (see Figure 7). Among the areas, the inspection of the accounting department was the "most important because of the potential consequences of a delay in the accounts" (§XXII). An exemplary consequence was a disabled distribution of profits to PPC's major creditors (i.e. its shareholder).

The regiment assigned all functional area to one or more deputy. The assignment of responsibilities followed a deputy's knowledge and experience in the field (§VIII). Only in the price setting activity and the insurance of the quality of inventory items,

¹⁷² The counsellor position only existed in the *Junta*.

¹⁷³ This assertion applies to deputies in the first and second hierarchical level.

¹⁷⁴ The book of Resolutions of the *Junta* uses this term on a recurring basis during the distribution of administrative activities to members of the Board (ANTT 401). The label cannot be found in PPC's Charter or *Diretório Econômico*.

the chairman should assist the deputy (§XVI). The regiment did not clarify at which point in time the assignments were to occur, neither nor did it state the term of designated functions. The discussion about the director's remuneration system is presented further in this section¹⁷⁵.

Intendances		
Functional Areas	Statutory provision (§)	Competencies
Navy	XIV e XV	Manufacturing of ships; construction of shipyards; costing of vessels; and loading and unloading ships.
Purchases	XV	Inventory purchases
Warehouses	XVI e XVIII	Price setting and quality of inventory; and supervision of staff.
Storage and Order	XIX e XX	Separation of inventory; delivery of sales.
Inspection of Charges	XXI	Collection of receivables
Inspection of Accounting	XXII	Examination of accounting records.

Figure 7 – Functional areas, statutory provision, and competencies of each intendency
Note. Data obtained from AHU (Cód. 450).

In the *Junta*, eight deputies were involved in the activity of purchasing goods. The deputies were always appointed in pairs to buy in a particular geographic area. For example, on January 18, 1762, the directors, Policarpo José Machado and Inácio Pedro Quintela, were made responsible for all purchases from England, Italy, and India¹⁷⁶. The introduced reassignments ensure a certain turnover of responsibilities among all functional areas except in the inspection of the accounting department in Lisbon. A single individual remained responsible for the supervision of accounting¹⁷⁷. One of the potential reasons for the special treatment of accounting is the specific nature of these activities¹⁷⁸. They required knowledge in the examination of accounting books and the application of double entry book keeping. In line with this explication, it is an expression of the Mayor of Nantes (Véron Forbonnais), who was in charge of inspecting the accounting books at the FEIC. Forbonnais said that if an inspector “was not fully briefed on double entry bookkeeping in the field of trade, besides the forms of legal procedures, it would have been like reading the Koran” (Lemarchand, 1994, p. 137).

¹⁷⁵ See page 159 et seq.

¹⁷⁶ Other areas were: Hamburg, France, Castile, Netherlands and Sweden (ANTT 401).

¹⁷⁷ The director Manoel Pereira de Faria was responsible for the supervision in the first Board of the *Junta*; and Maurício José Cremer Van Zeller, in the third (ANTT 401). It was not possible to identify who was responsible in the second board.

¹⁷⁸ Until 1764, the director in charge of supervising the accounting department had to fulfill others activities as well. Thereafter, the supervision of the accounting department was the responsible *deputado's* only task. Obviously, overseeing accounting was very demanding.

The Navy's intendance required the highest number of workers especially in the units of Lisbon and Pernambuco. Hence, the responsible director headed several employees (i.e., officials). Among the subordinates of the navy's director in Lisbon, some were appointed exclusively by the Crown - namely Captains of Sea and War, Commanders and Chaplains. The wage (*soldada*) of Chaplains is documented in the analyzed archives. It amounted to 50\$000 réis, plus "food until the return of the fleet" (ANTT 382, f. m0069). There were also officials nominated by the Board with no prior consultation to the Crown such as Cooper (*Tanoeiros*) with an annual salary of 192\$000 réis; and Master Caulker (*Mestre calafate*) with a yearly salary of 172\$000 réis. Their salaries were paid quarterly as well as other minor officials (ANTT 293). Under the responsibility of the navy's intendance in the *Direção* of Pernambuco, there were a *feitor*¹⁷⁹ who worked jointly with six slaves (ANTT 382). This *feitor* was trying to prevent smuggling activities, which could harm PPC's collection of monopoly rents.

During the final year of the monopoly, clerks (*caixeiros*) and clerk's apprentices (*aprendizes de caixeiro*) were part of the officials in the fleets (ANTT 203). Five *caixeiros* and two *aprendizes de caixeiro*, for example, boarded in a voyage (*carregação*) with planned stops in various Asian cities in 1779 (ANTT 291). During that shipment, these officials had similar remuneration systems. The system consisted of fixed salaries and an incentive to do business. The fixed amount for the *caixeiros* varied between 600\$000 and 750\$000 réis for the entire journey. The *aprendizes de caixeiros* received a fixed amount of 10\$000 réis per month. The incentive was reflected by a possibility to bring goods from Asia at reduced shipping charges. For any goods which would sell in Lisbon for 1:000\$000 réis or less, they would only pay 20 percent of PPC's usual freight charge. Goods selling at higher values were subject to the full freight charge. Royal tax charges over the goods were not involved by the incentive, they had to be paid at customs (ANTT 203). These examples show how complex were the PPC's structure of positions and remunerations.

¹⁷⁹ In 1762, Jacinto de Carvalho was appointed as *feitor*. The documents did not disclose his salary. To stop marine smuggling, the PPC relied on a boat (*escaler*) (ANTT 382). This boat probably belonged to Jacinto de Carvalho himself because it cannot be found on the vessel lists published with PPC's accounting statements during 1760 and 1775.

Following this chapters structure (Figure 5), the following sub-section introduces PPC's private courts.

Private Courts (*Juízo Privativo*)

As a result of the Company's independence provision¹⁸⁰ regarding the ordinary courts established in the Charter (§§8-10) the private court emerges in its structure. It is noteworthy that the judicial autonomy principle belonged to the mindset of the *Ancien Régime*, because of the need of distinction to "certain people" (Marcos, 1997, p. 778). The private court was part of the three units that constituted the upper levels of the organizational structure of the PPC (*Junta*, *Direção* of Oporto and *Direção* of Pernambuco). The private court was in charge of judging any civil or criminal litigation cases with a maximum value of one hundred *cruzados*¹⁸¹ involving shareholders¹⁸² and officers, be they managers or minor officers whereas appointed by the Crown for the Company's service, both as authors and defendants of the litigation (§8).

Lawsuits about capital or profits were not involved in the competence of the private court, therefore, being judged by the Company's Boards. Lawsuits about capital or profits with a value up to three hundred thousand *réis*¹⁸³ should be submitted to the Board that was closest to the shareholder's residence¹⁸⁴. The Crown had to be consulted if lawsuits had values over the limit above or if there wasn't an agreement, amongst the involved parties, about the verdict the Board had issued. Verdicts issued by the Boards in the *Direções* (of Oporto or Pernambuco) would fit an appeal to the Board the *Junta*, as a higher court (§10). In addition to the legal duties, the activities of inspecting the electoral process (§XXXIX), and the investiture of those who had been elected (§XXXX) were added to the statutory responsibilities of the Private judge (*Juíz conservador*) and Tax attorney (*Procurador fiscal*).

¹⁸⁰ See page 108 et seq.

¹⁸¹ An equivalent value of 40.000\$000 réis (i.e., 100 shares). Litigations estimated under this monetary value were decided by the judge without appealing or aggravation (Marcos, 1997).

¹⁸² Only shareholders who had, at least, ten shares were benefitted with the private court (§9).

¹⁸³ A value that was equivalent to 750 Company stocks

¹⁸⁴ By a statutory rule, the exercising of rights by shareholders should take place at the organizational unit that was closest to his/her residence (§5 of the Charter).

The criteria used to support the choice of individuals for private court positions are not established in the organizational regulations. Thus, the examination of this topic would investigate the documents in an attempt of understanding the guiding criteria of this practice. Marcos (1997) undertook this review to the central position of that organization, the conservative judge. The "letters and the worthiness always appeared as props of the choice" (Marcos, 1997, p. 783). Also, *desembargadores*¹⁸⁵ were chosen for the position of conservative judges of the PPC in the kingdom, namely, judges at an advanced stage of their careers deriving from the *Relação* of Oporto or the *Casa de Suplicação*. The grade for a conservative judge to the *Direção* of Pernambuco was smaller, i.e. graduates who had the position of *Juiz de Fora*¹⁸⁶ in the Captaincy of Pernambuco.

The argument that private court, viewed in its general aspects, would provide greater agility in litigations shows weakness when considering the degree of the nominees and their positions in the judicial system. For the kingdom, this argument seems tenable because the appointment would be presented to a magistrate of a high appeal court (Marcos, 1997; Schwartz, 2011). However in the Atlantic possession, the position of *Juiz de Fora* was the front door into the magistracy, destined to the newly graduated (Mello, 2014; Schwartz, 2011; P. S. M. Silva, 2014). Moreover, it is worth mentioning that the *Juiz de Fora* was responsible for the civil and criminal suits in the first instance, in addition to accompanying activities of Town Councils (Mello, 2014; Schwartz, 2011; P. S. M. Silva, 2014). Therefore, the qualification added to the volume of suits assigned to judges has certainly entangled the promptness of lawsuits traffic in the colony involving the Company and its other stakeholders (Marcos, 1997).

The Private Court of the three organizational units of the PPC (*Junta* and *Direções* of Oporto and Pernambuco) had higher and lower officers in their staff, whose nomination was a prerogative of the Crown. The highest positions were the Private Judge and the Tax Attorney. Clerk (*Escrivão*) and Bailiff (*Meirinho*) made up the lower officers in the private courts of the three units. However, the private court of the *Direção* of Pernambuco still had a *Solicitador*, among the lowest positions. The

¹⁸⁵ It is a high court magistrate (Schwartz, 1973, p. 398)

¹⁸⁶ The term means literally judges from afar (Schwartz, 2011, p. 6).

statutory regulations did not describe the duties of the private court lower officers, nor found reference to the values of their salaries¹⁸⁷. The units also had to lawyers¹⁸⁸ responsible for representing the Company in litigations (ANTT 383).

Regarding the salaries of higher officials, only the annual values assigned to private judges (i.e., in *Junta* and *Direções*) and the *Junta's* tax attorney were identified in the documents. It is noteworthy that there was a difference between the value attributed to the regulations and the amount that were paid, in the case of a private judge. The Charter established the private judge annual salaries in the *Direções* in 100\$000 réis annually. However, the nomination document suggested a higher salary of 200\$000 réis per year (ANTT 397), the same value that was assigned to the *Junta's* tax attorney. The Company paid the wages.

Despite statutory regulations defining the existence of private courts only at the units that compose the two highest levels of the organizational hierarchy of the PPC, the organizational routine undertook to highlight the need to create a similar organization or, at least, a job responsible for privately deliberating forensic issues in other units. Indeed, the royal resolution of October 14th, 1776 ordered the creation of the position of conservative judge for the Administration of Angola¹⁸⁹. The *ouvidor*¹⁹⁰ assumed the duties of the position (ANTT 400).

The private courts functioned as a contract enforcement mechanism (Ogilvie, 2011) at PPC. They were interdependent with institutions from the public legal system, once the magistrates come from there. The objective of establishing this body was to prevent “forensic hitches” to the privilege, which required an entity that protected it “under the law of institution”, as well as provide greater flexibility in litigations by the absence of an injunction banning of conflicts of jurisdiction (Marcos, 1997, p. 778). The literature suggests that an important point could be the impartiality of the private courts (Ogilvie, 2011). Despite not having undertaken a detailed analysis on this matter, it seems that the impartiality was not a problem of the PPC’s private courts.

¹⁸⁷ An exception was the position of *Solicitador* in the *Direção* of Pernambuco, whose salary was 150\$000 réis per year (ANTT 382).

¹⁸⁸ It was not possible to verify information about the nomination and salaries in the documents.

¹⁸⁹ It was not possible to find similar information about the *Administração* of Paraíba.

¹⁹⁰ A judge with appellate jurisdiction (Schwartz, 1973, p. 399).

The Board of the *Junta*, for example, tried to resign a lawyer from *Direção* of Pernambuco because he had lost all disputes of contraband brought to the private court between 1776-1780 (ANTT 383).

The Accounting Department

The Accounting Department was exclusive of the units situated in Lisbon and Pernambuco¹⁹¹. This statement is supported by the analysis of the Company's documentation. It does not mean that accounting records were not recorded in other units of the PPC. They just did not have the structure of their own department, in which several officers worked in the bookkeeping of primary and auxiliary accounting books. Thus, the other units such as the *Direção* of Oporto had a single officer responsible for accounting writing in auxiliary accounting books. The notes taken by the events were afterward sent to Lisbon, where they were included in the accounting system. Regarding workforce, the Accounting Departments of Lisbon and Pernambuco had similarities. The Accounting Department of the *Junta* had a bookkeeper, the highest position in the hierarchy at that department; and two other junior positions (i.e., a second bookkeeper and the department's officer¹⁹²). The Crown appointed all of the aforementioned positions. The position of primary bookkeeper had a salary of 600\$000 *réis* per year while his underlings reached the mark of 300\$000 *réis* per year each. These values were valid for both accounting departments (ANTT 293, 514). The salaries of the officers appointed by the Crown were paid with the Company's resources.

The first bookkeeper named in the Accounting Department of the *Junta* was British; his name was Domingos Roche Macragh. The appointment of foreigners to the post of primary bookkeeper also occurred in the CGPM and CGAVAD. The first hired a Frenchman, named Darnaud (Ratton, 1920, p. 181), while the second hired a German, João Frederico de Hecquenbergh (Gonçalves & Marques, 2011). The first bookkeeper from the Accounting Department of the *Direção* of Pernambuco was not recruited overseas. The *Direção* of Pernambuco itself requested the *Junta* sent a bookkeeper and two clerks (*caixeiros*) on February 18th, 1761, claiming that "in that captaincy there were no individuals able to engage to said jobs" (ANTT 400, f.

¹⁹¹ The discussion about the working dynamics of the accounting system in in the Subsection 4.2.3.1

¹⁹² In Portuguese language, *Oficial da contadoria*.

m0047). Consulting with the Crown, on September 19th, 1761, the *Junta* requested permission to comply with the request of the subordinate unit. Despite the positive Crown order having been issued quickly, six days after the consultation, the bookkeeper Julião Lumachi, an Italian man, only arrived at the *Direção* of Pernambuco around April 1763¹⁹³ (ANTT 382). According to the *Junta*, the delay was due to the difficulty of finding, in the kingdom an individual who understood DEB. Such statement finds support in the writings of a shareholder of PPC, who asserts that by 1755, four years before the company's establishment, only three Portuguese individuals¹⁹⁴ were familiar with DEB folded for having foreign parents who sent them to be educated out of Portugal (Ratton, 1920). Besides those, Pombal himself was also familiar with DEB (Oliveira, 2014; Rodrigues & Sangster, 2013).

In 1764 the *Junta* could send to *Direção* of Pernambuco its second bookkeeper, Francisco José Brandão (ANTT 382). Regarding the officers' salaries, it is known that they have changed during the term of the monopoly. In 1766, for example, the salary of the first bookkeeper of Pernambuco Direction was raised to 1.000\$000 *réis* per year for the next four years¹⁹⁵ (ANTT 382). It was not possible to determine wage changes for the second bookkeeper of *Direção* of Pernambuco, nor for the other officers of the accounting department of the *Junta*.

The Office-boy (*Contínuo*) also appears in the documentation of the accounting department of the *Junta* assigned to an officer with an annual salary of 72\$000 *réis* paid to quarters. From 1759 to 1761 the position was held by Januário Antônio Alves, who was in charge of the purchase of oddments (e.g., paper, candles, ink, letter bearings) for the department. The average amount spent on these purchases was 14\$773 *réis* in 1759; 26\$580 *réis* in 1760; and 32\$226 *réis* in 1761 (ANTT 293). It was not possible to ascertain whether the individual had been appointed to the

¹⁹³ He left Lisbon on February 25th, 1763 on board of the Company ship, by invocation, Nossa Senhora do Rosário and São José (ANTT 382). His first appearance in accounting books recorded at the Accounting Department was on April 23rd, 1763 (ANTT 513).

¹⁹⁴ They were José Rodrigues Bandeira, Antônio Caetano Ferreira and Luís José de Brito (Ratton, 1920, p. 191). The first took up positions on the PPC Board of the *Junta* as the Appendix A presents. The second appears as a creditor, whilst the third was an original shareholder of the PPC with an investment of 20 stocks until December 31st, 1763.

¹⁹⁵ The request for salary amendment was made by the *Direção* of Pernambuco. The *Junta* accepted on November 29th, 1766 (ANTT 382).

position by consulting the Crown, nor if the position also existed in other units of the PPC. The Company paid this officer's salary.

The list of officers of both Accounting Departments was completed with other professionals, usually described in the documentation as clerks (*caixeiros*) or penpushers (*escriurários*). The appointment of these officers was a responsibility of the members of the Board of each unit without consulting the Crown. As a result, their salaries did not represent a Company expense, as they were paid with directors' commissions. The Accounting Department of Lisbon had up to five¹⁹⁶ *caixeiros* in the early years of the monopoly (1759-1761). These officers also existed in Accounting Department of the *Direção* of Pernambuco, but it was not possible to ascertain the number of personnel in this situation due to the characteristics of the accounting records¹⁹⁷. The *caixeiro*' salary was not fixed, ranging from 150\$000 to 90\$000 réis per year. The criteria to stipulate the differences in salaries are also not described in the documentation. If the *caixeiro* was assigned to work at the company's warehouses, in addition to the recordkeeping, it was his responsibility to receive and pack the goods (§XVIII). Regarding the bookkeeping of the *Direção* of Pernambuco, the records only show that in 1760 it only had three *escriurários*, whose salaries did not constitute Company expenses (ANTT 382). It was not possible to identify the salary assigned to each *escriurário*.

The *Junta* recommended the *Direção* of Pernambuco, in April 1760, that when dispatching ships to negotiations on the Gold Coast they sent along with the crew, a "capable" *caixeiro*, "instructed about that Commerce" (ANTT 382, f. m0014). The salary offered to the *caixeiro* could vary between 0.5 and 1 percent of the net value of the cargoes or another value (even if it was fixed) that the *Direção* understood as being worthy of the officer's merit.

¹⁹⁶ The number varied greatly in each quarter, ranging from 3 to 5 (ANTT 293).

¹⁹⁷ The information for the Lisbon Accounting Department was extracted from the waste-book. However, since there are no waste-books available for consultation at the Accounting Department in Pernambuco, the information gathering was impossible. The journal does not present these details, it only refers to the total amount of expenses under the label of "accounting department officers".

It was considered "indecent" (i.e., an act not according to honesty¹⁹⁸) if any director performed any activity regarding Accounting Department, leaving them the responsibility of examining of the work done to, for example, find out if bookkeeping was up to date (§XVIII, XXVI, XXIX). There was even a recommendation (§X) that officials from the accounting department should work at a place separated from the *Casa do Despacho* (i.e., the location used for Board meetings). However, the regulations are silent regarding the details of the activities of the accounting department officers, as well as the possible differences of activities performed by each office. The naming distinction and assigned salaries suggest the existence of a hierarchy among them.

Sales (1723) confirms the hierarchy among the occupations of the accounting department. According to the author, the bookkeeper would be at the top of the hierarchy of the officers, followed by clerks (*caixeiros*), penpushers (*escriturários*) and apprentices. There is no reference in his works to the position of *contínuo*, a position that existed in the Accounting Department of the *Junta*. The salary assigned to him at the Company suggests that he was lower in the hierarchy than the *caixeiro*.

The description of the competencies of each bookkeeping positions offered by Sales (1723) is interesting. However, the description of at least one of the positions, the *caixeiro*, certainly diverges with the reality of the Company¹⁹⁹. According to the author, the *caixeiro* would be responsible for the safekeeping of the cash box or ark, and he could open it to make payments. However, the opening of the ark in the Company was an exclusive competence of some members of each Board unit²⁰⁰ (§XXV).

Administrative Department (*Expediente Geral*)

The Administrative Department was a unique body of the *Junta*, whose management was the responsibility of the secretary. Since this position was non-existent in the units of Oporto and Pernambuco, it is believed that part of their duties was assigned

¹⁹⁸ Available at <<http://www.brasiliana.usp.br/en/dicionario/1/indecete>>

¹⁹⁹ This dissertation opted for not presenting Sales' (1723) descriptions about the competences of each position because of the disparity between the descriptions and the Company reality.

²⁰⁰ The cash control procedures are presented in Subsection 4.2.3.1

to the Boards in those units²⁰¹. It is a position whose appointment took place by the choice of shareholders in the same election of the Board members. The requirement set for the submission of candidacy to the post of secretary²⁰² was distinct from the one for candidates to the Board. The position was for *letrados* (scholars). Thus, the fact of being a merchant or shareholder did not contribute at all to the candidate. It demanded, "an acquired knowledge, practical and speculative about the commercial matters, in addition to the Civil Jurisprudence, the practices in some courts" (ANTT 400, m0304).

Throughout the monopoly period, three were the individuals named (see Table 10). None of them was a shareholder of the PPC on the date of the investiture. After leaving the office, only one of them, Teotônio Gomes de Carvalho, became a shareholder of the PPC with the purchase of 10 shares on December 29th, 1763 (ANTT 447), two days before the stocks purchase deadline. Because of the ownership of these stocks, he was able to submit an application for the post of director of the second Board of the *Junta*; he was elected. In the next election, he was re-elected, accumulating the Vice Chairman (*Vice-provedor*) position (see Appendix A) It is attributed to Teotônio Gomes de Carvalho the authorship of two literary works published in the 1770s²⁰³. Regarding Feliciano José Alves da Costa, it is known that he was a *desembargador* (ANTT 400).

Table 10 – Individuals appointed to the post of secretary of the *Junta* during the monopoly.

Name	Investiture Date	Term
Teotônio Gomes de Carvalho	29/08/1759	1759-1769
Antônio de Magalhães Correa	05/04/1769	1769-1776
Feliciano José Alves da Costa Pinto	10/07/1776	1776-1781

Note. Data obtained from ANTT (403).

²⁰¹ This statement is supported by the following observations. At the *Direção* of Pernambuco, a certificate from the directors of that unit affirms that the intendant wrote the letters (AHU_ACL_CU_015, Cx. 119, D. 9.092 and 9093). It is believed that the same procedure should be the one adopted in the *Direção* of Oporto. The information included in administrative books (ANTT 378, 382) of both units are signed only by the directors. Unlike the letters sent by Lisbon, the secretary, the Chairman and the deputies were the signatories.

²⁰² The regulations do not make the candidacy criteria clear. The referred statements were gathered from the PPC administrative documents.

²⁰³ The "Dithyrambo para cantar-se a trez vozes (...)" in 1774 and "o monumento imortal: drama para cantar-se na sala do Tribunal da Junta do Commercio destes reinos (...)" in 1775. Both available at BN-PT

The investiture for the position of secretary depended on the appointment by the Crown (§1). The salary was fixed²⁰⁴, and it reached 480\$000 réis per year (ANTT 397) paid to quarters by the Company's cash (ANTT 293). Amongst its tasks were the following activities²⁰⁵:

- Minuting consultations, submissions to the Crown and answers to letters received by the *Junta* based on notes from joint decisions;
- Reading the letters sent to the Board at the meetings;
- Issuing *Avisos* to members of the *Junta* and documents in general;
- Regulating legal decisions in parties' requirements;
- Monitoring requests and promote their progress;
- Inspecting any requests from shareholders.

Regarding workforce, the Administrative Department also had, at least, three other minor officers, whose appointment was a prerogative of the Crown. These were the positions of *Oficial de secretaria*, Porter (*porteiro*), and *Contínuo*, whose annual salaries were 120\$000 réis, 72\$000 réis, and 45\$000 réis, respectively. Wages were paid to quarters by the Company's cash. Organizational regulations did not worry about the report of minor officers tasks. Amongst the Administrative Department positions, it was only found a quick reference to the *porteiro* in the *Diretório Econômico*. On the day of election of Board's members, the *porteiro* should call the voters following the order of the shareholder's list (§XXXVIII). It was also their competence, to call the elected people to take their positions in the investiture ceremony (§XXXII). In a consultation by the *Junta* to the Crown, it was also possible to find a short description for the *oficial da secretaria* competences. According to the document, this officer would have the responsibility of drawing up and recording patents, legal letters, and *Avisos* (ANTT 400).

Administrações and Representatives

Discussing the composition of the two lower levels of the organizational hierarchy of the PPC (*Administrações* and Representatives), it should be noted the complete omission of the organizational regulations regarding this matter, which was expected

²⁰⁴ Another difference regarding other positions elected on the same electoral process, which salary was variable as discussed in page 158 et seq.

²⁰⁵ The list based on considerations included in the *Diretório Econômico* (§XI) and in an administrative document of the PPC (ANTT 400).

given that these units were not initially foreseen. Because of this silence, the following comments are based on the readings of Company's documents on its configuration, observed in everyday practices. It is noteworthy that amongst the Company's documents available in the archive for consultation, there is not a book intended for the recording of the directors, representatives or employees. The books called *copiadores* were used to collect data. First, it will make room for the third level of the organizational hierarchy (i.e., the *Administrações*).

Since the beginning of the PPC operations, the management of the *Administrações* had, in general, two directors each (see Figure 8). The people chosen for the position were residents of or sent to the location where they did business for and on behalf of the Company. None of them was a shareholder; neither had they acquired this prerogative while exercising the activities. The appointment of individuals was made by the *Junta*, which, however, accepted indications from subordinate units. An example of this is the appointment of Amaro de Barros Lima to the position of director in the *Administração* of Paraíba by the *Junta*, on January 12th, 1775, after his name had been appointed by the *Direção* of Pernambuco (ANTT 383). The workforce of the *Administrações* still had a *caixeiro* for bookkeeping.

Similarly to the *Administrações*, the Representatives – fourth and final level of the organizational hierarchy – were also managed by two individuals, the second only being reached in the absence of the first. Letters to ships captains illustrate the situation of representatives. For instance, the letter of appointment of captain Antônio Lopes Figueira, dated July 4th, 1777, for the Lisbon-Benguela route, passing through Pernambuco, lists in which other ports that the Company has representatives, in case it is necessary to make negotiations or dockings. To Bahia and Rio de Janeiro they make the following reference: "at the [harbor of] *Bahia de Todos os Santos*, Mr. Manoel José de Carvalho, if absent Mr. Antônio da Silva Pereira; in Rio de Janeiro, Mr. Francisco Pinheiro Guimarães, if absent, Mr. Manoel Barbosa dos Santos" (ANTT 290, fl. 1v).

The representative, according to Ogilvie (2011) was formally an independent merchant trading on his own account, and alone responsible at law for his actions, even when acting as a factor in commission for another. The correspondent would

agree to execute almost any business task on behalf of his principal – ranging from buying and selling wares to handling bills of exchange to arranging insurance. PPC shows a similar pattern.

Directors	Location	Term	Observation
Raimundo Jamalá	Angola	1760-1763	Nominated on 08/04/1760.
Francisco Bruno de Lemos	Angola	1760-1773	Nominated on 08/04/1760; He purchased shares (10) in 1775 and sold them in 1777 (9) and 1779 (1).
Antônio de Sousa Portela	Angola	1763-1773	Replaced Raimundo Jamalá. On February 25, 1763 he was nominated to the position.
José Plácido Correa de Brito	Angola	1774-1776	He took the office following Antônio de Sousa Portela and Francisco Bruno de Lemos' departure; He purchased one share in 1769 and sold it in the same year.
Henrique Francisco Mota	Angola	1774	He took the office following Antônio de Sousa Portela and Francisco Bruno de Lemos' departure; He was fired the same year accused of fraud.
Jerônimo Rodrigues Carvalho	Angola	1774-1776	Replaced Henrique Francisco Mota.
Vicente José da Silva e Brito	Angola	1776	Replaced José Plácido Correa de Brito. He still was in the position at the beginning of the liquidation.
Patrício Everard	Angola	1776	Replaced Jerônimo Rodrigues Carvalho. He still was in the position at the start of the liquidation.
José Rodrigues Chaves	Paraíba	1761-1769	-
João da Silva Ferreira	Paraíba	1761-1775	-
Antônio Lourenço de Almeida	Paraíba	1770	Replaced José Rodrigues Chaves. He still was in the position at the start of the liquidation.
Amaro de Barros Lima	Paraíba	1775	Replaced João da Silva Ferreira. He still was in the position at the start of the liquidation.

Figure 8 – List of directors of the *Administrações* of Angola and Paraíba (1759-1780)

Note. Data obtained from different corporate documents (ANTT 290; 327-329; 382-383; 495). In general, the individuals in the first column did not acquire shares during the monopoly, except the cases mentioned in the observation column.

It was not detected a connection pattern of representatives to the Company. There were found cases where the representative was also a shareholder²⁰⁶ or an independent merchant²⁰⁷ who agreed on performing independent business activities on behalf of the Company. In no circumstances, the relationship between the representative and the company was a labor relation (employer-employee). The recruitment of representatives usually occurred as a shareholder or a Company's

²⁰⁶ This is the case, for example, of Domingos Luís da Costa, resident in the city of Amsterdam. The documentation shows that he was an original shareholder (with 12 shares until December 31st, 1763). He was also a Company's representative in his residence city (ANTT 288).

²⁰⁷ This is the case, for example, of the representatives in Azores, Bernardo Gomes and José Nunes de Carvalho (ANTT 381)

business partner nominated someone. The PPC used its own "social capital"²⁰⁸ to recruit representatives (Gouvea, 2010; Ogilvie, 2011). This resource was seen as being safe because if the indicated person violated any rule, all the dealers of the business network would know and would implement collective sanctions against him (Ogilvie, 2011). Examples of this situation were the appointments of Domingos Luís da Costa and José de Azevedo. The first was appointed a representative of the PPC in Amsterdam at the suggestion of the director Anselmo José da Cruz (the Appendix A) in 1761 (ANTT 288). The second, it is described as a captain and a tobacco contractors in the São Miguel Island. He was chosen as a representative of the PPC on said island and his indication came from the general tobacco contractors from Lisbon.

The arrangement chosen by PPC related to the correspondent relationship was common among merchants since the medieval period to manage distant agents. The correspondent relationship was a very successful alternative to the employee relationship because the merchant could have correspondents in all parts of the world. Without any need to pay except only when he used correspondent's services. Furthermore, the correspondents were also themselves fully fledged merchants (Ogilvie, 2011).

Directors' remuneration

The geographically disperse nature of the Company's operations implied a significant delegation of activities and responsibility to agents located distant from the head office (i.e., in Lisbon). Due to the distance, it was necessary to establish mechanisms that reduced the likelihood of violations of the statutory provisions by managers and other Company officers. The well regulation of the agent-principal relationship is a particularly important factor for the majestic companies in safeguarding the effectiveness of their financial results. In the case of the PPC, this concern was evident since its operability reserved to directors, who were residents overseas, the responsibility of custody and sale of products with high markup²⁰⁹ (e.g., products from

²⁰⁸ The social capital is "the stock of shared norms, information, mutual sanctions and collective action which are created by closely knit, multi-stranded social networks" (Ogilvie, 2011, p. 6).

²⁰⁹ Difference between the cost of a product or service and its selling price.

India). In this scenario, the compensation system for the services rendered by the agents is of strategic relevance.

The system chosen by the Company to reward the services of Board's members was the payment of a commission²¹⁰. Such system is usually described in the literature as a solution to solve the incentive balance problem and the risk-taking transfer from the agent-principal relationship, for the work effectively undertaken will be paid (Miller, 2005). However, for this to occur, it is necessary a substantial attention in defining the basis of the compensation model. Otherwise, the compensation system is ineffective as a solution to the agency problem (Jongh, 2011).

The variable remuneration model of directors was applied to all units in the four organizational hierarchy levels of the PPC. However, the established statutory compensation rate was not equal to units of the same hierarchical level. The rate distinction segregated units in the Kingdom and overseas dichotomy. Thus, the directors of the *Junta* and *Direção* of Oporto would be entitled to two percent over the value of the unit's expenses and to the shipment of fleets and another two percent over the sale of cargoes in return (§29). For the *Direção* of Pernambuco, however, the directors would be entitled to only two percent commission over the gross value of sales in the captaincies of Pernambuco and Paraíba. The Charter also explicitly mentioned that the directors in Pernambuco could not extract commission out of cargoes shipments to the kingdom (§29). It is noteworthy that besides the commissions, the earnings of the board's members for the two highest levels of the organizational hierarchy were also increased by the distribution of the Company's profits since all subjects were also shareholders. At the *Administrações* and Representatives, the rate was the same as the one applied to the *Direção* of Pernambuco.

By establishing a different basis for the remuneration of directors at the same hierarchical level (*Direções*), the Charter made many conflicts between them rise. The explanation for the reasons for the difference in treatment for statutorily similar authorities had no place in the regulations. The remuneration was more attractive for

²¹⁰ The compensation system of minor officers consisted in the payment of the annual fixed amount.

directors who lived in the kingdom than for the ones overseas. The *Junta* did not agree with this fact, claiming that the compensation of overseas directors "far from appearing small, we believe they are substantial" (*avultadas*) (ANTT, 382, f. m0031). The difference in the remuneration was against the already declared wishes of the overseas traders. On March 12th, 1759, even before the formal date of the institution of the PPC, a letter sent by the governor of the captaincy of Pernambuco to the Secretary of State for the Navy and Overseas contained a representation of "local businessmen residents in Recife", regarding the installment of a company, in which they suggested a compensation model similar to the one applied to the units located in the kingdom. According to the same document, directors earned two percent "of everything that would be sold" and another two percent "of all shipments they would make" (AHU_ACL_CU_015, Cx. 90, D. 7214, f. 28). The rejection of this suggestion argues the intention of prescribing more attractive terms for directors who were residents in the kingdom at the expense of the one's residents overseas.

The statutory provision was not immune to complaints from overseas directors as soon they took notice of the fact. The claims arising from the units installed in Pernambuco and Paraíba²¹¹ were delivered through letters between 1760 and 1762. Regarding the *Administração* of Paraíba, the Board of the *Junta* asserted in 1760 that directors did not settle for the conditions of the commission established to the unit, those people could be the replaced²¹². The directors from the *Administração* of Paraíba could either be replaced by other individuals residing in the town willing to work in those conditions or by persons sent by the *Junta* to take on the captaincy duties. This measure was not extraordinary because the mechanism had already been used by CGPM, who opted for the appointment of an individual who was not resident in the tenure locality, as reported the *Junta* (ANTT 382).

²¹¹ This information is known from the response given by the *Junta*. To avoid misinterpretation, it was decided to do the transcription of the piece that supports the statement: "This Board considers very appropriate the determinations about the Paraíba Directors, and you [*Direção* of Pernambuco] can continue the business with them, as long as you do not exceed the commission of two percent granted by the Statute: However, in case they insist on wanting more as your worship exposes in your representation (...) "(ANTT 382, m0031).

²¹² This assertion contradicts Ribeiro Junior (1972, p. 143) and Silva's (2014, p. 152) that says that the managers replacement option was offered by the *Junta* for directors of the *Direção* of Pernambuco. To not incur in violation of the statutory requirements, a director of *Direção* of Pernambuco could not be replaced by any individual, but only for a shareholder resident in said captaincy and possessor of the other characteristics listed in §3 of the Charter, as mentioned above

The *Direção* of Pernambuco requested the Crown's opinion about the commission by consultation when forwarding its complaint to the *Junta*. However, the *Junta* refused to send consultation in the late 1760s, claiming that there was no strong and urgent reason to do so. The complaints from the *Direção* of Pernambuco continued throughout the year of 1761. At the end of this year, the *Junta* agreed to consult the Crown on the subject. On April 7th, 1762, the *Junta* informed the *Direção* of Pernambuco that in addition to the commission guaranteed by the Charter the unit could still earn two percent on all exports it made, except over those destined for the kingdom (ANTT 382).

The remuneration's clauses applied to *Direção of Pernambuco* aimed to promote more local sales and exports, but created an opportunity for abuse. The directors' commission depended on sales whatever the conditions (i.e., cash or credit) or the guarantee of receiving. Local producers had to sell their production (e.g., sugar and leather) to the Company. So directors have established as a rule that they would not pay the purchases of local products with money. This rule forced the producers to exchange their production for other company's products. The exchange was recorded on the accounting books as a sale, which generated commission for the directors (AHU_ACL_CU_015, Cx. 110, D. 8507). It is important to highlight that the rule did not meet the relatives of the directors of the *Direção* of Pernambuco. Antônio Vaz Salgado, for example, a relative of the director Antônio Pinheiro Salgado²¹³, had a debt of 23.303\$325 réis in 1761, of which 20.518\$930 réis were cash loans (ANTT 512). In comparative terms, the loan amount would be sufficient to pay the amount of the annual contract of *dízimos* of the Captaincy of Pernambuco²¹⁴ (AHU_ACL_CU_015, Cx. 110, D. 9823), one of the most significant contracts of the Royal Treasury (Araújo, 2012); or to buy 51 shares of the PPC.

Just as at PPC, the remuneration policy at the VOC was also commission-based. According to VOC's 1602 initial charter, the director was granted commission of 1 percent of the cost of outfitting the fleet and 1 percent of the firms' profits (Jongh, 2011; Robertson & Funnell, 2012; Robertson, 2011). Despite finding these percentages to fall behind the ones at PPC, the VOC remuneration policy contributed

²¹³ The director was married to Antônio Vaz Salgado's sister (Silva, 2014; Souza, 2012).

²¹⁴ In that biennium the bidder was José de Sousa Rangel (Araújo, 2012; Silva, 2014).

to the self-enrichment of the firm's directors (Jongh, 2011; Robertson & Funnell, 2012; Robertson, 2011). As a consequence of shareholders' complaints, the VOC's charter was changed in 1623. Commissions were restricted to the percentage earned on the firm's profits to prevent the directors' self-enrichment (Jongh, 2011) Peculiarly, to limit their directors' self-enrichment, the VOC withdrew exactly that commission basis which was the dominant one at PPC. With that said, it is plausible to assume that a more restricted commission policy at PPC could have contributed to a reduced agency problem on directors' self-enrichment at PPC.

Sanctions

The sanctions were part of the statutory requirements (i.e., Charter and *Diretório Econômico*) and reflected solely on individuals. The relationship between organizational units was not a regulation object in this sense. In general, positive sanctions were out of regulations. Negative ones, though, affect all officers (i.e., directors and non-directors) of the Company and tried to avoid undesirable behaviors. The officers were forbidden to establish business activities, by themselves or through an intermediary, with third parties or with the Company itself, in areas reserved for its corporate purpose, taking advantage of their positions and knowledge acquired while performing their duties (§§31, 34, XXXI, XXXII). The statutory punishments included: the seizing of goods (§31 and 34); the continued inability of office in the PPC or any other trade corporation (§38 and XXXI); and exile (§38). In the case of violation, the control and the implementation of penalties of the statutory provisions (§§I and II) would be the responsibility of the Chairman.

However, the prohibition of directors to deal with the PPC was an exception, which was included by the *Diretório Econômico*. The trades between the officer and the Company were allowed if the Board decided positively on the matter through a secret ballot by unanimous vote (§XXXII).

The exclusion of directors and employees from any trade activity with the PPC appears a very strong effort towards fraud invention. The organization's rules do not avoid undesirable behavior from conflicting interests. The exception established by the ability to approve such trade activities through a board election offsets the essence of the original Charter. The board allowed many trades activate with

employees and directors, likely at the cost of PPC. In 1771, for example, a shareholder denounced the abuse of power of the directors of *Junta* and *Direção* of Pernambuco²¹⁵ (AHU_ACL_CU_015, Cx. 110, D. 8507). Using an example of the directors trade debt with the company, he confirms that the directors have acted in their benefit since the first day of the PPC's existence (AHU_ACL_CU_015, Cx. 110, D. 8507). Despite the evidence presented by the plaintiff shareholder the inquest²¹⁶ (*devassa*) made by the private court of the Captaincy of Pernambuco in 1778 was not place the blame (AHU_ACL_CU_015, Cx. 110, D. 9737). With no one to blame, there was no punishment.

The directors of Junta were also accused of being the PPC main suppliers (AHU_ACL_CU_015, Cx. 110, D. 8507). According to the plaintiff shareholder, the supplier-directors were not worried about matching the price and quality when buying products for the PPC (AHU_ACL_CU_015, Cx. 110, D. 8507). This transaction provided them with double earnings: on the selling price, for their role as suppliers at first; and on the commission for their role as directors when the PPC sold the products.

Hence, granting the board control over trade with directors and employees, lead PPC into a situation as experienced by the VOC before 1623. Until then the latter had not restricted trade of directors and staff at all. Directors and employees acting in their interest rather than the company's interest were thus a characteristic behavior at VOC. However, in contrast to the liberation of trade at PPC, VOC restricted trade activities with directors and employees considerably after 1623. At VOC, shareholders' complaints about directors' fraud lead into strict rules for such trade activities (Jongh, 2011). Directors and employees could only buy from the VOC if products were auction based or fixed-price based. Moreover, they could only sell to the firm if authorized by a public authority (Jongh, 2011). These changes, which

²¹⁵ This did not mean that the agency's problems had occurred exclusively on the Lisbon and Pernambuco units. However, due to the special scope of this dissertation, the discussion is restricted to the aforementioned units. Thus, this dissertation does not present the potential agency problems experienced by other units of the PPC.

²¹⁶ The referenced inquest was requested on July 6th, 1777, to the Private Judge, José Vitorino de Andrade (AHU_ACL_CU_015, Cx. 110, D. 9624). By making the request the *Junta* referenced the 1776 decree, which included in the private court's competence the establishment of annual inquests of the directors of the Company to detect conflicts of interests. However, according to the aforementioned decree, this was an exclusive competence of the Private Judge of the Lisbon unit.

made the control of conflicting interests an issue of outside institutions (i.e. external controls), reduced the associated risk at VOC considerably. Thus, it is plausible to argue that the liberation of trade activities with directors and employees at the PPC is a weakness of the organization's rules. It enabled directors and employees to act on their own rather than the company's interest.

The lack of discipline of subordination relationships between units also created conflicts. The regulations only allude to one of subordination relationship between *Direções* and *Junta* (§1), but its conditions and limits are not described. Nor it was detected any other normative legal act dedicated to this purpose. In general, the Charter pointed the *Junta* to a hegemonic position regarding other units (Marcos, 1997). Therefore, the power to decide, internally, on the organizational direction was a competence of the Lisbon unit, through its Board, as a corollary of this hegemonic position. As a consequence, the subordinate unit should abide by the decisions of the central body and implement its decisions to maintain the organizational harmony. In this scenario, there would be no room for the participation of other units in decisions about the governance of the Company. In the event of disagreements over some matter between the units, the legal mechanism of consulting the king would be a viable alternative for the resolution of questions and/or conflicts. However, the examination of the Company's documentation indicates a different scenario at some points.

Despite noting problems regarding interests' alignment both in the *Junta* and in the *Direção* of Pernambuco, the shareholder Joaquim Inácio da Cruz presented a solution to only one unit (AHU_ACL_CU_015, Cx. 110, D. 7416). According to him, the problems in the PPC would be solved with the abolishment of the *Direção* of Pernambuco; an *Administração* should replace that made up of two or three individuals chosen in Lisbon (AHU_ACL_CU_015, Cx. 110, D. 7416).

It appears from the submitted proposal that the plaintiff believed the management in the overseas unit should be delivered into the hands of individuals from the social network of Lisbon directors. However, the indication of trustworthy people had already presented itself ineffective for problems regarding interests' alignment in the PPC. It is sufficient to refer to the case of the bookkeeper of the Accounting

Department of the *Direção* of Pernambuco, Julião Lumachi. Despite having been chosen and sent by the *Junta* to exercise the said position in the *Direção* of Pernambuco, when he integrated²¹⁷ himself, he also started to pursue his interests and appear on a list containing debtors of large sums in the captaincy (AHU_ACL_CU_015, Cx. 137, D. 10242). Next Subsection (4.2.2.2) the discussion focuses the organizational structure during the liquidation.

4.2.2.2 The organizational structure during the liquidation

The features of the body responsible for the liquidation process were in the *Aviso* on 11 December 1780 issued by the Department of State for the Navy and Overseas (ANTT 400). The *Aviso* did not revoke all provisions from the previous organizational regiments (i.e., Charter and *Diretório Econômico*). The changes are discussed in this section, whose focus is specifically on four matters: (1) the organization chart; (2) the appointment of directors; (3) the remuneration system; (4) the sanctions.

The organizational chart

The *Aviso* of 1780 had kept the same basic configuration from the previous organizational structure (1759-1780). There were one head of PPC's organizational structure in Lisbon and two others subordinate units in Oporto (in Portugal) and Pernambuco (in Brazil). As happened in previous regulations, there is no reference in the *Aviso* to third (*Administração*) and fourth (Representatives) levels of the organizational structure. However, the exam on corporate documents attested that these units were not discontinued abruptly. It was perceived changes in the designation assigned to the organizational units (see Figure 9). These changes reached only units of first and second levels of hierarchy. There was no name change at the other levels. The top hierarchy unit that during the monopoly was called *Junta*, at the liquidation, was renamed as *Direção*. The earlier *Direção* were entitled *Administração*, the same term used for unities in the third organizational level during the monopoly. In this dissertation opinion, the changes in the designation per se did not influence the liquidation process. Thus, for convenience and cohesion in the writing, this dissertation will use the same designation of the units used before.

²¹⁷ More details about the integration of the Lumachi family in the Captaincy of Pernambuco can be consulted in Marques (2011).

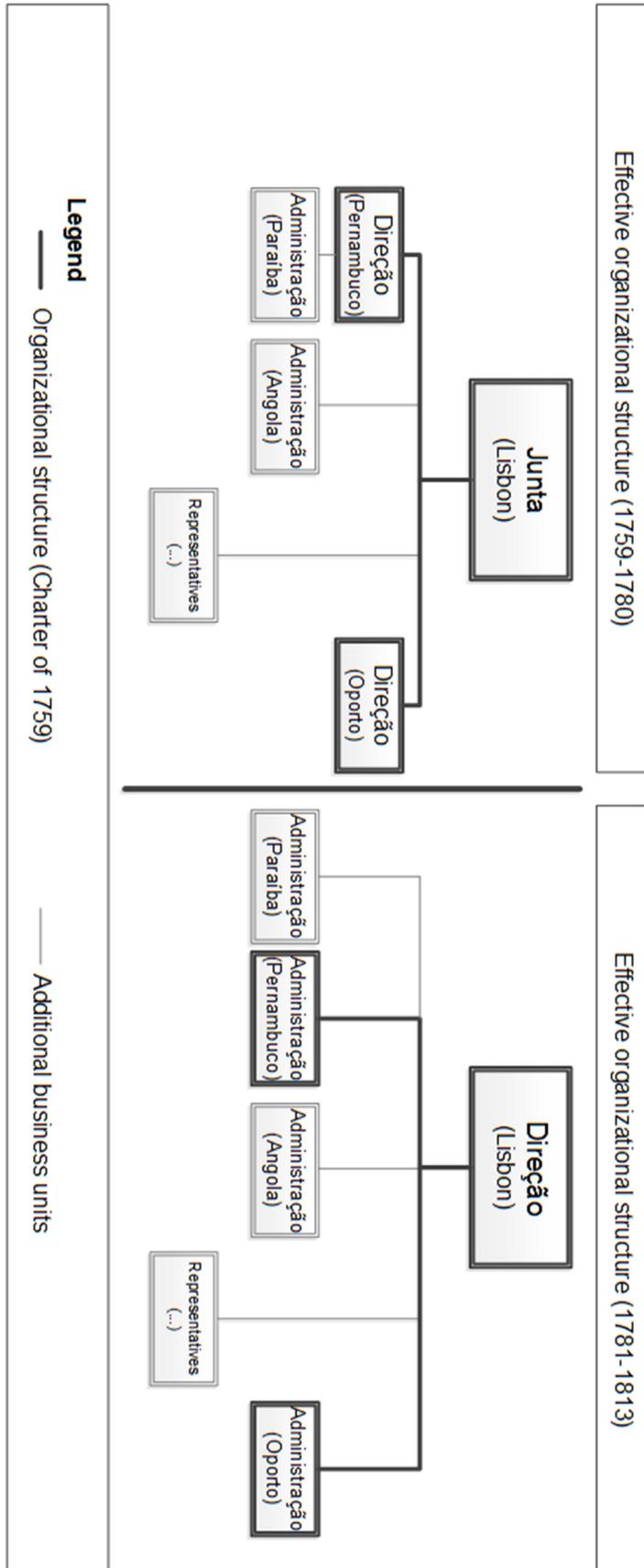


Figure 9 – Changes in the organizational structure of the PPC during the liquidation

The relationship (i.e., power and authority) between organizational units has changed (see Figure 9). Changes were promoted by both the *Aviso* and as a result of subsequent decisions taken by the governing body responsible for conducting the liquidation. The command principle focused on unit located in Lisbon (*Junta*), the highest ideal of the Charter of 1759y (§§1 and 7) was reaffirmed by the *Aviso*. In an attempt to ensure its compliance in practice, there was the power increase granted to the board of the *Junta*. The subordination during the liquidation was applied to both unities and the officials.

The decision to grant "independence" to the PPC unit located in Paraíba²¹⁸ (*Administração* of Paraíba) supports compliance with the centrality of the Junta (ANTT 383). The centrality did not prevail in the organizational practice during the monopoly because the *Administração* of Paraíba has always been subordinate to a unit located in Pernambuco (*Direção* of Pernambuco). With this change, the *Administração* of Paraíba began to report directly to the Junta. In fact, all business units responsible for the liquidation were linked directly to the Junta (see Figure 9).

There was a reduction in some members of the Boards (see Table 11). During the liquidation, the Board of the *Junta* was composed of five directors being, namely, a president (*presidente*), and four directors (*diretores*). The *Direção* of Oporto and *Direção* of Pernambuco had three managers (*administradores*) with no apparent distinction among them. For convenience, the term "directors" still used in reference to all Board positions throughout the text. The number of members in the other business units remained unchanged during the liquidation.

Table 11 – Changes in the number of members of the Boards

Levels of hierarchy	Units	Number of positions	
		(1759-780)	(1781-1813)
First	Lisbon	14	5
Second	Oporto	7	3
Second	Pernambuco	9	3

Note. Data obtained from different corporate documents (AHU_Cód.450; ANTT 400).

²¹⁸ In accounting terms, this organizational change materialized only in the following year, in 1782. This will be discussed in detail later in Subsection 4.2.3.2.

The *Aviso* did not mention the term or the positions, possibly because the estimative was to end the activities in the short time. However, the business continuity over time in the absence of the directorship term allowed directors remain indefinitely in their position. The consequences of the lack of directorship term in Lisbon's unit would be more severe than in the other PPC's units. Unlike the others, whose directors could be dismissed, there were almost no disciplinary mechanisms in place which could force the Board of the *Junta* to serve the company's interests. The Crown could exercise control over the Board of the *Junta* as the "head" of the firm. However, it did not make it during the monopoly, and it would not do it when the PPC was no longer its key concern. Thus, the scenario was more favorable to the occurrence of a conflict of interest in Lisbon's unit (e.g., self-dealing). From an agency perspective, the weak position of shareholders opened an enormous potential for the expropriation of wealth from shareholders by the directors-shareholders.

The private court had changed as soon as the process started despite acting for the benefit of the liquidation (ANTT 400). During the liquidation, a *desembargador* of *Casa de Suplicação* was in charge of the PPC's private court. However, from 1780, the position came to be attributed to a *corregedor*²¹⁹ of the *Casa do Cível*, whose functions were primarily of an investigatory and appellate nature (Schwartz, 1973). The problem with this change is that the "Casa do Cível had a general reputation for a badly overburdened docket and an extremely slow process of litigation" (Schwartz, 1973, p. 9). According to Marcos (1997), this change was not positive to the PPC concerning the quality and agility to settle commercial disputes. The latter was essential to the liquidation process. The commercial disputes involving the PPC were analyzed by a committee formed by judges and their clerks (ANTT 400).

This arrangement for the post of judge in a Lisbon private unity, which supposedly should continue until the end of the liquidation process, experienced the second change in 1794 due to a Royal decision²²⁰. At the beginning of the procedure, the litigation should be submitted to the *regedor*, which had the competence to nominate a committee responsible for the litigation. This committee would be made up of unassigned judges (*desembargadores extravagantes*) of the *Casa da Suplicação*.

²¹⁹ It is a superior crown magistrate in charge of a *correição* (Schwartz, 1973, p. 397).

²²⁰ The Decree of March 11, 1794 (ANTT 400).

This decision displeased the Board of the *Junta*. According to the *Junta*, the decision would bring negative consequences to the liquidation process mainly to the collection of receivables (ANTT 400). On February 1795, the *Junta* submitted a consultation to the Crown about the matter in an attempt to revert the decision requesting the return of the previous arrangement. It is possible to state that the reason behind the company's consultation was the quality and agility. The *desembargadores extravagantes* were junior judges, usually younger and less experienced individuals in the court (Schwartz, 1973). On July 22, 1795, the Crown had accepted the Company requests.

The position of private judge in the *Direção* of Pernambuco experienced a reverse movement comparing to the *Junta*. The *Ouvidor*, the highest magistrate in overseas possession (Schwartz, 1973), was appointed to the position as soon as the liquidation process started in 1781 (ANTT 400). The former judge was the *Juíz de Fora*, a youngest and less experienced magistrate in overseas possession (Schwartz, 1973). The reason for this change lay in the existence of jurisdictional conflicts between the directors of the *Direção* of Pernambuco and the *Juíz de fora*, occurred during the monopoly (ANTT 400). The directors would be annulling the decisions and executions of the private judge (ANTT 400). Thus, the transfer of responsibility from *Juíz de Fora* to the *Ouvidor* was seen by the *Junta* as the most effective way to ensure the progress of litigation in the liquidation. The realization of the large part of receivables in overseas depended on the private judge.

During the liquidation, some decisions were against the Charter provision. For example, according to it, the company was forbidden to sell retail (§33). However, as soon as the directors of the *Direção* of Pernambuco had taken office, they decided to open a shop (*loja*) for retail sale (ANTT 383). Despite the apparent lack of coherence, the decision was approved by Lisbon unity, as a letter issued on December 31, 1781 (ANTT 383). The urgency on the inventory realization justifies the infringement.

However, the liquidation did not imply in the dismissal of officials. The *Direção* of Pernambuco hired individuals to carry out a collection of accounts receivable. Most of the individuals chosen were from the Portuguese army (*Sargento, Cabo, and Furriel*). Each was responsible for a certain geographical area of the captaincy. The areas

were: (1) Recife, Boa Vista and Olinda; (2) Cabo district; (3) Goiana district; (4) Mata district; and (5) Alagoas district. The hiring of individuals to work towards the realization of receivables was a decision apparently beneficial to the liquidation. However, this matter will be discussed further on considering the remuneration system chosen for them.

The appointment of directors

The *Aviso* kept the earlier application and nomination rules disciplined by the Charter (§§3 and 5) during the liquidation. Thus, the Boards' members from units located in the first and second level of the hierarchy were elected by the votes of shareholders, and the crown was responsible for confirming the elections results²²¹. However, the §6 of the Charter was not confirmed by the *Aviso*. It means that the rotation premise was revoked during the liquidation process. Moreover, the directors of the last Boards (1776-1780) could submit an application to the electoral process for the formation of the Board responsible for the liquidation process.

Positions	Elected member	Ownership situation on December 31, 1780	Earlier nominations
President	Mauricio José Cremer Van Zeller	Original shareholder. Ten shares.	Director (1768-1775) and Chairman (1776-1780) of the Board of the <i>Junta</i>
Director	Gonçalo Ribeiro dos Santos	Original shareholder. Ten shares.	Director (1768-1775) in the Board of the <i>Junta</i> .
Director	Jose de Sousa e Abreu	Original shareholder. Twenty shares	No administrative positions history.
Director	Jacinto Fernandes Bandeira	He had become shareholder after buying shares between 1771 and 1774. Ten shares.	No administrative positions history.
Director	Manoel Pereira Viana de Lima	He had become shareholder after buying shares between 1775 and 1776. Eleven shares.	No administrative positions history.

Figure 10 – Directors of the Junta responsible for the liquidation of the PPC
Note. Data obtained from different corporate documents (ANTT 383, 327-329, 403, 437-448).

The electoral process held between shareholders to form the Board of the Junta occurred within the dictates imposed by the *Aviso*. The election took place on January 24, 1781. The royal confirmation of election result was enacted seven days after (ANTT 383). The inauguration of the elected board took place on February 14, 1781 (see Figure 10). It is noteworthy that in the period between May 8, 1780, when

²²¹ *Administrações* and Representatives did not follow the same logic as discussed before. See page 155 et seq.

the crown declared the free trade, and the investiture date, the previous directors (see Appendix A) were still in office.

The particular arrangement of the board did not withstand the hardships brought about by the passage of time. The death of a few individuals reduced the number of directors once there were not named substitutes (see Figure 11). The activities volume reduction and the need to lower costs together can be cited as justification for not hiring new directors (ANTT 383, 400).

Position	Names	Term
President	Mauricio José Cremer Van Zeller	1781 → † 1798
Director	Gonçalo Ribeiro dos Santos	1781 → † 1788
Director	Jose de Sousa e Abreu	1781 → † 1792
Director	Jacinto Fernandes Bandeira	1781 → † 1806
Director	Manoel Pereira Viana de Lima	1781 → † 1795

Figure 11 – Term of the first board members of the *Junta* responsible for the liquidation
Note. Data obtained from ANTT (400).

Between 1781, the investiture year, and 1788, the Board of the *Junta* remained with five directors. The death of some directors reduced the number of members, once their substitutes were not nominated. The year of death of each director appears in Figure 11 preceded by the signal (†). With the death of Maurício José Cremer Van Zeller, in 1798, the only director alive was Jacinto Fernandes Bandeira, which was elevated to president position (movement indicated by the shaded area in Figure 11).

At this point, Jacinto Fernandes Bandeira proposed, "verbally", to the crown some changes in the Board (ANTT 400, f. M304). According to his request, a Board of Directors with three individuals would be enough to continue the liquidation process. Moreover, only two of the three positions would be occupied by directors who possessed all conditions described by the charter (§3) for the post, unlike the previous composition. To the third position was proposed the nomination of the Secretary of the PPC, without changing its remuneration perceived. The Crown

accepted the request. In June 1798 took office in Lisbon the following members²²² (1) Jacinto Fernandes Bandeira, as president; and as directors, (2) Antônio Francisco Machado²²³, and (3) Feliciano José Alves da Costa Pinto (ANTT 403).

With the Jacinto Fernandes Bandeira's death in 1806, Feliciano José Alves da Costa Pinto was elevated to president²²⁴ of the *Junta* and Antônio Rodrigues de Oliveira replaced him. He took office on August 28, 1807 (ANTT 403). However, Antônio Rodrigues de Oliveira died the following year (ANTT 384) and was replaced by Francisco Antônio Ferreira on 22 December 1808. Therefore, between 1809 and 1813, the *Junta* had two individuals as directors.

The formation and subsequent changes of the board of the *Direção* of Pernambuco observed over the analysis liquidation period (1780-1813) requires particular attention because of details. Regarding the electoral process of the *Direção* of Pernambuco, the narrative contained in the documentation indicates that there was a gap between Charter's provision and what was done. The *Junta*, making use of its new prerogatives granted by the *Aviso* of December 11, 1780, decided to put in the presence of the Crown a representation, in which it showed contrary to comply with the election result. In the document, the *Junta* requested that one position in the Board in the *Direção* of Pernambuco should be occupied by an individual extracted from the electoral result in that unity, and the two other positions should be held by people appointed by the *Junta*.

The reasons given in the representation relate to the "experience" of "scandalous abuse" committed by the directors of the *Direção* of Pernambuco during the term of the monopoly (ANTT 400). The reasons given in the representation relate to the "experience" of "scandalous abuse" committed by the directors of the *Direção* of Pernambuco during the term of the monopoly. These abuses violated the Charter, oppress the population, as well as, deluded and despised orders issued by the

²²² It is important to explain that there were not found positive or negative evidences on elections before the investiture of the new Board members in 1798.

²²³ He became shareholder with 30 shares due to his father's inheritance, Policarpo José Machado. His father always had a seat in the Board of the Junta during the monopoly period (see Appedix A).

²²⁴ This information was deduced from the signing positions at the corporate documents issued. The signature of PPC's president was always the first to show up at the documents' signing area. From January 1807 the signature of Feliciano José Alves da Costa Pinto became the first at the administrative documents issued.

hierarchical superior. The transgressions committed caused "the greatest damage to the Company Commerce and Credit" (ANTT 400). Thus, in consideration of previous unsuccessful experience, the Junta believed that establishing a Board in Pernambuco composed mostly by people of its trust, its orders would be carried out efficiently (ANTT 400). It is worth noting that the interference of the governor of the captaincy of Pernambuco in internal affairs also had the same goal in the perspective of the Junta.

In the literature, the nomination of trusted people for managing dispersed units is seen as a mechanism that reduces the probability of occurrence of transgressions, but not avoids it (Ogilvie, 2011). It should be noted that PPC had already used this mechanism during the monopoly period. The *Junta* nominated the directors in the *Administração* of Angola, and this fact did not prevent the occurrence of fraud (ANTT 290; 382-383; 495).

The comparison of the results observed in the election held in Pernambuco, and the list of nominees for the Board of the *Direção* of Pernambuco makes clear that the Crown accepted the claim made by the *Junta*. The election result submitted for consultation was: "in the first place, Domingos da Costa Monteiro, with 13 votes; in the second place, João do Pinho Borges, with 11 votes; and in the third place, José Vaz Salgado²²⁵, with eight votes" (ANTT 400, f. m0190). About these individuals, it is known that they met the statutory requirements imposed on the application. All were Portuguese crown vassals and merchants resident in Pernambuco, where the PPC unit was located, and individually had the same minimum number of shares (10). The only distinctive element among them was in the fact that only João do Pinho Borges was not an original shareholder. He had acquired his shares in 1769 (ANTT 327-329; 437-448).

Although they meet the statutory requirements, only the first place was nominated to the position on the Board of the *Direção* of Pernambuco (see Figure 12). Thus, the list of people appointed by the Crown reflects the *Junta's* will. The argument used by the *Junta* to support the nomination of José Jacques Le Tavoec and José Rufino as

²²⁵ His father, who had the same name died in 1759 (Souza, 2007). It is possible that his father had purchased the shares at the time of PPC's establishment.

directors of the *Direção* of Pernambuco was the "knowledge of the Company's Business (...) acquired in the accounting department" located in Lisbon (ANTT 400, f. m0191).

Directors	Ownership situation on July 8, 1781 ^a	Earlier nominations
Domingos da Costa Monteiro	Original shareholder. Ten shares.	Director (1776-1781) in the <i>Direção</i> of Pernambuco.
José Jacques Le Tavoec	He had become shareholder after buying shares in May 1781. Ten shares.	Penpusher (<i>Escriturário</i>) (1768-1776) and second bookkeeper (from 1776) in the accounting department in the <i>Junta</i>
José Rufino	He had become shareholder after buying shares in May 1781. Ten shares.	Penpusher (<i>Escriturário</i>) from April 1776 in the accounting department in the <i>Junta</i>

Figure 12 – Directors of the *Direção* of Pernambuco responsible for the liquidation of the PPC
Note. Data obtained from different corporate documents (ANTT 383, 327-329, 403-404, 437-448, 535; AHU_ACL_CU_015, Cx. 142, D. 10449).

^a = the chosen date was the submission of the representation to the crown.

The Board of the *Direção* of Pernambuco responsible for the liquidation took place on 27 September 1781 (ANTT 535). In the interim between the declaration of free trade and the Board's investiture date, the unit was not without command. Like what happened in the *Junta*, the former directors of the *Direção* of Pernambuco (see Appendix A) remained in office.

Shortly after the inauguration, the directors in Pernambuco decided on the distribution of activities among them²²⁶ (see Figure 13). The *Junta* agreed on the allocation made (ANTT 383).

Directors	Duties
José Jacques Le Tavoec	Cash control; Fleet; Voyages to Angola; Purchase of sugar; and Cutting of the <i>pau brasil</i> (national tree of Brazil).
José Rufino	Cash control; accounting department; Purchase of leather (<i>sola</i> , <i>couros</i> , and <i>atanados</i>); and Customs dispatch
Domingos da Costa Monteiro	Cash control; and Sales

Figure 13 – Directors of the *Direção* of Pernambuco and their duties during the liquidation
Note. Data obtained from ANTT (383).

Despite being immersed in a liquidation process, it is curious to note that the receivables collection does not appear explicitly referred to in the set of activities assigned to the directors. The board of the *Junta* always stated in its letters sent to

²²⁶ It was not possible to verify in the documents similar information about the directors of the *Junta* or *Administração* of Paraíba.

overseas directors that the collection would be the main purpose of their management (ANTT 383). Nevertheless, the words used by the directors in Pernambuco to describe the activities raises the idea that they prioritized the realization of new negotiations. However, considering that most of the debtors would pay their debts with goods, it is also reasonable to assume that the collection activity would be implicit in the activities of both directors nominated by the Junta (i.e., José Jacques Le Tavoec and José Rufino). Indeed, these directors had arrived in Pernambuco with a list of debtors to make conferences²²⁷ (ANTT 383).

The Board in Pernambuco also experienced temporary reductions in its composition during the liquidation process. The directors who started in 1781 remained until 1788 when they were affected by diseases that prevented them from serving the Company (see Table 12). All replacements were nominated by the governor of the captaincy of Pernambuco, Dom Tomás José de Melo (ANTT 383).

Table 12 – Directors of the *Direção* of Pernambuco and their replacements (1781-1794)

Directors	Removal year	Replacements	Start year
Domingos da Costa Monteiro	1788	José Lopes Reis	1789
José Jacques Le Tavoec	1789	Manoel Rodrigues de Aguiar	1790
José Rufino	1790	Manoel Francisco Maciel Monteiro	1794

Note. Data obtained from different corporate documents (ANTT 383, 400-1, 403; e AHU_ACL_CU_015, Cx. 186, D. 12915)

A few years later, the *Direção* of Pernambuco faced another change in its Board. With the death of José Lopes Reis in 1797, José de Matos Girão was nominated as director (AHU_ACL_CU_015, Cx. 198, D. 13586). Thus, between 1797 and 1813 the Board was composed by Manoel Rodrigues de Aguiar, Manoel Francisco Maciel Monteiro, and José de Matos Girão (ANTT 384).

In the *Administração* of Paraíba, there was no change in management structure (see Figure 8) or directors at the beginning of the liquidation process in 1781. Antônio Lourenço de Almeida and Amaro de Barros Lima were kept as directors until 1799 (ANTT 384). In late 1799, Antônio Lourenço de Almeida felt ill, and the governor of the captaincy of Pernambuco nominated Aleixo da Costa Cirne as director (ANTT

²²⁷ See page 241 et seq. for more detail about the receivables collection.

384). Amaro de Barros Lima died in 1804, but his substitute (i.e., Francisco Xavier Monteiro da França) was only nominated on April 1806 by the *Junta*.

Francisco Xavier Monteiro da França was indicated²²⁸ to the Board by Jacinto Fernandes Bandeira. At this time, Bandeira was a director in the *Junta* during the liquidation (ANTT 384). França is, therefore, an individual recruited among members of the trade network of the *Junta*. He was sent to perform duties overseas while preserving the interests of the unit that nominated him. His nomination displeased the governor²²⁹ of the captaincy of Paraíba, Amaro Joaquim Raposo de Albuquerque. According to the governor, França was a “bad character” and had “no clean hands” (AHU_ACL_CU_014, Cx. 47, D. 3341, f.1; Cx. 48, D. 3381, f.1). These attributes combined with the disturbance of “peace and quietness” in town were the arguments presented by the governor to request the director's dismissal²³⁰. However, the *Junta* maintained its decision²³¹ and the director (i.e., Francisco Xavier Monteiro da França) remained in office until 1813 along with Aleixo da Costa Cirne (ANTT 384).

The right of appointing directors in case of vacancy provided the governor with high power over the PPC's board. He would have the opportunity to recruit board members from his social capital. In this case, the criteria that guided the choice arise as a critical matter. The existence of ties with PPC's debtors or former managers could affect the performance of the new director, which could cause further delays. This point is discussed further in Subsection 4.2.4.1.

Remuneration

The *Aviso* of 1780 did not establish a remuneration system for directors of the PPC, leaving the right to *Junta* to present a consultation about the matter. On February 10, 1781, The Junta submitted a consultation about director's remuneration system

²²⁸ He was also indicated by Luiz da Mota Fêo e Torres, governor of the captaincy of Paraíba between 1802 and 1805 (ANTT 400; AHU_ACL_CU_014, Cx. 39, D. 2757; AHU_ACL_CU_014, Cx. 45, D. 3163); and Manoel de Magalhaes Pinto de Avelar, *desembargador* who held various positions in Brazil between 1785 and 1792 (ANTT 400, AHU_ACL_CU_006, Cx. 10, D. 621; AHU_ACL_CU_006, Cx. 11, D. 637; AHU_ACL_CU_006, Cx. 12, D. 689).

²²⁹ The captaincy of Paraíba won its autonomy in 1799 (Oliveira, 1985). For this reason, the head of the local government at the captaincy could then be called governor.

²³⁰ On 9 March 1807 the governor of the captaincy of Paraíba backtracked on his words saying that the director was calm “after taken alliance with one of quietest families” in the location (AHU_ACL_CU_014, Cx. 48, D. 3381, f.2).

²³¹ In the *Junta's* opinion there was lack of evidence of the charges (ANTT 400).

(ANTT 400). The proposed system approved by the Crown authorized the use of fixed and variable compensation models simultaneously, which contradicted Sales' (1770/2013) recommendations. Sales recommended the variable model as more appropriated to remunerate liquidation service.

The fixed model was assigned exclusively to directors of the *Junta*. The president position would receive an annual salary of 800\$000 *réis*²³² and the other directors, 700\$000 *réis*. The variable model was applied to all other organizational units of the PPC. The royal decision did not define the calculation basis, either the applicable rate. The *Junta*, in turn, decided to establish negotiations with its subordinate units to set the basis and rate for their remunerations (ANTT 383). The opening to the debate regarding compensation can be understood as an informal mechanism (Greene, 1994) used by the *Junta* to maintain its authority and align interests with the other overseas agents. The initial proposal made by the *Junta* to the directors of the *Direção* of Pernambuco was of four percent on all voyages send to the Kingdom plus two percent on all local sales value (ANTT 400). However, the *Junta* ended up accepting the reverse counter-proposal presented by the directors of the *Direção* of Pernambuco, which was of four percent of all local sales value plus two percent on all voyages send to the Kingdom (ANTT 383).

The confrontation of the two proposals reveals differing expectations between units. The fact of establishing higher rate on the value of shipments indicates that the interest of the *Junta* would be the receivables collection – considering that debtors would pay with local goods (e.g., sugar) – rather than the realization of inventories. The directors in Pernambuco were waiting to gain more with the inventory realization. According to them, the shipment of goods did not depend “on management's work efficiency, but also on the movement of time” (ANTT 535, f. c0067).

The compensation model applied to the *Administração* of Paraíba was also variable, but the conditions were different from those granted to the *Direção* of Pernambuco. The directors in Paraíba would earn two percent on (1) the value of goods received for sale in the captaincy; (2) sales value; (3) receivables collected, and (4) shipments

²³² This amount is equivalent to the nominal value of two shares of the PPC.

to the kingdom based on the value of goods (ANTT 383). However, this model was abandoned in 1786 after a proposal of dismissal presented by the directors in Paraíba. The directors claimed to be "harmful" to them exercise the function of which they "did not take utility" by "lack of commission" (ANTT 401, f. m0051). Moreover, they said the only way to remain in office was earning a fixed annual salary of 800\$000 réis for each of them. The request was accepted by *Junta* on July 1790 due to the "efficiency, zeal, and truth" that the directors in Paraíba have always shown in the exercise of their functions (ANTT 383, f. m0538). There was no change in remuneration rules during the liquidation process for the *Junta* and *Direção* of Pernambuco.

The individuals hired by the *Direção* of Pernambuco to serve on receivables collection received a wage based on the number of days worked²³³. The value of each day depended on the area in which they were responsible. The area of Recife, Boa Vista, and Olinda was \$320 réis per day. In the other areas, the value was \$400 réis per day probably due to the distance (ANTT 527). In the lack of targets to each collector, this compensation plan was not positive to the Company. Thus, the hiring of the collectors functioned more as a sign to the Junta that the *Direção* of Pernambuco would be committed to the progress of the receivables collection.

The way in which the directors of PPC were paid between 1781 and 1813 became an internal enemy of the liquidation process. The provision selected for the Board of the *Junta*, a fixed payment, did not encourage the directors to work in the best interest of the liquidation. Rather, the maintenance of their positions for a long time was more financially attractive. They could enjoy a double advantage: a high salary and more opportunity to trade for their benefit. The amount received by each director during the period in office was greater than the amount they had in shares of the company (see Figure 10 and Figure 11). It means that the seat on the Board during the liquidation yields an "early reimbursement" of the amount invested in shares to the directors²³⁴.

The variable pay chose for the other units (i.e., in Pernambuco and Paraíba) was apparently a reasonable option, but not free of critical aspects. Regarding the

²³³ There was no evidence that *Junta* and *Administração* of Paraíba did the same.

²³⁴ See page 271 et seq. for more details.

Direção of Pernambuco, its compensation plan did not reward explicitly efforts in the realization of receivables, the largest item (in the balance sheet) in the unit²³⁵. The shipment (voyages) to the Kingdom could be both goods purchased in new negotiations or delivered, by debtors, to reduce their debt. The issue of receivables realization was between the lines. To ensure a better commission, the directors in Pernambuco should focus their efforts more on selling goods than on the realization of receivables.

The same is false for the *Administração* of Paraíba, in which the agreement clearly mentioned the realization of accounts receivable. Moreover, the conditions applied to its directors were more attractive than the managers in Pernambuco. Considering that much of the debtors residing in the locality would pay their debts with products, directors in Paraíba would eventually earn the total of four percent on the amount sent on the voyage to the kingdom (i.e., two percent of collection plus two percent of shipment).

Sanctions

In general, the logic of sanctions system between 1759 and 1780 persisted in liquidation. However, the *Aviso* on 11 December 1780 gave more power to the Board of the *Junta*. If the Board of the Junta disapproved an individual appointed to a directorship in the units of the second hierarchical level, there would be the possibility to depose it. The *Junta* could sustain its disapproval on non-compliance of expected performance of the individuals (ANTT 400). The request for dismissal should be submitted to the crown, which had the competence to decide the case. A reasonable justification for the need to include this device in the *Aviso* would be the correction of weaknesses in regulation during the monopoly period²³⁶. The inclusion of the right to replace the directors of subordinate units to the Junta served to reaffirm the centrality of his position of authority in the internal organizational level.

²³⁵ See page 260 for more details.

²³⁶ See page 162 et seq.

4.2.2.3 Summary and conclusion

The idealized organizational structure for PPC was based on the assumption that the operational cohesion depended on the centrality of power and authority in *Junta*. However, this intention was not implemented, at least in the period between 1759 and 1780. With the liquidation, they reestablish centrality through the independence allowed to the unit located at Paraíba. There is no evidence that the reestablishment solved, for instance, the problem of alignment of interests between the *Junta* and other units. This centrality did not constraint the ultramarine directors taking different decisions from those previously stipulated by the central unit. Thus, it can say that the reestablishment of the centrality did not restrict the flexibility with which overseas directors could respond to changing business. This finding contradicts Ogilvie (2011). It was not possible to verify influence (e.g., positive or negative) of centrality in the liquidation process.

The result, up to this point, about the turnover of the Boards members in the PPC, does not consider subjective aspects inherent to space and time that the company operated. For this reason, findings and implications of this analysis will be presented forward, in the Subsection 4.2.4.1 after consideration of such aspects.

Compensation was the only formal instrument, used by PPC, to motivate its officials. The company used two forms of compensation between 1759 and 1780. Intermediate and low hierarchical levels were paid a fixed wage while directors received variable pay. As observed by Ogilvie (2011), a fixed wage is not the best way to avoid agency problems in any case. The compensation model should produce better results if combined with other forms of compensation.

Even the professor of *Aula de Comércio* (i.e., Alberto Jacqueri Sales) considered the variable model applicable to directors as appropriated. For this reason, it is not surprising that the variable model was also used for other European majestic companies (Chaudhuri, 1981; Gaastra, 2002; Gelderblom et al., 2011; Jongh, 2011; Ogilvie, 2011; Philips, 1961). Nevertheless, there are some weaknesses in the model of variable pay: directors in a similar position had diverse forms of compensation; the basis for calculating the remuneration created an opportunity for abuse.

The start of the liquidation process did not enhance the issue of compensation of directors. On the contrary, worsen the situation. They changed the compensation of the members of the Board of the *Junta* for a fixed salary. Besides, the basis of compensation of Directors of the *Direção* of Pernambuco did not encourage efforts for charging debts, a critical aspect for the liquidation of that unit. All considered the compensation system contributed to the lengthy liquidation process.

The sanction system suffered from chronic weakness throughout the whole period of analysis (1759-1813). Individuals suffered the punishments. Notwithstanding, directors seem immune to punishment. Thus, certain of impunity, directors could disregard their legal and moral obligations. There was no legal instrument for a penalty for units or groups. Therefore, the sanction system contributed to the lengthy liquidation process.

This research perceives the fragilities in the organizational structure of PPC as aspects that encouraged agency problems. The weakness issues noticed in the organizational structure of the PPC are (1) control; (2) compensation system; and (3) sanction system.

The Charter centralized authority and power within the Board of the *Junta* because its paper of interlocutor with the crown. Therefore, this unit was responsible for deciding and implementing decisions confirmed by the King. On the other hand, the chairman, one of its members, had the responsibility of controlling the Board. Thus, the same individual centralized three activities: decision, implementation, and control. The same logic was used, up to a point, on the Boards of the units located on the second level of the organizational hierarchy. Still at the internal level, the conservative judge started investigating illegal acts, since 1776. The task should be a reasonable measure, as long as the private judge performs the investigation against directors of units different from his own. Unfortunately, it was not as it happened within PPC. Shareholders also did not have rights to control, and the independence principle excused PPC from the external control by public institutions of the crown. Thus, control was extremely precarious. The compensation system did not incentivize that officials acted on behalf of the company and the sanctions, as far as evidence suggest, did not reach directors.

Contrary to the proposition of Joaquim Inácio da Cruz, a shareholder, the solution of the problems was not in the dissolution of units. It was, instead, in the redefinition of organizational rules combined with the effectiveness of control on agents. It does not matter to change the rules if agents do not obey them. What was required was a more efficient control, to ensure the implementation of standards and integrity of the relationship (e.g., director-company). Even though the correspondence was constant, it did not characterize an efficient control mechanism. The experience of VOC also showed that “the deprivation of the disciplinary mechanism made it more difficult for the directors to resist the temptation to enrich themselves” (Jongh, 2011, p. 66).

The PPC’s case exemplifies the internal conflicts of interests that can arise if a firm has to serve both the public interest and the interests of its investors. The internal conflicts (e.g., self-enrichment, board empowerment, and insider trading) arose from fragilities in the governance regulations of the company. Such conflicts are still relevant nowadays and labeled as matters of corporative governance (Becht, Bolton, & Roell, 2003; Wright, Siegel, Keasey, & Filatotchew, 2013). Corporate governance issues do not arise in a vacuum, so the discussion must consider the particularities provided by time and space.

4.2.3 The Accounting System of the PPC

Before starting the discussion of the characteristics and limitations of the accounting system of the PPC, it is important to inquire about the reason of its choice. Would the choice of the accounting system a consequence of the State's external imposition (Rodrigues & Sangster, 2013) or an internal expression of its shareholder's will? As mentioned earlier (4.2.1.1), the PPC came into existence by the legislative act of the King with the enactment of two separate legal documents (*Alvará de Confirmação*). However, these permits only confirmed the content of statutory acts (Charter and *Diretório Econômico*). The determination of accounting’s use was indicated in the *Diretório Econômico* (§XXIX), a document whose authorship is attributed to members of the first Board of the *Junta* along with Marquis of Pombal.

Despite being invested in the office by an order of the Crown, which not necessarily foisted them the pre-requisites of the job, members of the first Board of the Junta were PPC shareholders, holding, at least, ten shares each by the time of the submission of the *Diretório Econômico* to the royal presence. The sum of their shares accounted for 28% of the total paid-in capital²³⁷ to the *Alvará's* publication date (ANTT 437-8). Therefore, it is possible to argue that both a portion of the shareholders and the State, due to the presence of Pombal as one of the authors of the statutory diplomas, contributed to the decision of establishing the accounting system in the PPC.

Since the later twelfth century, the use of written records, including those made in accounting books together with supporting documentation, was conceived as a legal proof in litigation (Ogilvie, 2011). The legal status of evidence for enforcing contracts made accounts valuable (Gelderblom et al., 2011; Yamey, 1949). Moreover, by the mid mid-eighteenth century, DEB had legitimacy among European merchants due to the various benefits that its adoption provided to mercantile enterprises (Rodrigues & Sangster, 2013). For this reason, the *Diretório Econômico* (§XXIX) ordered the mandatory use of DEB for the PPC (Rodrigues & Sangster, 2013).

An alternative understanding of the reason for the choice of DEB in the PPC rests on the imposition of the epoch mentality (i.e., the notion of reciprocity) for social relations (Cheal, 1988; Hespanha & Xavier, 1998; Ricoeur, 2004; Xavier & Hespanha, 1998). It is known that some of the PPC directors were Pombal's collaborators and enjoyed his direct and indirect assistance in shaping their fortunes (Boxer, 2008; Maxwell, 1973, 1995). Therefore, as a way to repay the assistance received from Pombal, directors included the *Diretório Econômico* the mandatory use of DEB in the PPC.

This alternative perspective is supported by the stance adopted by the directors of the *Junta*, facing the difficulties of finding a bookkeeper who had knowledge about DEB to work in the accounting department of the *Direção* of Pernambuco²³⁸. At the time, directors have raised the possibility of using a single-entry because if the records were conducted "with accuracy", the accountability would be enough (ANTT

²³⁷ The total of shares purchased was 397 on January 5, 1760.

²³⁸ See page 148 et seq.

382, f. m0057). This stance does not sit well with the idea of normative compliance due to the mandatory nature of the legislative provision. Based on the claim of the *Junta*, what was important was the use of a mechanism to capture the reality in a “form where it could be re-presented in the place where decisions were to be made” (Miller & Rose, 1990, p. 7). The risk behind the fact that DEB was adopted because of the concept of reciprocity is that when the Pombal would not have state power, DEB would lose company attention.

In Sales' (1770/2013) opinion, the trade firms such as the PPC should make use of accounting to record the performed activities for two reasons: (1) the time imposition for the termination of the company; and by (2) the obligation of accountability to shareholders. Indeed, the requirement to explain and take responsibility for decisions and actions presents itself as guiding moral premise of the PPC performance in accordance with the Charter, albeit in a broader manner compared to the position of Sales (1770/2013). The recognition of this moral premise involved the Company and its officials, with no hierarchical distinction, in an account-giving relationship in which one party, the accountant, recognizes an obligation to provide accounts for his activities to another, the accountee (Cooper & Owen, 2007). Those two sides of the account-giving relationship were defined by the Charter (see Figure 14).

Accountor	Accountee	Source
Institution	Shareholders	§10
Institution	Overseas customers	§29
Lower-level business unit	Higher-level business unit	§1
Reformed managers	Elected managers	§4
Employee	Managers	§7

Figure 14 – Accountor and accountee defined by the Charter.
Note. Data obtained from the PPC's Charter (Cód. 450).

People located outside the firm were also included in the account-giving relationship. It should be noted that the rights assigned to shareholders and overseas customers as accountee were not the same. Both were not accountable to someone within the PPC, but only the shareholder could demand accounts according to the Charter (§10). They could request or question information attached to the reports directly to the Board of the nearest unit (§10). Everything indicates the shareholders exercised this right of access to information since the beginning of the PPC. For instance, amongst the examination of the accounts in 1763, the *Junta* found that the expense

incurred with ships by the *Direção* of Pernambuco was large²³⁹ and asked how they could justify the high volume to the shareholders who had experience in that market (ANTT 382).

The internal account-giving relationships (between hierarchical levels of authority) defined by the Charter were asymmetrical. The subordinate (individuals or business unit) had to render account to its hierarchical superior²⁴⁰, not the reversed. Its purpose (i.e., considering the feature of the internal account-giving relationship) was not to promote the integration of activities, but rather to define the limits of domination of some individuals by others in the organizational hierarchy (Roberts & Scapens, 1985). The accounting system of the PPC reflected the choices of the organizational structure.

The *Alvará* of 30th August 1768²⁴¹ regulated the share price of all Portuguese chartered companies in the secondary market. The share price had to be equal to the book value of the company's equity published in its financial report. This regulation did not change the format or content of the annual report. The 1765 annual report already provided the value of the PPC's equity (AHU Cod. 1794). However, the *Alvará* altered which stakeholders had an interest in the financial information provided by PPC. Despite providing financial information for shareholders and tax authorities, PPC's financial statements were now of interest for potential investors as well because the *Alvará* provided penalties for buyers who bought shares at below their book value.

As a rule, the Charter did not define the format or content for accounts to each accountee. The *Diretório Económico* was responsible for dealing with this issue. However, the overseas customers were an exception. They had to receive a report with all costs included to the products available for sale. The purpose of disclosing this information was to avoid frauds according to the Charter (§29). Behind this assertion, there was the belief that merchants, who worked overseas before the

²³⁹ The letter did not specify the period under exam (e.g., annual or monthly). However, it was possible to extract that expense with ships up to 1:200\$000 *réis* was considered normal. But, the *Direção* of Pernambuco had costs incurred of 6:900\$000 *réis* at the time (ANTT 382).

²⁴⁰ The directors, appointed for each Intendance, had also to render account to the Board. This account-giving relationship was disciplined by *Diretório Económico* (AHU_Cod 450).

²⁴¹ Available at <<http://www.iuslusitaniae.fcsh.unl.pt/>>.

PPC's establishment, were habituated to sell products with abusive markup, which impoverished the population (AHU_ACL_CU_015, Cx. 90, D. 7214). In theory, the PPC would solve the abusive markup once the Charter defined the maximum rate applied to each product. Therefore, the report would remove any suspicion of fraud, and the overseas customers would realize the usefulness of this monopolistic firm.

The *Diretório Econômico* determined that the accounts have to follow the mercantile style (§XXIX) in the form of reports (§§XXVII e XXVIII), extracted from the accounting books kept under the double-entry method (§XXIX). Despite this general reference to the accounts, the three specific reports were imposed for internal account-giving relationships. The *Resumo do Estado do Crédito e Débito da Caixa* (Cash summary), and The *Relação do Estado das Contas* (Trial balance report) indicated for business units (lower and high-levels); and the *Balanço Geral* (General Balance), for managers (reformed and elected).

After receiving the accounts, negative sanctions could be applied to the accountant, involved in an internal relationship, who did not provide satisfactory justification for actions. The *Diretório Econômico* did not indicate positive sanctions for officials who did fulfill its responsibilities, as discussed earlier²⁴². Both organizational regulations were silent on sanctions for external relationships. If shareholders and overseas customers disagreed with the information provided by the PPC, they could submit *consultas* to the king, who was in charge of resolving the matter and apply penalties to the institution and officers, according to the situation. This feature was used by both, although through third parties. It was the case of the overseas customers whose complaints were submitted to royal presence through representations signed by local political power institutions (e.g. the Town Council).

Once having presented the motivations for the use of accounting, the discussion is directed (4.2.3.1) to the confrontation between the accounting practice at PPC and the theoretical accounting. The corporate documents of the period from 1759 until 1780 provided the details about the accounting practice (see Table 3). Books of the time of the PPC (Bonavie, 1758; Sales 1723; Sales, 1770/2013) were sources for the

²⁴² See page 177 et seq.

theoretical aspects. The discussion presents the technical practice of accounting itself and its rationales; the issues to which accounting gave visibility and significance; and the ways in which the PPC embedded in accounting practices. (Hopwood, 1996; Miller, 1994; Potter, 2005).

4.2.3.1 The accounting practice versus the theoretical accounting

The purpose here is to examine how far the accounting practices of the PPC were the theoretical recommendations regarding (1) the recordkeeping function; (2) financial statement; and (3) accounts.

The recordkeeping function

The accounting system of the PPC extracted the financial and non-financial information on the activities undertaken on the communication flows (i.e., upward, downward, horizontal, and diagonal) between organizational units (see Figure 15).

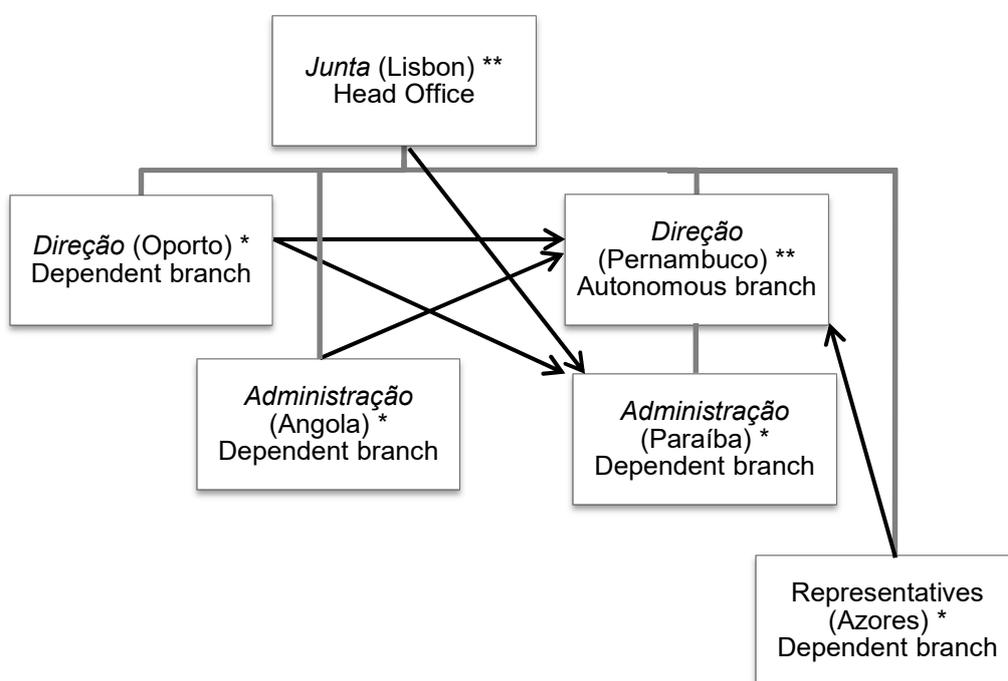


Figure 15 – The communication flows captured by the accounting system of the PPC
 Note. Data obtained from different corporate documents (ANTT 290-2, 378-84, 535)

** = the unit had a formal accounting department

* = the unit did not have a formal accounting department.

These flows were stimulated by both the internal hierarchical structure (i.e., upward and downward) and outside it (i.e., horizontal and diagonal) as a result of the exchange of information between units not linked by the line of authority in the daily operations. The identification of these flows was only possible from the examination of accounting books, which provided the rise of the "informal" universe, not reported by the organizational regulations.

Two flows should be presented to clarify the dynamics of communication between units: (1) from the Representative, located in Azores Islands, to *Direção* of Pernambuco (Brazil); and (2) from the *Junta*, located in Lisbon, to *Administração* of Paraíba (Brazil).

The main purpose of the Representative in the Azores was the purchase of linen fabrics. In organizational terms, this Representative was directly subordinated to the *Junta*, without any link in the line of authority with the *Direção* of Pernambuco. However, goods acquired by the Representative must be sent directly to *Direção* of Pernambuco, who competed for selling them in the monopoly concession area. This operating condition allowed the exchange of information between these units, although under the supervision of the central body in the hierarchy (i.e. the *Junta*). To dispatch a shipment of linen fabrics to the *Direção* of Pernambuco two reports were prepared by the Representative, the cargo document (*conhecimento da carga*) and the invoice (*fatura*). The first informed about type, quantity, length, and acquisition value paid for each piece. The second, the shipment date, the amount paid or to be in future, the method of payment agreed in the purchase of each piece (i.e., in cash or forward through bills of exchange), the amount of commissions, and other costs incurred in the shipment (ANTT 381). The *Direção* of Pernambuco just received the first report, while the *Junta* received both. Subsequently, the *Direção* of Pernambuco sent a cargo receipt and reported the financial income earned by the sale of the entire cargo to the *Junta*²⁴³.

²⁴³ A similar communication flow was also true for the relationship between the *Direção* of Oporto and *Direção* of Pernambuco; and the *Administração* of Angola and *Direção* of Pernambuco, as shown in Figure 15.

In a dispatch of goods to the captaincy of Paraíba²⁴⁴, the *Junta* issued the cargo document for the *Administração* of Paraíba, and a notice for the *Direção* of Pernambuco. The notice contained solely the date of shipment, the specification of the ships (name and type), captain's name responsible for the voyage, and the cargo's value. The *Direção* of Pernambuco received the notice because the unit was hierarchically superior to *Administração* of Paraíba. In this condition, *Direção* of Pernambuco was responsible for recordkeeping, in the first instance, of the commercial activities of its subordinate, as well as the final report to the *Junta* about the income earned from the sale of the entire cargo (ANTT 382).

In 1763 the *Direção* of Pernambuco contested the amount of information received about the cargoes sent to Paraíba, claiming that was necessary to obtain a copy of the cargo document to assist in inventory control and the comparison between the received and sold goods. The *Junta* disagreed, stating that the copy of the document "is not absolutely necessary" for the *Direção* of Pernambuco since the activities that it would like to perform were outside its jurisdiction (ANTT 382). The inventory control was in charge of the *Administração* of Paraíba, which in the case of lack of products should send a request to the *Direção* of Pernambuco. The comparison between the received and sold goods would be incumbent upon the *Junta* (ANTT 382). It is possible that the contest of *Direção* of Pernambuco was not motivated exclusively by the inventory control, but also the desire to expand its power in the Company's internal space. After all, information is a strong "mechanism as a source of power in any social space" (Gouvea, 2010, p. 167).

All these information about the PPC business were "arranged" in the primaries and auxiliaries books of accounts (Sales, 1723). The accounting system became concrete from this "arrangement", which took place within each of the organizational units of the PPC. The accounting system replicated certain aspects (e.g. hierarchy) of the organizational structure. The accounting department located in Lisbon functioned as a head office (see Figure 15). The other organizational units were branches. The PPC's accounting systems had dependent and autonomous branches. The attribution of such label (i.e., dependent or autonomous) does not lie in hierarchical

²⁴⁴ Ships were usually sent from Lisbon directly to the captaincy of Paraíba. However, in some occasion, the ship could stop in Pernambuco before to go to the final destination (ANTT 382).

organizational position. It seems to have been a decision of *Junta*. The dependent branches kept records of financial business transactions in auxiliary books. The bookkeeping in the primary books of accounts was the exclusive responsibility of the head office by the data provided by the branches. The following organizational units were classified as dependent branches: (1) *Direção* of Oporto; (2) Representatives; (3) *Administração* of Angola; and (4) *Administração* of Paraíba. This last one had a distinguishing feature. Despite being a dependent branch, the unit reported its financial information to the accounting department located in Pernambuco, which was on duty to make entries in primary books of accounts as *Junta*. In this case, the accounting system replicated the organizational relationship. The accounting department located in Pernambuco was an autonomous branch which maintained its own set of books (primary and auxiliary) separately and independently on DEB. The unit was responsible for extracting a trial balance, and prepare the financial statements. After that, copies of the statements were sent to head office for incorporating in the head office books.

In the letters exchanged between *Junta* and the *Direção* of Pernambuco, it was a recurring sending a document called "*Notas das Parcelas*" or "*Extrato*" (ANTT 382-3, 535). It was a list with the summary of accounting entries; debit and credit, in the unit account, in the ledger (see Appendix C). On the other hand, there is no mention of such report exchange between the *Junta* and the other units of PPC. Neither there is a reference where it can infer the existence of such primary books. For example, when there was an exchange of directors responsible for the Representative in the Azores, the *Junta* asked the managers dismissed to hand over to the new one everything they had on their hands (e.g., goods or money) which would have "current account or equivalent document" (ANTT 381, f. m0031). The word current account employed refers possibly the auxiliary ledger, which had the same name; however, the existence of such book is restricted to citations contained in the body of the letters. If the units had primary accounting books to record business information, certainly the *Junta* would have mentioned, but did not. Therefore, such evidence supports the argument about different forms of recordkeeping of business activities in each unit.

Some accounting books were considered by the *Diretório Econômico* (§§XXII, XXX) as "imperative" use for accounting departments of the Company. Among those mentioned, three of them are classified as primary books (Ledger, Journal, and Waste-book), and others as auxiliaries (Sales 1723; Sales, 1770/2013). By mentioning the primary books, the organizational regulation imposed a special condition to the waste-book (*borrador*), determining that its bookkeeping would have the monthly basis (§XXX). However, this condition was not applied in practice at PPC. The first waste-book recorded by the *Junta* contains events from September 12, 1759, until December 30, 1761 (ANTT 293). The waste-books between 1762 and 1769 accumulated more than a year of business activities (ANTT 210-1, 294-300). Only from 1770 the waste-book began to have annual records.

The extensive list of auxiliaries' books was consistent with the observations of the coeval literature (Sales, 1723; Sales 1770/2013) when emphasized that some books were dependent on the quality of the firm's business. The exam of the archive collection did not allow noticing the use of all the books referenced by the *Diretório Econômico* (see Figure 16). On the other hand, it was found that the daily operations forced use of so many others, for example, the cash book and the stock transfer book (*livro de cessões*). The cash book, although not included in the regiment, was an auxiliary book recommended²⁴⁵ by Sales (1770/2013).

List of auxiliary accounting books		
<i>Entradas das fazendas</i>	<i>Carregações para fora</i>	<i>Copiadores de cartas</i>
<i>Custeamento dos navios</i>	<i>Frete dos navios</i>	<i>Entradas das carregações</i>
<i>Despachos por entradas</i>	<i>Despesas por entrada</i>	<i>Despesas Miúdas da Junta</i>
<i>Vendas</i>	<i>Remessas das Letras</i>	<i>Despesas Miúdas da Contadoria</i>
<i>Saques de Letras</i>	<i>Pagamento de Fretes</i>	<i>Despesas Miúdas dos Armazéns</i>
<i>Enfardamentos</i>	<i>Assentos dos carretos</i>	<i>Medições de baetas e panos</i>

Figure 16 – Auxiliaries accounting books according to the *Diretório Econômico*
 Note. Data obtained from AHU (Cód. 450)

The "arrangement" (recordkeeping) of the books was the role of the officials who worked in the accounting department, under the supervision of a director of the PPC. The bookkeeper (*guarda-livros*), which was the highest position in the department, would certainly have the overall responsible for the bookkeeping. Thus, it is possible

²⁴⁵ According Carqueja (2011a), the work of Mathieu de La Porte in the early eighteenth century also recommended the cash book as an auxiliary accounting book.

to state that the bookkeeper and the director, appointed to the supervision of the accounting department, would be the individuals responsible for determining what or who entry in the Company's accounts, that is, what the accounting procedure would make visible or invisible (Hopwood, 1996; Paisey & Paisey, 2011; Potter, 2005; Roberts & Scapens, 1985). However, the every day of the PPC demonstrated that these officers have not determined only who or what, but how these entries would be recorded.

In the head office ledger in Lisbon, there was a current account for each branch (dependent and autonomous), except for the Paraíba's unit, whose financial information was spread on *Direção* of Pernambuco's current account. The branch current account incorporates all transactions between a branch and the head office. For example, when the head office supplies the goods to the branch, its current account in the head office ledger is debited. The ledger maintained by the accounting department in Pernambuco contains a head office current account which is credited with everything received from the head office and another dependent branch; and debited with everything sent to them. Thus, the *Direção* of Pernambuco's current account in the head office books and the head office current account in the *Direção* of Pernambuco's books were maintained on a reciprocal but opposite basis on a particular date. Thus, this particular feature justifies the periodic exchange of extracts from these current accounts as mentioned above (see Appendix C).

Despite using the same method of bookkeeping (i.e., DEB), differences between the accounting practices of the accounting departments of Lisbon and Pernambuco were perceptible. The bookkeeping held in Lisbon prioritized the use of synthetic accounts. While in Pernambuco, the analytical accounts were prioritized. It is important to note that both practices are supported in the coeval literature. The accounting practice in Lisbon was by the guidelines contained in the work of Sales (1770/2013). On the other hand, accounting practices adopted in Pernambuco would be supported in Bonavie (1758).

An example is presented to elucidate the tiny divergence, advantages and disadvantages to each of bookkeeping practices of each accounting department. The event was extracted from the ledger recorded in Lisbon (ANTT 293). Figure 17

presents the treatment that was undertaken in Lisbon and how the same event would be recorded in the accounting department in Pernambuco (i.e., it is an assumption).

Accounting Department in Lisbon				Accounting Department in Pernambuco		
Account	Debit	Credit		Account	Debit	Credit
Cash	7:833\$585			Cash	7:833\$585	
Sundry shareholders		6:800\$000	x	Elias Perochon		7:833\$585
Sundry debtors		1:033\$585				
Total	7:833\$585	7:833\$585		Total	7:833\$585	7:833\$585

Figure 17 – Comparison of the accounting treatment of the same event in two ledgers of the PPC

Note. Data obtained from ANTT (293).

Following, each bookkeeping practice is discussed separately. After that, the two practices were confronted. It should be noted that both registration options are possible from a technical perspective since they respect the dual-aspect concept and balance of debits and credits (De Roover, 1937; Littleton, 1981; Sangster, 2015). The aim of the confrontation is not to evaluate the accuracy or the superiority of one form of record but to evidence advantages, disadvantages, and visibility of each form. Assuming the following event: on November 27, 1761, Elias Perochon, a British businessman, residing in Lisbon, paid in cash 17 shares of PPC (i.e., 6:800\$00 réis), and a previous debt of 1:033\$585 réis, due to the purchase of sugar.

The event was recorded in the accounting department in Lisbon as a multiple-entry (in this case, *segunda fórmula*) in the primary accounting books (Sales, 1770/2013). The accounts that received credits have one characteristic in common: they showed the relationship of the Company with a third party but did not identify anyone. They work as a grouping of accounts with the same characteristic (Sales, 1770/2013). As they represent a group of accounts, it requires the completion of a second record in the auxiliary book for control of the individual's situation involved in the transaction, which would otherwise become invisible²⁴⁶ (Hopwood, 1996; Miller, 1994; Roberts & Scapens, 1985). However, the control at the individual level was necessary for the Company to know, for example, to who devotes the profits earned at the end of the accounting period. Such control was carried out retrospectively by auxiliary accounting books, which received the same designation of the synthetic

²⁴⁶ Only under the label "original shareholder", the company had 419 individuals (see Table 9). However, as the account was titled "sundry shareholders", individuals who acquired the Company's shares on the secondary market were also included in the same account.

account. The auxiliary accounting book was recorded by a second method, single-entry (Sales, 1770/2013).

This mixture of bookkeeping methods was also detected in other European chartered companies (Lemarchand, 1994). So, what is visible in the primary books recorded in the accounting department in Lisbon was not the individual²⁴⁷ but the relationship that it had with the Company. Thus, between the individual control and "real business situation", the latter was constituted as a priority in the form of recordkeeping made by the accounting department in Lisbon (Sales, 1770/2013, p.144).

The advantages of the kind of registration held in Lisbon are the following: (1) limits the number of accounts in the ledger (Sales, 1770/2013). During the 20 years of monopoly, this unity recorded only two ledgers; (2) allows to capture basic information about the event with accuracy (e.g., someone who paid debt and paid-in capital) from the reading of a single primary book (i.e., waste-book, journal or ledger). Such information is deduced from the nomenclature of accounts without the need to read the description of the event (*histórico*); (3) facilitates the calculation of the balance of stakeholder groups (i.e., shareholders, debtors, and creditors), which can be done from the reading of a single primary book; and (4) facilitates the calculation of "real business situation", that is, of the Company's results to the end of the year due to the reduced number of accounts in the ledger.

On the other hand, as disadvantages, it has: (1) the increase in the workload in the accounting department, since it requires the recordkeeping and subsequent balancing of the various auxiliary accounting books; (2) the difficulty in determining the financial position of a particular individual, since it depends on the collection of dispersed balances in several different accounting books; (3) the maintenance of two accounting methods (i.e., DEB for primary books, and SEB for auxiliary books) can cause misunderstandings inside the accounting department, and make almost impossible to capture transactions between individuals; and (4) the possibility of complications to the liquidity of the Company. The lack of knowledge of the financial position of a person would, for example, make the Company pay profits to

²⁴⁷ As an exception, some individuals had accounts in their names in the primary accounting books recorded in Lisbon, probably because of the large sums involved (ANTT 470-1).

shareholders who were in debt. If the Company has the financial situation of a person by consulting a single book, it could withhold payment to the reduction of the debt²⁴⁸.

The recordkeeping of the same event for the accounting department in Pernambuco would certainly be carried out with a basic entry (in this case, *primeira fórmula*) in the primary accounting books (Sales, 1770/2013). This way of recording requires reading the description of the event (*histórico*) for the understanding of the transaction. Whereas space in the journal and ledger was reduced to mention the description of the event, the waste-book, and other auxiliary books assumed a significant role in capturing information about the transaction. The account of each individual, who maintained relations with the Company, was held in the primary accounting book (e.g., ledger), which gave visibility and allow the control of operations at the individual level (Hopwood, 1996; Miller, 1994; Roberts & Scapens, 1985). This procedure, considered normal according to Bonavie (1758), contradicted Sales' (1770/2013) recommendations.

It should be noted that the “extra” information about Elias Perochon cited in the example, would also be captured in the ledger in the area for the title of the account by the accounting department in Pernambuco. This information probably helped to summarize the balance of each stakeholder group. The lists of debtors by category, for example, were common from 1776 in the PPC. In addition to the information of origin and residence, it was also usual to note profession, position, titles of nobility; guarantor name or depositary (as applicable) indicating the possible relationship of kinship or friendship between them; and date and property involved in cases of execution on litigation. The whole set of information became visible the individual and its relations, which functioned as a security mechanism for a subsequent recovery of debts²⁴⁹ (Pedreira, 1995).

The advantages of the recordkeeping of *Direção* of Pernambuco were²⁵⁰: (1) requires smaller volumes of accounting books by the possibility of elimination of some

²⁴⁸ This was a common procedure at the time.

²⁴⁹ Depositaries and guarantors were responsible for the debt under the kingdom Ordinances (extravagant Laws and Filipinas Ordinances, respectively).

²⁵⁰ Apart from the advantages of an accounting perspective, the recordkeeping form also facilitates data collection for research on social networks.

auxiliary accounting books; (2) DEB is used in the record of private accounts (creditors and debtors); (3) the extra information on the individuals in the ledger reduce the possibility of wrong entries due to the existence of homonyms; and (4) facilitated the calculation of the financial position of the individual, since all the records were in a single account in the ledger.

However, the disadvantages were: (1) increasing the number of primary accounting books makes the accounting system more vulnerable; (2) understanding the details of the transaction requires reading of the description of the events or consulting auxiliary accounting books, in the absence of the waste-book; (3) the determination of the financial position of the group (i.e., debtors and creditors) depended on subsequent procedures usually performed outside the accounting books; and (4) made the determination of the "real business situation" slow due to the higher number of accounts in the general ledger.

The recordkeeping of the accounting department in Lisbon would be the most appropriate for wholesale business (Sales, 1770/2013). While the procedures adopted by the accounting department in Pernambuco shows more suitable for retail businesses (Carqueja, 2011b). This apparent mismatch between the nature of the firm and the form of recordkeeping of accounting department in Pernambuco did not generate inconvenience or disorders. It is inferred this assertion from the reading of the documentation since this issue has not been addressed in the "notes" (*apontamentos*) provided by the *Junta* (ANTT 382-3). Moreover, the information on the individuals recorded in the ledger functioned as a protective measure since the granting of credit at the time depended on the reputation of the potential debtor (Pedreira, 1995).

The recordkeeping of accounting department in Pernambuco provided a selective visibility to the individuals, once it did not cover all stakeholders. The officials who worked at the unit are examples of this. Their names did not entitle ledger accounts, except for some of them who were related to the Company on the condition of debtor or creditor. The record of the payment of their salaries used the general expenses

account²⁵¹ or the Board commission account²⁵². It is hard to find their name, the amount of wages, and how many they were in the description of the events²⁵³. This statement is also true to the accounting procedure adopted by the accounting department in Lisbon.

The financial statement

The entity (i.e., PPC) was the focus of the bookkeeping. All transactions were recorded according to the impact on the Company. The bookkeeping was important because it allows knowing “the real state of the business” (Sales, 1770/2013). The Company prepared an annual statement called Demonstration of the PPC’s State (*Demonstração do Estado da PPC*) in an auxiliary accounting book. In it, the statement was represented by two facing pages (numbered as a single-page), the right one listed all accounts position as of one moment in time, usually on 31st December every year²⁵⁴, while the left one explained the events included in each account or how the amount had been formed. The statement was a single report that provided information about the (a) PPC’s financial position as of a specified date; (b) how the PPC acquired its profits and losses through both ordinary and extraordinary activities over an accounting period; (c) explanatory notes of accounts; and (d) changes in equity since the PPC’s establishment (ANTT 394-6). All statements published (1760-1775) were in handwritten form.

In the corporate documents, the financial statement was called Balance Sheet (*Balanço*) (ANTT 382-3). This word was similar to that used by Sales (1770/2013), Business’s Balance (*Balanço do Negócio*). In the balance sheet, the financial position of the company was expressed by the equality of debits and credits accounts. The exhibition followed a strict format. In general, the balance sheet had a vertical format with a single column of numbers, beginning with “obligations” line items, followed by “effects” line items (see Figure 18) (AHU_Cód. 1792-804). The company’s obligations were all resources received from investors and outside parties. There is no specific

²⁵¹ For officials nominated by the crown.

²⁵² For officials contracted by directors without consultation of the crown.

²⁵³ This dissertation had the initial intention assess whether the rotation of accountancy officers could be considered one of the possible causes of the delay in the liquidation process. However, the limitation imposed by documents and accounting procedures made it impossible.

²⁵⁴ With the exception of the last statement produced during the monopoly period which reported the financial position as of September, 28, 1780. From the accounting perspective, the liquidation process began after the date of this last statement.

word for each one as there is today (i.e., equity and liabilities). The Portuguese word for obligations in the PPC's balance sheet is "*débito*" used in the sense of rendering something to someone else (Sales, 1731) which differ from the same vocable used to indicate the way an account is recorded under the double-entry (Pacioli, 1494/2014). The effects were all valuable resources owned by the PPC. The Company did not use nowadays vocable such as "assets", in the English language, or "*ativo*", in the Portuguese language. However, in the essence the three words are similar.

Demonstration of the PPC's State	Example of Account(s) in the Ledger
<i>Obligations</i>	
Paid-in capital	Sundry shareholders
Accumulated Profits	Accumulated Profits
Profit and Losses	Gains and losses
Profits	-
Losses	-
Payables	Sundry creditors
Total	
<i>Effects</i>	
Inventory	Inventory came from Pernambuco
Fleet	Ships in general
Deferred freight	Ships in general
Receivables	Sundry debtors
Buildings and furniture	Durable goods
Cash	Cash
Total	

Figure 18 – The PPC's balance sheet format, categories items and example of accounts in the ledger Note. Data obtained from AHU (Cód. 1792-804)

The obligations were arranged in the order of their permanence (i.e., the least urgent payment to be made is shown first and the most pressing payment to be made is shown last) (Tulsian, 2009). It demonstrates that the shareholder was the focus of disclosure. The arrangement of effects did not follow the same order of obligations. Neither it was possible to verify an underlying criterion cited in the coeval literature. In the example suggested by Sales (1770/2013), cash appears as the first item of the effects, which could give rise to the idea that liquidity would be the underlying criterion. However, the second item presented was furniture and the third inventory. This order cancels the notion of liquidity as a criterion of the exhibition. Considering the PPC's business (i.e., trade and navigation), it would be possible to conjecture the existence of a relationship between them and the order of effects. The Company's profit depended mainly on the sale of goods. The shipping activity would have a secondary role regarding profits but played an essential role in the business

performance as a whole. For this reason, they both (i.e., inventory and fleet) were the first two items listed on the effects. It should be noted that the previous statement is just an attempt of explanation, without any direct support in the coeval literature.

The analysis of the balance sheets showed that the disclosure of receivables and payables happened in an unusual and inconsistent way throughout the reporting period (1760-1775). According to Sales (1770/2013, p. 141), the balance sheet would be a report to display the “account’s remnant” as of a specified date. However, in the most statements published during the monopoly did not show the balance of each account separately (see Figure 19). In this case, the balance sheet only reported the balance between receivables and payables in the larger item (i.e., 1763-1768; 1775). The explanatory notes did not always inform the balance of each account separately. For example, the only information available in the balance sheet between 1765 and 1768 was the balance between receivables and payables (see Figure 19).

Year	Receivables (in réis)	Payables (in réis)	Balance	Disclosure aspects			
				A	B	C	D
1763	957.517\$886	1.812.307\$545	854.789\$659	-	X	X	-
1764	4.066.134\$683	4.215.680\$441	149.545\$758	-	X	X	-
1765	-	-	132.851\$206	-	X	-	X
1766	-	-	109.551\$683	-	X	-	X
1767	-	-	166.520\$722	-	X	-	X
1768	-	-	133.579\$910	-	X	-	X
1769	829.718\$916	2.758.764\$907	1.929.045\$991	X	-	-	-
1770	609.163\$931	2.664.941\$053	2.055.777\$122	X	-	-	-
1771	549.981\$856	2.615.465\$705	2.065.483\$849	X	-	-	-
1772	1.015.019\$483	3.319.433\$650	2.304.414\$167	X	-	-	-
1773	566.180\$888	2.353.331\$890	1.787.151\$002	X	-	-	-
1774	670.607\$184	2.482.650\$455	1.812.043\$271	X	-	-	-
1775	474.696\$037	1.083.328\$432	608.632\$395	-	X	X	-

Figure 19 – Disclosure format of receivables and payables in the PPC’s Balance Sheet (1763-1775)

Note. Data obtained from AHU (Cód. 1792-804).

A - The balance sheet presented the balance of each item separately

B - The balance sheet only introduced the balance in the larger item.

C - The note informs the value of each item.

D - The note did not notify the value of each item.

This dissertation believes that the disclosure of receivables and payables granted a partial visibility to stakeholders on the progress of each account balance. As a consequence, it was not possible to assess the increase of each account or group of accounts between the years.

The disclosure of profits and losses also happened in a different way (1760-1775). The balance sheet showed the net result of each activity carried out by the company during the entire accounting period (i.e., usually a year) on the right side of the paper; and the explanatory note. On the left side of the balance sheet, presented a summary of the information about direct cost and “revenue” of each activity. The word revenue is in quotes because the PPC did not use it in the sense of increases in economic resources as a result of the entity’s normal business (AHU_Cód. 1792-804; ANTT 470-1). The PPC only used the vocable “*ganhos*”²⁵⁵ in the Portuguese language which the better translated as “gains” in the English language. When the revenue generated by an activity was higher than its direct cost, this activity was reported in the “profits” section on the balance sheet. The opposite situation was reported in the “losses” section on the balance sheet (AHU_Cód. 1792-804). The balance between profits and losses sections did not receive a specific word in the report.

The accounting period concept (i.e., the time span in which events took place) showed weakness over the published balance sheets. However, the weakness did not result from the lack of skill or inexperience of the Company’s bookkeepers, but from the limits of the communication system of the time. For instance, the recognition of a slave negotiation (*carregação de escravos*) between the *Direção of Pernambuco* and the Representative of Rio de Janeiro (ANTT 382) illustrates this weakness. The ship left the port of Recife in November 1764. The information about this negotiation was sent to the accounting department in Lisbon in December²⁵⁶, as soon as another ship left the port of Recife. However, in February 1765 when the information arrived in Lisbon, the 1764 balance sheet was closed. Thus, the negotiation was out of the financial statement (ANTT 382). Besides this, the accounting department in Lisbon only recognized the event after critically comparing the information from the receiving unit (i.e., Representative of Rio de Janeiro) with the sending unit (i.e., *Direção of Pernambuco*). Thus, even if the information sent by *Direção of Pernambuco* had arrived in Lisbon before the closing of the balance sheet, the recognition of the event would not have done without the critical exam of the information.

²⁵⁵ The word “*receita*”, revenue in Portuguese was not mentioned in the documents.

²⁵⁶ As soon as another ship left the port of Recife for Lisbon (ANTT 382).

The profits and losses sections followed a particular order of arrangement that appears to be less rigid. The disclosure of profits was arranged as follows: (1) estimated profit in sales; (2) realized profit in sales; (3) positive prior period adjustments; (4) realized freight profit; (5) realized profit in apprehended contraband cargo (*lucro com tomadias*); (6) interest receivable profit; and (7) extraordinary (non-recurring) profit (AHU_Cód. 1792-804).

The disclosure of losses was arranged as follows: (1) negative prior period adjustments; (2) realized losses during the accounting period; (3) administrative expenses; (4) interest from loan; and (4) freight losses (AHU_Cód. 1792-804).

The accounting procedures to prepare the balance sheet started in October of each year in the accounting department in Lisbon (ANTT 382). It is likely that the Company observed the Sales' (1770/2013) recommendations on the activities and accounting procedures that should be made for the elaboration of the balance sheet (ANTT 382-3). These recommendations included: sending the current account to outside parties (e.g., debtors, creditors and correspondents); performing a physical count (i.e., cash, inventory, and "non-current effects"); adjustments the accounting records to match the results of the physical count; and closing the accounts (Sales, 1770/2013).

In general, there is no reference to the date when the balance sheets were issued in the corporate documents, except for the first two financial statements (AHU_Cód. 1792-804, ANTT 395-6). The first PPC's financial statement was a four years balance sheet (i.e., 1760-1763) and was issued on 13 January 1764. The second one (1764 balance sheet) was published on 18 January 1765 (ANTT 382). Aside from these exceptions, it appears that the financial statements were issued no later than June each year (ANTT 327-30).

The PPC did not publish financial statements of 1776-1780 (ANTT 394-5), nor it was possible to identify the value of the income earned in each year in other documents. The corporate records also do not present any reason for not publishing. However, it is possible to conjecture that a political issue had influenced the decision of not preparing financial statements. The PPC started to prepare its balance sheet between October and November each year as mentioned earlier (ANTT 382).

However, there is no indication in the documents that the Board of the *Junta* was preparing a balance sheet between October and November in 1776 (ANTT 383). At this time, the political scene was quite unstable. In mid-November the health of Dom José I worsened and later this month his daughter, Dona Maria, took over the government of the Portuguese crown (Monteiro, 2012a). The dismissal of Pombal happened months later. Coincidence or not, after the fall of Pombal, PPC stopped publishing its financial statements.

Besides the absence of financial statements, it was possible to observe that the zeal for bookkeeping reduced too. It was more common to find, for example, accounting books with different information (i.e., the date of the transaction, the debited or credited account) about the same event. The absence of zeal in the bookkeeping was common among merchants resident in Lisbon, despite being associated with bad faith or the existence of fraud (Pedreira, 1995).

In the absence of financial statements between 1776 and 1780, this dissertation collected²⁵⁷ the ship's cargos in the period to understand the performance of PPC at that time (see Appendix E). The data do not show a positive scenario compared with the period between 1760 and 1775. The number and values of voyages decreased each year considerably. Considering that the voyages yielded an average return of 16.8 percent²⁵⁸, it can assume that the income earned in the period (i.e., 1776-1780) were tiny and insufficient to guarantee even the payment of "interest on capital"²⁵⁹.

It was also possible to map the economic results with voyages to Asia during the monopoly period (see Table 13). However, these results slightly alter the perception of the poor performance of the PPC for the period 1775-1780 mentioned earlier. To better understand the data, it should be highlighted the fact that the operating cycle of these transactions is longer than the usual ones of the PPC (e.g., the voyage between Lisbon and captaincy of Pernambuco).

²⁵⁷ The list is not exhaustive. The year attributed to the each voyage was the year of the letter that communicated the ship's expedition or the date assigned to the journey in the ledger.

²⁵⁸ The rate refers to the ratio between the estimated gain and the cost of cargoes between 1761 and 1775. The rate was used as a source for the simulation. The expected gain rate for the products sold by the PPC ranged between 2% and 40% during the monopoly period.

²⁵⁹ This concept is presented on page 231 et seq.

Table 13 – Results of ships sent to Asia (1775-1780)

Voyage year	Ship names	Result (in réis)
1775	Netuno	11.828\$040
1777	Netuno	3.782\$087
1778	Conceição e Santo Antônio	(10.542\$415)
1779	Polifemo	2.888\$809
1779	Netuno	125.332\$125
1780	Príncipe do Brasil	7.905\$651
Total		141.194\$297

Note. Data obtained from ANTT (395).

The average time spent by the PPC's ships in a round voyage to Asia was 27 months. After that, the cargo should be sold and the money received from customers. Thus, the economics results presented in the table were not available in cash so quickly for the company. For example, the voyage realized by ship Netuno in 1779 illustrates the situation. Netuno left Lisbon on 28 February 1779 and returned on 31 August 1781. Despite the "considerable"²⁶⁰ amount generated for the company, the value was only available during the liquidation period. For this reason, this dissertation states that the results of voyages to Asia did not alter the perception of the poor performance of the PPC in the last five years of the monopoly.

Still regarding the result of the ship Netuno in 1779, it should be stressed the divergence of values in the accounting records. The amount presented in Table 13, obtained in financial statement's book, is higher than the one reported in another corporate document (i.e., 122.923\$125 réis) (AHU_ACL_CU_015, Cx. 135, D. 10115). This divergence illustrates the lack of zeal in bookkeeping referred to above.

Accounts

The discussion follows the rationality of the accounts whose balance was reported in the Balance Sheet. The accounts grant the "real" financial existence to abstracts social and organizational phenomenon through the language and the criteria for recognition and mensuration (Hines, 1988; Hopwood, 1987, 1996; Miller & Napier, 1993; Miller, 1994; Potter, 2005). The aspects of each account are examined in sequence. The accounts' display order is as follows: capital; cash; inventory;

²⁶⁰ The vocable considerable is in quote to qualify the economic result of Netuno because its return rate (16.6 percent) was low, based on literature. According to Pedreira (1995), the return rate for a similar voyage at the time would be between 30 and 40 percent.

buildings, furniture, and ships; receivables and payables; gain and loss; and accumulated profit.

Paid-in Capital

The first event recorded in the waste book was the shareholders' money received by the PPC. The amount received was transferred to "sundry shareholders" account. This account was available only the recorded by the Accounting Department of the *Junta*, and its normal balance was credit. If an investor made a payment for the value of its shares in other unities of PPC, this was credited to the account of *Junta* and remitted a letter informing the event. When receiving the information, the Accounting Department in Lisbon credited the account "sundry shareholders" with the counterpart in the account of the respective receiving unit of the value of the share (ANTT, 293).

The Charter established that the capital of the Company was constituted by three thousand and four hundred shares, whose nominal amount was 400\$000 *réis* (§53). There was no provision in the Charter for alterations in the capital. The PPC had only one class of stock with equal rights between their shareholders²⁶¹. Statutory privileges were conferred to some shareholders in function of the quantity acquired stock and conserved in property, not quality. The Company's shares were offered in public without any distinction of origin and social condition, and with one and only offering (AHU_Cód. 450).

The Charter stipulated the period of the public offering, as well as the means and forms of payments (§56). The period of public subscription of the stock depended on of territorial criteria counted from the date of publication of the Sales Edict. The terms of the subscription were defined as three months for the kingdom; six months for the Isles of Azores and Madeira; and one year for the Portuguese America. In the impossibility to fulfill a full payment of the nominal amount of the stock, this could be deferred. Different deferring plans were established for each territorial portion. In the Kingdom, the payment could be made in three portions: 50 percent up in front; 25 percent in six months; and the rest when the Company completed one year. The

²⁶¹ For shareholders' rights see page 100.

plan valid for the Isles of Azores and Madeira forecasted only two payments without the stipulation of amounts, with the first being within the six month subscription period and the rest when the company completes one year. There was not a statutory provision of portions or values for Portuguese America. However it the disbursements had to be done during the subscription period. There also was no statutory provision reserving portions of capital to the interested from the cited territorial portions in the subscription²⁶².

Considering the limit imposed in the Charter, it was expected that by the end of 1760, the subscription and issuing of the social fund were concluded. However, this expectation ended up being optimistic. The low demand forced term extensions. The new date limit for subscription and issuing was fixed to December 31st, 1763. After the extension, the priority was the issuing of capital. Only after the conclusion of issuing the capital in the amount of the stock, the Company emitted a document proving its property.

Some older subscribers, which did not conclude payment of the integral amount of the stock until the new date, were restituted of the sum paid. It was a one and only occasion in which the account was debited during the monopoly period (ANTT 470). This practice was observed account books contradicts Marcos (1997, p. 541) which affirms that “the defaulting shareholder lost in favor of the society all of the payments that had been already done”.

Payments for the acquisition of stock were accepted in cash or goods, marked to the current price (§54). This feature may present a financial innovation, but has little to do with increasing the shareholder value. Table 14 demonstrates a synthesis of the payment forms used in the subscription of PPC’s stock. The adopted accounting procedures did not permit a full complete visualization of the payment forms. The reading of the books from PPC allowed to identify 80% of the total funds from the stocks. Most parts that were situations classified as “unidentified” in Table 14 was those in which the shareholders made the payments for the stock in a *Direção* or

²⁶² This statement contradicts Andrade (2013, p. 183) when it ensures that by statutory provision “90% of the capital of the General Company must be subscribed by the Portuguese resident in the Kingdom, and only 10% was reserved for residents in Pernambuco and Paraíba”. This dissertation did not identify a similar provision in Charter or *Diretório Econômico*, nor in others corporate documents.

Administração of PPC. In these cases, the unit reported the situation to *Junta* but did not mention the payment form explicitly. The description of the event (*histórico do lançamento*) done by *Junta* only referred to the date of which the letter was received.

Table 14 – Forms of payment used for shareholders

Sources	Value (in réis)	Percentage (%)
Cash	855.451\$069	62.90
Ships	116.665\$875	8.58
Rights of Royal Treasury (<i>frete do Pau Brasil</i>)	50.137\$075	3.69
Cession of credit	48.872\$522	3.59
Products	28.650\$423	2.11
Unidentified	260.223\$036	19.13
Total	1.360.000\$000	100,00

Note. Data obtained from different corporate documents (ANTT 293, 378, 382, 486-7).

In general, more than half of PPC's stock was issued in cash. 18 percent of the stock was issued in goods, such as ships, which were responsible for almost half of this amount. The Charter mentioned that two types of goods should be used when issuing the stock: ships (§§54, 55), and the resources of *Morgado* or *Capela*²⁶³ (§57). About the latter, the accounting records conceded visibility in the issuing (the counterpart was normally cash) and its posterior controls. The PPC did not control the destination given by a shareholder to their shares. References of *Morgado* can be found sparsely in the auxiliary accounting books of stock ownership. For example, shares number 362 to 367 were included in *Morgado* of Lucena's Family (instituted by Simão de Melo de Magalhães), whose administrator was the Marquis of Pombal in April 1776. All of this information was reported in the auxiliary accounting book when Pombal sold the shares to Francisco Nicolau Roncon (ANTT 329).

The issuing of stock with ships was the modality of payment used by shareholders resident in the Kingdom as well as overseas (APPENDIX G). The credit, of which some investors had with the Royal Treasury, which was related to pau-Brazil²⁶⁴ (*frete do Pau Brasil*), was also used to acquire shares of PPC. It is understood "cession of credit" as the issuing which creditors of PPC pass on the rights to third parties,

²⁶³ They are systems that preserved the property of families whose continuance and power were necessary for the commonwealth (Cooper, 1976; Monteiro, 2002; Motta, 2011; Rosa, 1995), to ensure security down the generations of the "family". The "morgados", for example, is similar to mayorazgo in Spain (Motta, 2011), and entail (Motta, 2011) or strict settlement in England (Carnegie & Napier, 2002).

²⁶⁴ For more details about this matter see Souza (1939).

probably because of debts. The word “Products” (*fazendas*) that appears in Table 14 was used in corporate documents to label the most diverse products and rarely the accounting record helped in the distinction. The list of products used in the issuing included, for example, wine barrels²⁶⁵, vegetables²⁶⁶, and olive oil²⁶⁷ (ANTT 293). In function of this variety, it is possible to affirm that shareholders understood that issuing stock in goods meant using anything that could be measured in cash.

The provision of the use of goods to issue stock was commented by some authors (Andrade, 2013; Araujo, 2012; Ribeiro Junior, 1972; Saraiva, 1941; P.P. Silva, 2014). In the opinion of these authors, this prerogative was the indication of money shortage, especially in the colony (P.P. Silva, 2014). In fact, the complaints of lack of provincial currency were usual in representations from the area of the concession of PPC monopoly (AHU_ACL_CU_015, Cx. 75. D. 6325). However, the examination of accounting records demonstrated that this prerogative was used by PPC’s shareholders in the Kingdom and overseas. Therefore, if the fact of subscribing with goods denotes the lack of monetary means, then, Kingdom and Atlantic overseas possession suffered from this illness.

An alternative is to comprehend the question of issuing stocks with goods is from the investor’s perspective. Issuing stock with goods with is financially more attractive to the investor once it does not need to deprive themselves of the most liquid means in nature (i.e., money). It does not necessarily imply that the investor does not have monetary availability. In this perspective, the use of goods in the issuing of stock would be a “utility maximizing” strategy²⁶⁸ for each investor. The onus of realizing these goods is in the Company. According to Marcos (1997), the investors that used cloth as payment for the stock made a wise choice once PPC not always could recover the current price established by both parties when it sold to third parties. It was not possible to verify if there was or not a balance between gains and losses when realizing these goods that received when issuing was in the accounting

²⁶⁵ João Correa da Silva de Figueiredo Castelo Banco de Moraes Tenreiro purchased more than seven shares with wine barrels (ANTT 293).

²⁶⁶ The brothers João Rodrigues Vale and João Lourenço Peres purchased four shares with cloth and vegetables in 1760 (ANTT 293).

²⁶⁷ João de Araújo Mota purchased almost 10 shares with olive oil (ANTT 293).

²⁶⁸ It is an concept derived from the theory of consumer behavior (Varian, 2010). Therefore, individuals prefer to consume goods that maximize their utility (i.e., the total satisfaction that results from the consumption of goods and services), given the constraints of time and disposable income.

records. However, it is possible to list some justifications reasonable to the benevolence of the directors when evaluating goods for stock. First, it would be a political sign to compensate the bad luck of the wreck²⁶⁹ of the first ship dispatched and to incentive the purchase. The second could be the urgency in the formation of a new fleet to impulse the PPC. Third, it would be the existence of kinship ties or even mercantile ties between investors and directors. In this case, the moral obligation from this tie would superimpose the director's duty to PPC's business²⁷⁰.

All of the money and respective current price attributed to goods received for issuing the stock was recorded as a credit in "sundry shareholders" until December 31st, 1763. After this date, there were no more credit entries in this account. The debit entries did not occur because of the statutory premise that the resources applied by shareholders when acquiring the stock could not be withdrawn during the 20 years of royal privileges (§58). In the case of changing the privileges, the investors would be able to withdraw their resources (§58). The shareholders that were uninterested with the Company should sell his stock to third parties (§59) and communicate the sale to the Company. The record of stock ownership was recorded in the primary and auxiliary accounting books. The §§58 and 59 of Charter favored the concept capital maintenance in accounting procedures. These characteristics were also present since the first years of VOC existence (Dari-mattiacci, Gelderblom, Jonker, & Perotti, 2013; Robertson & Funnell, 2012; Robertson, 2011).

Cash

The entire issued share received in cash was debited in the cash account. In general, it was debited in the cash account all the sums of money received in mercantile transactions²⁷¹. The amounts paid in cash by the Company were recorded as a credit in the cash account. In contrary to what was recommended by Sales (1770/2013), the Company did not record in separated accounts the amounts of money received in foreign currency. The record of transactions in foreign currency was in the cash account. The debited or credited value in the cash account was always expressed in Portuguese currency, *réis*. The foreign currency and the exchange rate used in the

²⁶⁹ For more details about this episode see page 131 et seq.

²⁷⁰ About ties between PPC's stakeholders see page Section 4.2.4 et seq.

²⁷¹ It was not possible to identify if the PPC received payments in coins or bullion (gold or silver).

transaction were mentioned the description of the event (ANTT 204, 293). At the end of the accounting period, the recognition of foreign exchange gains and losses and foreign currency payment was made but did not recognize the update the reminiscence foreign currency in the balance (Sales, 1770/2013). It means that it was not included in the balance sheet the expectation of reminiscence foreign currency, being valued at its historic acquisition amount. Thus, only the realized financial oscillations were recorded.

The normal balance of cash account is debit. Thus, it could never be credit (Pacioli, 1494/2014; Sales (1770/2013). The occurrence of a credit balance indicated an existence of error (Pacioli, 1494/2014). Even though the guidance stated, the first record²⁷² in a cash account, reported by Accounting Department of the *Direção de Pernambuco*, was a credit value of 5\$780 réis by a payment of a minor expense (ANTT 512). The description of the event said that in the absence of money in cash, a director of that unit paid the amount and would be reimbursed in future. The accounting treatment conferred to the event counteracts the nature of the account because of loss of information (i.e., the need to reimburse the director), which posterior occurrence could not be captured in the accounting system.

The second and third level of organizational hierarchy (*Direções* and *Administrações*) did not have the need to remit the money received to *Junta* during the monopoly. This rule did not apply Representatives (i.e., fourth hierarchical level). In punctual occasions in which the representatives realized sales of products to Company, the money collected in the operations was posteriorly destined to *Junta* (ANTT 288; 381-3; 290-2). However, the remittance of slaves to the representation of Rio de Janeiro from 1763 occasioned an exception. The dispatch of slaves was the responsibility of *Direção of Pernambuco*, but the money collected with the sale was remitted to *Junta* (ANTT 382). The *Direção of Pernambuco* contested the decision alleging lack of sufficient funds in the unit. The *Junta* returned its position in the next year and allowed the money collected by the unit of Rio de Janeiro with the sale of slaves would be remitted to *Direção of Pernambuco* (ANTT 382).

²⁷² On 29 April 1760 (ANTT 512).

The vocable cash also appeared in corporate documents in allusion to the ark that stored the cash. This ark was also used to safeguard the seal of the company (§XXXIII), used in the emission of official documents. Sales (1723) equally recommended the ark to safeguard any other precious item and with small volume for the firm (e.g., bill of exchange). The Ark possessed an opening safety system based on the use of three keys simultaneously (§XXV). According to *Diretório Econômico*, the keys were in possession directors (i.e., the Chairman and two Deputies). The choice of deputies was the competence of Chairman (§XXXIII). These Directors were responsible for reimbursing any losses detected in the ark. For safety reasons, *Junta* recommended that every two months two new deputies be chosen, key keepers. The deputies assumed the incumbencies after receiving the balance informing the ark situation (ANTT 400). It is important to note this recommended turnover by *Junta* did not have a statutory support.

In virtue of the three lock safety system, Company instituted that each director would receive a small amount of money to be used for small expenses for the intendance (§XXIII). The amount was recorded in the account “advance to tasks” (*dinheiro adiantando para empregos*) (ANTT 293). For recomposing the advance to the task, the director should present the documents and receipts which were reviewed by the bookkeeper (§XXIV). For example, on November 19, 1759, the director João Xavier Teles received 2:400\$000 réis as advance to tasks for small expenses at the Navy intendance of the *Junta*. On the 28th of the same month, he received more money to recompose the fund (ANTT 293). The payment of expenses depended on the Board (§XXIV), which would imply in a posterior opening of the ark²⁷³ (§XXV), considered substantial amounts (*valores avultados*).

Diretório Econômico recommended the elaboration of monthly and annual reports of the cash account (§§XXVI, XXVIII). The monthly report contained a summary of debits and credits recorded at cash account and should be kept in the ark to facilitate physical inventory. This report should be signed the directors responsible for the ark. It is important to note that *Diretório Econômico* extended the obligatoriness in the elaboration of monthly reports to all organizational units of Company. The units

²⁷³ Unfortunately the *Diretório Econômico* did not define what a substantial amount for expenses is.

should remit to *Junta* the copy of these monthly reports for control of cash situation. In the exchange of letters between the *Junta* and the *Direção* of Pernambuco it is possible to find references about the remittance of these documents, but without a copy of these reports (ANTT 382-3).

Despite recommendations, *Junta* discovered that the *Direção* of Pernambuco did not faithfully observe the statutory determinations for cash through a request of Ana Joaquina de Freitas Sá Couto, widow of former director Manoel de Almeida Ferreira. According to the request²⁷⁴, in the *Direção* of Pernambuco, the responsibility of cash control was in charge of one only director (i.e., Francisco Carneiro Sampaio) during the almost whole term of the second board of the unit at least²⁷⁵ (ANTT 383). At the end of the term for the second board, it was detected a difference in the physical count of cash of 17:630\$700 réis. The difference should be deducted in the commission of all the directors of *Direção* of Pernambuco by their decision (ANTT 400). For this reason, the *Direção* of Pernambuco refused to realize such payment, alleging that the widow did not have any amount to receive. The widow did not agree to allege that her husband performed his duties of which he was in charge and the difference encountered was satisfactory (AHU_ACL_CU_015, Cx. 135, D. 10105).

The *Junta* alleged that it did not know the cash difference and that the unit did not follow statutory dispositions and recommended procedures (ANTT 383). On February 13th, 1778, the *Junta* solicited the *Direção* of Pernambuco, a favorable dispatch to the supplicant, but the request was not granted. With this unfavorable dispatch, *Junta* presented a consultation to the Crown in November in 1779 soliciting the expulsion of the director responsible for cash, which continued in a condition of deputy in the unit (see Appendix A). This consultation did not receive a dispatch from the Crown, and the director was not removed from the board (ANTT 383, 400). However, it was not possible to prove if the deputy was responsible for the treasury of the unit.

This case highlights the fragilities associated with PPC's accounting system. Considering that the relationship between the *Junta* and the *Direção of Pernambuco*

²⁷⁴ The request was presented in late 1777, because on February 13, 1778 the Board of the *Junta* mentioned it in a letter to *Direção* of Pernambuco (ANTT 383).

²⁷⁵ Between 1769 and 1776 (ANTT 383).

was marked by the complete absence of direct personal contact between directors, the accounting system had the role to make the unit overseas visible to the superior hierarchical level (Roberts & Scapens, 1985). Despite receiving the monthly reports emitted by *Direção of Pernambuco*, the *Junta* could not find the difference between the information in the reports and the physical reality. This visibility, yet that partial, was only possible thanks to an organizational dispositive, the right to consult guaranteed by shareholders (§10). The accounting system also did not guarantee the “presence” to *Junta* in the inferior hierarchical levels (Roberts & Scapens, 1985), being deprived of a dispositive that assured the applicability of the emanated orders by Lisbon to overseas. Therefore, the grant to increase the interference of the governor of the captaincy of Pernambuco should be understood as an attempt for *Junta* to correct this deficiency in the accounting system. In the *Junta’s* opinion, the governor’s action assured the position of command by *Junta* internally.

Inventory

The Portuguese words *gêneros*, *fazendas*, *efeitos e mercadorias* are used in the corporate documents as a synonym of inventory as a reference to the goods being held for sale by PPC. The record of inventory was affected in distinct accounts, depending on its destination in both accounting departments (i.e., Lisbon and Pernambuco). The account called “purchased goods” (*fazendas compradas*) was used by the accountants in Lisbon to record the acquired or received goods in the issuing of stock that was destined for sale in the concession area of the monopoly and consumption by the ships during the voyages (ANTT 293). The overseas goods (e.g., sugar and sole leather) imported by *Junta* destined for sale in the kingdom were recorded in the account “effects coming from Pernambuco” (*efeitos vindos de Pernambuco*) (ANTT 293). The accounting department in Pernambuco used distinct accounts to register each local exportable product and a unique account, general goods (*fazendas gerais*), to register all of the imported goods to be commercialized in Pernambuco and adjacent areas (ANTT 525). The control of the ship’s cargo was recorded in an auxiliary accounting book.

The use of different accounts to record the inventory facilitated the control of cargoes (Sales, 1770/2013; Bonavie, 1758). However, examination of corporate documentation indicated that carelessness in control (i.e., in the record and physical)

of goods was present in the PPC and was not an exclusive feature of a given unit. The lack of conference of purchased products (e.g., the length of silk fabric) generated losses in Lisbon (ANTT 293). The carelessness in the purchased sugar conference and registration of these transactions in the accounting books required to open a second account for the control of the product in the *Direção* of Pernambuco. It was the account called “ignored the owner of the sugar” (*açúcar que se ignora o dono*), used to record sugar found in the warehouse of the Company without identification of the individual who provided it (ANTT 60, 515-17; 519, 522, 523). Between 1764 and 1780, this account was always in the accounting book of the *Direção* of Pernambuco (ANTT 60, 515-17; 519, 522, 523). As soon as the accountant could identify who had supplied the product the amount was transferred to the sugar account.

The form of which inventories was recorded influenced on how the information was exhibited the annual financial statements. The document prioritized the profit and loss obtained in each voyage from a determined route. The information on the ship’s cargo was sometimes suppressed or used a generic vocable to describe them. The inventory balance displayed in the annual financial statements was in function of its physical location in the organizational units of PPC (AHU_Cód. 1792-804). It is important to note, however, the inventory balance attributed to *Junta* was not compatible with the overseas units due to differences in the measurement criteria. The Summary of the 1779 Balance Sheet was the only published annual financial statement in which the attributed values to inventory from the units followed the same criteria (AHU_ACL_CU_015, Cx. 137, D.10242).

Cost value measured the inventory. The cost value included all of the acquisition costs (e.g., purchase price, tax, freights and packaging) of the product from third parties until its arrival in PPC’s warehouses (ANTT 382). There were not any posterior adjustments in inventory’s value. The initially recognized value was maintained until the sale of the product. However, when the product arrived in a warehouse from a transaction realized with another PPC unit, the measurement criteria changed and, sometimes, assumed outlines from exit value. It is important to note that these transactions between PPC units, the destination unit did not pay for the products received. Thus, there was not any cash disbursement. For this reason,

this dissertation prefers using the expression “transfer between units” to purchase or sale operations between units. This detail justifies the affirmation made in this dissertation about the alteration in the mensuration criteria. The following example illustrates the change in the mensuration criteria.

Assume that the *Junta* bought a product (e.g., *comestível*) of 1:057\$464 réis from third parties to be sold in the captaincy of Pernambuco. For this, it would be needed to transfer these to *Direção* of Pernambuco. The products received from *Junta* were recognized by 1:308\$063 réis²⁷⁶ in the account *fazendas gerais* in the *Direção* of Pernambuco. The difference between the values was justified by the inclusion of shipping costs, *Junta*'s commission, and an estimated markup expected for the product (see Figure 20).

Description	Value (in réis)	Observation
Purchase cost	1:057\$464	
Shipping costs	48\$067	Amount paid at customs
<i>Junta</i> 's commission	22\$110	[(1:057\$464 + 48\$067) x 2%]
Estimated gain (16%)	180\$422	[(1:057\$464 + 48\$067 + 22\$110) x 16%]
Total	1:308\$063	

Figure 20 – Cost value assigned to the inventory transferred between units of PPC
 Note. Data obtained from ANTT (293)

Considering that this transaction was not realized, once outside parties were not involved, the inclusion of a markup meant that the products recorded in the *Direção* of Pernambuco accounting books were valued at exit value, in *Junta*'s perspective, once that it represented the value that probably²⁷⁷ would be obtained in the sale (exit value). Thus, although both accounts recorded inventory (i.e., “fazendas compradas” in Lisbon and “fazendas gerais” in Pernambuco), their values were not compatible due to distinct measurement bases.

The *Direção* of Pernambuco only debited *Junta* current account (written-off of responsibility) when it sells all products included in ship's cargo to the consumers, even if more than one accounting period was needed to conclude the operation. At this moment, the losses would be recognized, either by deterioration of the products

²⁷⁶ This same value would be recorded in the *Direção* of Pernambuco current account in the accounting books of the *Junta*.

²⁷⁷ The word probably was used to describe the gain, because the receiving unit was free to set up the sales price.

as to selling price lower than expected. This practice was recommended by *Junta* once it alleged it would be for easier control (ANTT 382). While the record of the discharge was not realized, the value would be permanently open in the ledger. In some cases, *Direção* of Pernambuco took up to eleven years to conclude the sale of all products included in a ship's cargo (AHU_Cód. 1792-804). The supervaluation created by this practice was notorious even before PPC's liquidation. A shareholder in 1771 already warned that profits being distributed annually were still kept in PPC's warehouses (AHU_ACL_CU_015, Cx 110, D. 8507).

According to the 1769 Balance Sheet, the inventory in the *Direção* of Pernambuco and *Administração* of Paraíba was of 2.133.918\$050 *réis*. This value included estimated gains. From this total, 84 percent were of different products (i.e. perishable, non-perishable and slaves) transferred in the several shipments between the years of 1761 and 1768 (AHU_Cód. 1798). Considering the perishable characteristics of some products, and the time in the warehouse, it is possible to infer that a portion the amount attributed to goods was constituted by values that have no condition to recover financially already in 1770²⁷⁸. The losses were only recognized in the financial statements records after the sale of the entire ship's cargo. However, the practice of recognizing inventory at sale value recorded in the profit and loss statement the value of 1.273.811\$156 *réis* in the period between 1761 and 1778. This amount was almost equivalent to 93,6 percent of the capital invested by the shareholders (see Appendix F).

The amount debited from *Junta's* current account could be equal, less, or superior than the sale value transferred in function of the freedom that *Direção* of Pernambuco had to set up the sale price. The occurrence of the two latter cases, however, provoked adjustment entries in the gains and loss account in Lisbon, once the unit had already recognized the gain from the product in the year of which the shipment was made.

This practice that Lisbon used to recognize in the result the markup for each product in advance by the maximum percentage permitted by the Charter helped disguise

²⁷⁸ The documents available for research do not permit to evaluate or estimate the non-recoverable value with accuracy.

probably major gains²⁷⁹. This affirmation is supported by the detected cases in the corporate documentation. For example, the maximum percentage of edible products (*comestíveis*) in the Charter was 16 percent (§28), but PPC preferred estimate 10 percent of gains in these products during the monopoly period according to the balance sheet information. Despite the apparent benefit of customers, the documental analysis demonstrated that in some shipments, the gain from commercialization of edible products was over 16 percent, even reaching the mark of 21,2 percent of markup on sale (AHU_Cód. 1792-804). The early recognition of the gain was also interesting to the PPC's director's interests, once it allowed the recognition of their commission.

The recordkeeping rules for inventory used by PPC followed Sales' (1770/2013) orientations. The account was debited by the cost of purchased products. The account was credited with the value obtained on sale (i.e. sales price). At the end of the accounting year, to calculate the gain obtained with products, a physical count of the inventory was recommended. The acquisition value of remaining products should be transferred to a new inventory account (the old account was credited). After this transfer, if the balance in the old account was debit, it meant that there was a loss in the sales of products. If the balance was credit, it meant that there was a profit. The balance would then be transferred to the profit and loss account.

At this point, it should be highlighted a note about the recordkeeping of the director's commission, which was included in the shipment values. The recognition criterion used by PPC contradicted Sales (1770/2013). According to Sales (1770/2013), the critical event for the recognition of commission should be the receipt of the sale value. Any earlier recognition should be labeled as "arbitrary" because the probable benefit still was not liquid, and neither the collection was guaranteed (Sales, 1770/2013). However, the Charter (§29) defined as a critical event for commission's recognition the expedition of the ship (i.e. ship leaving the port). It is important to note that subsequent events such as, for example, the wreck of a ship during the route, did not occasion in the reversal of the commission (ANTT 293). Thus, the rules

²⁷⁹ The calculation of gains is discussed further in this section.

established in the Charter to the commission's recognition only served to the directors' interests.

Buildings, furniture, and ships

The noncurrent effects of the PPC were buildings, furniture, and ships. The rationality of these accounts partially followed the Sales' (1770/2013) recommendations. After the initial recognition, Sales (1770/2013) recommended the recognition of the annual decline in value of noncurrent effect due to wear even if the decline was considered low. It is important to highlight that Sales (1770/2013) did not use any word to refer to this annual reduction, which nowadays is called depreciation (Lemarchand, 1994). The decrease in value cannot be confused with losses for physical damage to the item (Sales, 1770/2013). The counterparty indicated should be the account gains and loss (Sales, 1770/2013). Despite the recommendations, the PPC did not recognize the annual decline in the value of its noncurrent effects. It only did the recognition of total losses for physical damage to the item. As a result of this practice, the values assigned to these effects on the balance sheet were always constant (i.e., the acquisition cost) and overestimated.

The initial entry of the noncurrent effects was measured at its cost, which included the purchase price and all expenses necessary to make it ready for its intended use. For example, among the PPC's fleet, there was a *galera*²⁸⁰ called São Domingos purchased on 24 September 1760 by 3:654\$000 *réis*. According to the description of the event in the waste-book, the price of the item was 3:600\$000 *réis*, being the remainder paid expenses (i.e., a commission of one percent to the former captain of the ship and a brokerage fee of 0,5 percent) (ANTT 293). The ships received from investors as payment of their shares between 1759 and 1763 were recognized at the current value indicated by an arbitrator called *louvado*²⁸¹ (§38). The ledger account "*marinha em geral*" was used to record all ship's value. However, each ship has a different account in the auxiliary accounting book. The *fragata* donated by the crown was not recorded in the primary accounting books. The record was held only in auxiliary accounting books without assigning a monetary value.

²⁸⁰ It was a large ship used in voyages from Europe to South America and Africa (Miller, 1988)

²⁸¹ The evaluation was possibly carried out by Masters of the Royal Navy considering the procedure adopted in 1781 (AHU_ACL_CU_015, Cx. 135, D. 10115).

The value attributed to the company's office and warehouses (*bens de raiz*), built on land donated by the crown, included all costs incurred in construction (ANTT 293). The company's furniture was recorded at the same account called *bens de raiz* (ANTT 293).

Besides the initial recognition, the account of each ship was also used to record the navigation operations. The account of each ship was debited for expenses incurred (e.g., the wages of officers and crew, and the costs of repair and maintenance) and credited for gains generated by rendering navigation services (e.g., freight) over the accounting period. At the end of the accounting period, the acquisition cost of the ship is transferred to a new account²⁸² and, then, it calculates the result of the navigation activity. When the gains produced are greater than total expenses, leading to a net profit of the navigation business. On the contrary, the company had a net loss. Thus, the balance was transferred to the "gains and losses" account. This result is presented in the balance sheet in the Profit and Losses section (see Appendix F). It should be highlighted the calculation is done only when the round voyage (*navegação redonda*) is completed. If the voyage is not completed, the balance of the ship' account is presented in the balance sheet as "deferred freight" (*costeios a vencer*). This accounting procedure adopted by the PPC is recommended by Sales (1770/2013).

According to the 1779 Summary of the Balance Sheet²⁸³, the fleet was valued at 381.133\$212 *réis* (i.e., acquisition cost), whose composition was not described (AHU_ACL_CU_015, Cx. 137, D. 10242). However, according to a report issued on 15 May 1780, the PPC's fleet was composed of 24 vessels (see Table 20), of which nine were old ones purchased between 1759 and 1769, and the remaining was new. The latter went into operation between 1772 and 1779, and the Company produced some of them (AHU_ACL_CU_015, Cx. 136, D. 10159; AHU_ACL_CU_015, Cx. 137, D. 10242).

²⁸² For this reason, the ship value in the balance sheet was always constant. The table provided by Andrade (2013, pp. 390–391), based on data extracted from the Company's balance sheet, displays this trend over time.

²⁸³ It is a financial report where the company only displayed the permanent accounts with no explanatory notes. There is no information about gains and losses in the accounting period.

Receivables and payables

The accounting procedure of receivables²⁸⁴ and payables adopted at PPC followed the recommendations of Sales (1770/2013) partially. Concerning receivables accounts, the difference would be in recognition of doubtful or bad debts. First of all, it should explain the words used by Sales (1770/2013). In his works, there are “*dívidas mal pagadas*” and “*dívidas irrecuperáveis mal pagadas*”. The first expression suggests that the recoverability of some receivables may be doubtful, but not irrecoverable. The second refers to uncollectible receivables. Sales (1770/2013) recommended that at the end of the accounting period, the merchant should evaluate the recoverability of each debt. Both (i.e., doubtful and bad debts) should be written-off as uncollectible having the gains and losses account as the counterparty (Sales, 1770/2013). The maintenance of such values on the balance sheet increases the company’s resources based on “illusion” because these values are “imaginary” (Sales, 1770/2013, p.51). If the merchant received a debt considered uncollectible in earlier accounting periods, he would revert the entry (Sales, 1770/2013).

The exam of corporate documents presented a different procedure. The recognition of doubtful/bad debts only began to be held on a regular basis from 1774. Exceptionally, the accounting department in Pernambuco recognized losses with local debtors in 1768. The amount was reported in the 1769 Balance sheet by the accounting department in Lisbon²⁸⁵ (ANTT 517; AHU_Cód. 1798). The 1774 balance sheet was the only one that included losses from both debtors (i.e., Kingdom and overseas) (ANTT_Cód.1801).

The procedure adopted in the accounting department in Lisbon was quite different from Sales’ (1770/2013) recommendations. During the accounting period, some amounts considered doubtful (*mal parado*) were taken from receivables account and recorded in the doubtful debts (*dívidas mal pagadas*) account. In the case of receiving doubtful bets, credited cash account and debited doubtful debts account. At the end of the accounting period, the balance of doubtful debts was written-off to gain, and

²⁸⁴ Preliminary considerations were presented earlier (see page 47 et seq.) based on the comments provided on the subject by other authors (Andrade, 2013; Oliveira, 2014).

²⁸⁵ The loss was of 7.542\$940 *réis*. The value was added to other losses in the item number 95 in the balance sheet (AHU_Cód. 1798).

losses account. The accounting department in Lisbon only evaluates the recoverability of receivables controlled by it (ANTT 470-3).

The recoverability of receivables owned by overseas customers was evaluated by the accounting department in Pernambuco (ANTT 470-3). The evaluation followed the Sale's (1770/2013) recommendations, that is, it was undertaken at the end of the accounting period in a Board's meeting. The accounting department in Pernambuco did not use a doubtful debts account in its ledger (ANTT 60, 512-24). The amounts written-off as uncollectible by the accounting department in Pernambuco had no chance of recovery. The description of the events (*históricos*) in the journal was clear about the debtors' condition. According to them, the debtors had died without inheritance or heirs (ANTT 514-5). Thus, this criterion may explain the low amounts recognized as losses, less than 3% of gains in the accounting period. It is known that in the VOC, for example, the percentage of losses with bad debts in relation to revenues from trade was more than double (Boyajian, 2008).

After the initial recognition, receivables and payables bear interest charges. The Company charged interest on receivables at the end of the accounting period (ANTT 60, 512-24). It is possible that the Company would use various rates of interest on receivables, but the accounting books did not give visibility to this matter.

Regarding the payables, however, the Company did not usually recognize interest on payables accounts that were overdue for payment. The governor of the captaincy of Pernambuco, José César de Meneses, summarized the question of interests on payables in a quiet way: despite the existence of laws that ensured interest to creditors, there was no law requiring the Company to pay them (AHU_ACL_CU_015, Cx. 130, D. 9823). According to him, in a cession of credit, even if a merchant offered rebates of 10% and 20% on the payable, he could not find buyers (AHU_ACL_CU_015, Cx. 130, D. 9823). The crown loan was an exception. This obligation incurred annual interests (four percent) and the company paid them every year (ANTT 397; AHU_Cód. 1792-804).

Gain and loss

To account for “gain” and “loss”, the bookkeeping system of the PPC relied on a single account, named “gains and losses”. Therein, gains (*ganho*) reflected the value of which any accounting item (e.g., inventory and receivables) was realized. A reduction in the obligations’ value was also gain. The word gain for PPC had the same meaning of “revenues” (*receita*) nowadays. The Portuguese vocable “*receita*” appeared in the corporate documents only as a list of goods that the *Junta* should purchase to send to overseas units (ANTT 382-3). Losses captured the associated consumptions of resources (i.e., expenses or cost). Gains entered that account as credits. The account was debited to account for losses.

The information on the gains and losses account entered a section in the PPC’s financial statements named “profits and losses”. The word “profit” at PPC was the difference between the gain and the expenses/cost when the former was greater. Therein, the PPC differentiated its activities into ordinary and extraordinary profits. However, the PPC did not separate ordinary and extraordinary losses for reporting purposes (AHU_Cód. 1792-804). The firm’s documentations provide no evidence why profit and loss-making activities were reported with differing levels of detail regarding the ordinariness of underlying business transactions.

The scope of the section on extraordinary profit differed between financial statements. During the analyzed period (i.e., 1760-1775), the financial statement commonly reports the gain obtained for paying a bill of exchange before the due date as extraordinary profits (see Appendix F). Also, some statements also reported the gain obtained with the sale of apprehended contraband (*tomadias*) and interests in receivables within the extraordinary profit section. However, in other statements report the latter two items separately. The use of separate items to disclose the information can be justified by the need to give visibility to events because of the amounts involved, but it does not mean that the activity had lost the extraordinary gain condition.

Table 15 (column “reported results”) includes PPC’s annual profits divided into the two ordinary activities of the firm (i.e. trade and navigation) and the additional extraordinary ones. For consistency reasons, the extraordinary profits are not

restricted to the identically named statement section introduced above. Instead, extraordinary profits summarize any extraordinary results reported as such in any financial statement. Table 15 (column: reported results) demonstrates that, on average, the extraordinary activities at PPC made up only a fraction of the firm's profits. As such, they appear of minor importance only.

Table 15 – Annual distribution of profits from trade, navigation, and extraordinary activities

Year	Reported profits			Approximated liquid profits		
	Trade	Navigation	Extraordinary	Trade	Navigation	Extraordinary
1760	97,3%	0,8%	1,9%	97,3%	0,8%	1,9%
1761	87,1%	11,4%	1,5%	66,4%	29,7%	3,9%
1762	73,1%	21,7%	5,1%	52,0%	38,8%	9,2%
1763	89,8%	8,8%	1,4%	52,4%	41,1%	6,6%
1764	71,7%	26,5%	1,7%	15,4%	79,4%	5,1%
1765	75,1%	19,4%	5,5%	7,1%	72,2%	20,7%
1766	54,9%	16,8%	28,4%	14,8%	31,7%	53,6%
1767	67,4%	13,0%	19,6%	2,4%	38,9%	58,7%
1768	65,3%	26,0%	8,8%	7,6%	69,1%	23,3%
1769	69,1%	11,6%	19,3%	16,3%	31,5%	52,2%
1770	75,0%	18,0%	7,1%	42,6%	41,2%	16,2%
1771	79,3%	8,3%	12,4%	41,6%	23,6%	34,9%
1772	69,0%	21,4%	9,5%	15,4%	58,6%	26,0%
1773	66,7%	22,5%	10,8%	27,3%	49,1%	23,5%
1774	81,5%	8,2%	10,3%	54,0%	20,3%	25,6%
1775	75,5%	11,3%	13,3%	41,3%	26,9%	31,8%
Mean	74,9%	15,4%	9,8%	34,6%	40,8%	24,6%

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804).

In contrast, the ordinary activities (i.e. trade and navigation) were responsible for, on average, 90,2 percent of the firm's profits (column: reported results). Trade contributed, on average, 74,9 percent of the profits of PPC. Navigation added, on average, another 15,3 percent. As such, the trade activities appear responsible for the majority of the (ordinary) results of PPC. However, such an interpretation remains inconclusive. The PPC used different means to calculate the trade and navigations profits. A conclusive comparison requires canceling out such differences in measurement.

The navigation results consist of charges for travel tickets and the freight for an accomplished journey. The associated "gains" were either already paid in cash or customers promised cash payments. In other words, the reported navigation results relied on accurate estimates of revenues and costs. The profits met two joint conditions: (1) final delivery completion, and (2) payment assurance.

In contrast, only a proportion of the trade profits fulfilled the above conditions. PPC recognized the remaining part of the trade profits when a loaded vessels' left to sell its products within monopolistic regions. At such points in time, however, PPC did not know whether or at which price the shipment would ever sell to a customer. Therefore, the firm computed these shipments' profits based on product costs and profit markups that were pre-defined in its Charter. The profits realized based on these estimations were an expected value that might materialize if a product was sold to a customer (ANTT 293-9). In the words of that age, the financial statements reported "imaginary" trade profits (Pedreira, 1995) which were non-cash and uncertain (Sales, 1770/2013). The PPC was aware of the imaginary character of these profits, the company regarded them as illiquid and pending (AHU_ACL_CU_015, Cx. 137, D. 10242).

Due to these measurement issues, Table 15 (column: approximated liquid profits) also reports the profits made through business activities during the reported years that were likely to generate cash inflows during that year. All transactions linked to imaginary profits were excluded. The information in Table 15 (column: approximated liquid profits) was retrieved from PPC's financial statements (AHU_Cód. 1792-804). All trade profits which the statements flagged as estimative in the explicative notes were excluded²⁸⁶. After that, the distribution was recalculated using the reduced values for trade profits and total profits.

The distributions of the approximated "liquid results" (Table 15, column: approximated liquid profits) indicates that the navigation and extraordinary activities were important sources of PPC's liquidity. With the associated activities that occurred during a year, the data indicates that the PPC generated, on average, 65,4 percent (40,8% + 24,6%) of the firm's cash inflows. Hence, navigation cannot be regarded as an irrelevant activity once generated reasonable results.

Remark that Table 15 (column: approximated liquid profits) only indicates the sources of PPCs liquidity during a year. First, the extraordinary results include interests that

²⁸⁶ Subsequent adjustments of these results were also cancelled out.

PPC charged for its receivables. These interests were not cashed in either; also, their actual realization was rather improbable.²⁸⁷ Second, the analysis in Table 15 (column: approximated liquid profits) approximated PPC's liquid results. Subtracting the annual non-imaginary profits disregards that one year's imaginary profits could have realized in later years. Nevertheless, the preceding analyses reveal that the imaginary trade profits distorted the results reported by the PPC during the period 1760-1775. If PPC had recognized its profits more conservative, the profit share that was distributed to shareholders, for example, might have been different than they paid one. Also, the firm's strategies for its trade and navigation activities might have been directed into different directions if the PPC considered realized profits.

Between 1760 and 1775, the imaginary trade profits represented, on average, 52,3% of the total annual profits of the PPC (see Appendix F). From an accounting point of view, PPC had transformed the imaginary profits within the bookkeeping system into actual figures once the underlying activity was completed. The firm controlled the actual realization of its imaginary trade profits. Whenever finalizing a trade activity for which an imaginary profit was previously recognized, the PPC included an adjustment into its accounting books. The adjustment either reduced or increased the previously recognized imaginary profit. The adjustments were recognized when they occur. The PPC did not adjust the profits of the year in which the imaginary profit was originally recognized.

PPC accounted for the estimated (i.e. imaginary) profits as well as the subsequent adjustments on the "gains and losses" account. The accounting department in Lisbon did not have a special ledger to keep track of the estimates and their adjustments.²⁸⁸ As such, the PPC did not follow the suggestions of the time to use auxiliary accounting book to control for specific items. Given the inexistence of a special ledger for the imaginary profits and their adjustments, any analysis of this accounting practice must rely on the general accounting ledgers and financial statements published by the PPC (AHU_Cód. 1792-804; ANTT 395, 470-1).

²⁸⁷ This thesis preferred not to consider interests on receivables for the analyses in Table 15 because of inconsistent data. The interest charges or additional parcels of them appeared hidden within the extraordinary profits in some years.

²⁸⁸ There is no physical evidence for the existence of such a special ledger. Moreover, there is no written indication for its existence either. No corporate document referenced such an accounting book.

Table 16 and the following paragraphs are devoted to the imaginary profits that occurred between PPC's first business activities in 1760 and December 31, 1775 (i.e. the reporting date of its final financial statement). The discussion involves all associated adjustments that occurred until the end of the monopoly in 1780. More specifically, the number, frequency and character of the adjustments as well as the delay between recognizing an estimated profit and its later adjustment will be discussed. The analysis is subject to limited data availability²⁸⁹.

Table 16 – Profit estimates and adjustments in the financial statement of PPC (1764 - 1775).

Date of the Balance sheet	Number of estimates	Number of Adjustments		Amounts of Adjustments (in réis)		Sum
		Negative	Positive	Negative	Positive	
1761	6	-	-	-	-	-
1762	7	-	-	-	-	-
1763	12	-	-	-	-	-
1764	14	8	2	(50.788\$215)	1.761\$448	(49.026\$767)
1765	31	11	4	(47.511\$829)	11.302\$043	(36.209\$786)
1766	32	26	17	(42.263\$790)	18.831\$970	(23.431\$820)
1767	45	19	23	(64.435\$016)	16.593\$857	(47.841\$159)
1768	35	14	15	(43.053\$733)	17.963\$130	(25.090\$603)
1769	47	18	9	(18.387\$789)	15.533\$845	(2.853\$944)
1770	14	6	1	(34.075\$269)	673\$142	(33.402\$127)
1771	13	9	5	(34.313\$030)	58.412\$971	24.099\$941
1772	12	8	7	(70.441\$488)	36.368\$696	(34.072\$792)
1773	12	6	7	(24.729\$982)	14.117\$727	(10.612\$255)
1774	12	7	8	(32.626\$589)	11.361\$140	(21.265\$449)
1775	15	3	4	(2.708\$852)	3.045\$288	336\$436
Total	307	135	102	(465.335\$582)	205.965\$257	(259.370\$325)

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804).

PPC published its first financial statement in 1764. The statement reported all financial transactions that occurred between 1760 and 1763; the adjustments did not appear before 1764. Within the 15 analyzed financial statements, there were 307 individual profit estimates and 237 single adjustments (see Table 16). Each estimate or adjustment could be associated with one or more freight items of a shipment. As such, each estimate could be subject to several adjustments before being fully materialized²⁹⁰.

²⁸⁹ The data on adjustments during 1776 and 1780 could not be retrieved from financial statements. Hence, they can only be analyzed for the delay between their occurrence and their triggering imaginary profit. No information on the number and character (i.e. positive or negative) of adjustments is available for the period.

²⁹⁰ Though a shipment was subject to a single estimate, there was the possibility of several adjustments.

The delay between the appearance of an imaginary profit and the recognition of its first adjustment²⁹¹ was, on average, almost four years (3,6 years).²⁹² These findings enforce the discussion surrounding Table 15. The imaginary trade profits did neither materialize nor turn into cash receipts within the year of their recognition. Moreover, there were more negative adjustments (i.e. a reduction of an imaginary profit recognized years earlier) than positive ones (i.e. an increase of an imaginary profit) between 1764 and 1775. Thereby, the total amount of negative adjustments (465.335\$582 *réis*) exceeded the total amount of positive adjustments (205.965\$257 *réis*). The above findings suggest that PPC's financial statements provided a distorted picture of the firm's annual profits. On average, the reported annual profits were overestimated. Apparently, the PPC and its Charter were rather optimistic concerning the calculation of profit estimates.

Route	Balance Sheet	Cost (in réis)	Estimate Rate (%)	Estimated Value (in réis)
Lisbon-Angola	1771	30.556\$476	25	7.639\$119
Lisbon-Angola	1771	7.354\$200	25	1.838\$550
Lisbon-Pernambuco	1772	35.159\$136	20	7.031\$827
Lisbon-Pernambuco	1773	145.079\$102	20	29.015\$819
Lisbon-Pernambuco	1773	7.693\$483	10	769\$346
Lisbon-Paraíba	1773	12.971\$995	20	2.594\$399
Lisbon-Paraíba	1773	41.166\$140	5	2.058\$305
Lisbon-Paraíba	1773	24.108\$806	20	4.821\$760
Porto-Pernambuco	1773	63.023\$216	20	12.604\$643
Lisbon-Pernambuco	1774	189.227\$698	20	37.845\$538
Lisbon-Angola	1774	143.882\$929	25	35.970\$731
Lisbon-Pernambuco	1775	285.583\$815	20	57.116\$763
Lisbon-Pernambuco	1775	14.076\$633	5	703\$831
Lisbon-Paraíba	1775	36.754\$965	20	7.350\$993
Porto-Pernambuco	1775	18.992\$528	20	3.798\$506
Pernambuco-Angola	1775	7.665\$956	5	383\$295
Total		1.063.297\$078	-	211.543\$425

Figure 21 – Profit estimations (1771-775) without adjustment until 1780
Data obtained from different corporate documents (AHU_Cód. 1792-804; ANTT 395).

At the end of 1780, the PPC still awaited information on the financial realization of several shipments which were made between 1771 and 1775 (see Figure 21). The involved estimated made up 22% of PPC's accumulated profits in 1775 (957.402\$184 *réis*, see Appendix F). Hence, more than a fifth of PPC's accumulated

²⁹¹ The analysis of delays between the occurrence of an estimates and the recognition of associated adjustments includes financial information from the period 1760 - 1780.

²⁹² The standard deviation of this analysis is almost three years (2,6).

profit was imaginary. The firm could not guarantee that these profits would ever realize.

Oliveira (2014) reports that the CGAVAD also used profit estimates. His work also includes a rough estimate of the accuracy of profit estimates at CGAVAD. Following the author, 49% of the analyzed years were subject to subsequent negative adjustments of the profit estimates. Analyzing Oliveira's data reveals that the delay between recognizing an imaginary profit and the subsequent adjustment was up to six years at CGAVAD during 1759 and 1775 (period analyzed in this dissertation). Following the author, CGAVAD applied profit estimates, despite their low accuracy, because they served the interests of the firm's managers. Manager's commissions at the CGAVAD were based on the firm's revenue. As such, overestimated profits (or sales) increased managers' commissions whereas subsequent profit adjustment had no effect on managers' salaries (Oliveira, 2014).

In contrast, the VOC did not recognize revenue on an estimated basis at least until 1623 (Robertson, 2011). The VOC used the cash method of accounting under its first Charter (1602-1623). To calculate profit, the VOC "simply deducted the total cost incurred in equipping the fleets (equipment general) from the total cash receipts (*retouren-generaal*) for the goods sold in The Netherlands" (Robertson, 2011, p. 464). However, considering that the VOC remained in activity until 1795, it is possible that the company had changed the revenue recognition method. No specifying academic analysis on this matter could be identified²⁹³.

Accumulated profit

In §60, the Charter determined the form and frequency of the distribution of profits (positive annual accounting income) to shareholders²⁹⁴. According to the document, profits should be distributed every two years with exception to PPC's first ever distribution. The initial payout, the document clarified, should be paid "tree month

²⁹³ Similarly, it was not possible to find information on the use of estimated profits at EIC, FEIC and CC. The studies used as reference did not offer indubitable evidence on revenue recognition (Chaudhuri, 1981; Gaastra, 2002; Hussey, 1934; Philips, 1961).

²⁹⁴ The term dividend was not part of the PPC's vocabulary to refer to the portion of profit distributed to shareholders. For this reason, this dissertation does not mention it in the analysis. The term "distribution" was also used on VOC's corporate documents with the same meaning (Robertson & Funnell, 2012; Robertson, 2011).

after the third fleet of the firm returned”. Between two distribution periods, the shareholders could receive an installment called “*avanço de juros*” (i.e. interest on capital). The installment amounted to five percent of the paid-in capital. At the time of the actual distribution of profits, the installments were balanced against the due profit share a shareholder was to receive. Hence, the firm’s annual profit distributions were at least 68.000\$000 réis (5% of the firm’s total paid-in capital of 1.360.000\$000 réis). Curiously, neither the Charter nor the *Directório Econômico* specified which proportion of the annual profits was to be retained (distributed). PPC included the accounting income which was not distributed to the shareholders on the “*lucros acumulados*” account (accumulated profits).

Table 17 – PPC’s profit distribution (1760-1775)

Year	Reported profits (in réis)	Profit distributed (in réis)	Retained profit (in réis)
1760	69.021\$753	54.400\$000	14.621\$753
1761	161.704\$466	54.984\$870	106.719\$596
1762	156.218\$528	59.253\$653	96.964\$875
1763	287.302\$038	63.132\$248	224.169\$790
1764	245.660\$150	72.099\$040	173.561\$110
1765	119.746\$879	79.044\$484	40.702\$395
1766	209.670\$230	80.669\$580	129.000\$650
1767	143.305\$394	85.829\$607	57.475\$787
1768	143.949\$603	88.128\$638	55.820\$965
1769	95.478\$563	88.400\$000	7.078\$563
1770	92.793\$520	88.400\$000	4.393\$520
1771	98.202\$568	88.400\$000	9.802\$568
1772	96.748\$733	88.400\$000	8.348\$733
1773	98.423\$378	88.400\$000	10.023\$378
1774	104.619\$329	88.400\$000	16.219\$329
1775	90.899\$172	88.400\$000	2.499\$172

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804)

Except for the installment of capital interests, the distribution of profits differed from the rules set by PPC’s Charter. Profits were distributed annually, except for the initial payout. The latter occurred in 1764; it distributed the profits accumulated between 1760 and 1763 (ANTT 382-3). The distribution was guided by the premise not to give out all annual profits to shareholders but to retain a proportion of them. The firm’s documentation provides no explanation for this practice. It appears plausible to assume that the nature of the firm’s profits, especially the existence of unrealized imaginary profits, had affected this retention premise. More precisely, the amount available for annual distribution was defined as 4% of the sum of the invested capital and retained profits. Curiously, the CGAVAD applied the same formula (Oliveira,

2014)²⁹⁵. The PPC used the cited formula for the distribution of profits between 1760 and 1768 (see Table 17). The subsequent reduction of the 4% rule can be attributed to an increase in the calculation basis (i.e. invested capital plus retained profits). The PPC accounted for the profit which was available for distribution on the “*repartições*” account (ANTT 471).

During 1769 and 1775 the PPC determined the profits that could be distributed in another way than before. During that period, the proportion of profits available for distribution was fixed at 6,5 percent of the total paid-in capital (1.360.000\$000 *réis*). The reason for changing the calculation method was not disclosed in the documents. Other firms, such as CGAVAD, for example, had not changed their criteria (4% of the sum of the paid-in capital and retained profits) until 1826 (Oliveira, 2014). The alteration had no apparent effect on shareholders satisfaction. No shareholder inquiries to the board regarding the matter occurred (ANTT 400). Following Andrade (2013) the change occurred to avoid extensive decreases in the firm’s capital. Table 18²⁹⁶ underlines Andrade’s arguments. If PPC had continued its former calculations of the profits available for distribution, it would have distributed the majority of its annual profits.

An edict was issued to announce the payment of profit distribution. After the publication, shareholders or their legal representative (*procurador*) should go to the Company's office in Lisbon to receive their amounts. The shareholders resident overseas and linked to the *Direção* of Pernambuco could receive the profit distribution in that unit. The payment occurred only upon presentation of the share, to prove ownership (ANTT 382-3). Between 1776 and 1780, the PPC did not make payment of profit distribution. It paid only the amount of interest on capital (i.e., five percent) as determined by the Charter Institution (§60).

²⁹⁵ In contrast, Dias (1970) confirms that the CGPM did not distribute its profits in such a rule-based manner.

²⁹⁶ Andrade (2013) presents a comparable simulation. However, he yields different results. His numbers were based on actual balance sheet values for the sum of the invested capital and retained profits. In contrast, this thesis relies on a cohesive calculation, i.e. one year’s calculation basis (see Table 17) reflects the sum of the former year’s basis and the former year’s retained profits.

Table 18 – Simulation of the profits available for distribution based the formula 4% of the calculation basis invested capital plus retained profits

Year	Calculation basis (in réis)	Rate	Profit for distribution (in réis)	Reported profits (in réis)	Hypothec retained profit (in réis)
1760	1.360.000\$000	4%	54.400\$000	69.021\$753	14.621\$753
1761	1.374.621\$753	4%	54.984\$870	161.704\$466	106.719\$596
1762	1.481.341\$349	4%	59.253\$653	156.218\$528	96.964\$875
1763	1.578.306\$224	4%	63.132\$248	287.302\$038	224.169\$790
1764	1.802.476\$014	4%	72.099\$040	245.660\$150	173.561\$110
1765	1.976.037\$124	4%	79.044\$484	119.746\$879	40.702\$395
1766	2.016.739\$519	4%	80.669\$580	209.670\$230	129.000\$650
1767	2.145.740\$169	4%	85.829\$607	143.305\$394	57.475\$787
1768	2.203.215\$956	4%	88.128\$638	143.949\$603	55.820\$965
1769	2.259.036\$921	4%	90.361\$477	95.478\$563	5.117\$086
1770	2.264.154\$007	4%	90.566\$160	92.793\$520	2.227\$360
1771	2.266.381\$367	4%	90.655\$255	98.202\$568	7.547\$313
1772	2.273.928\$680	4%	90.957\$147	96.748\$733	5.791\$586
1773	2.279.720\$266	4%	91.188\$811	98.423\$378	7.234\$567
1774	2.286.954\$833	4%	91.478\$193	104.619\$329	13.141\$136
1775	2.300.095\$969	4%	92.003\$839	90.899\$172	(1.104\$667)

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804)

This dissertation considers that the decision to continue the announcement of payment of interest on capital (1776-1780) put into question the concept of capital maintenance that permeated the accounting practice due to the profit reduction in the period²⁹⁷. The situation was not critical only because of delay in the payments. The amount of the 1778 interest on capital began to be paid in mid-1782 by the board responsible for the liquidation (ANTT 383). The reason for the delay was due to cash flow problems (Andrade, 2013; Ribeiro Júnior, 1972, 1976). Thus, the payments of interest on capital made during the liquidation have been made in goods; despite accounting records indicate cash as the counterparty (ANTT 471-2).

Comparing the contours of the profit distribution policy of the PPC and the VOC, the practice of the PPC can be considered reckless. The VOC's extended Charter (i.e., 1623) required that profit distributions only be declared "if the company's debts, liabilities, and working capital were adequately covered" (Robertson & Funnell, 2012, p. 355). The company realized the payment once the available cash reached 10 percent of capital (Gelderblom et al., 2011). It is possible to conclude that the profit distributions must not undermine the VOC's financial health. A similar assumption was not current at PPC probably because the profit distribution was considered as a

²⁹⁷ See page 228 et seq.

benefit to attract investors in its Charter. The directors were not concerned with the interest of shareholders, once the Portuguese Crown was the principal of the PPC for them. The following section presents how it was possible to liquidate PPC's business considering the various logics embedded in each account.

4.2.3.2 The accounting activities during the liquidation (1780-1813)

In general, the liquidation requires the conversion of all valuable items owned by the company into cash for payment of creditors and shareholders. Thus, the discussion presented here focuses on the examination of these activities. In consequence, not all accounts, whose rationality was previously discussed, were examined in this section. The accounts included here were: buildings, furniture, and ships; receivables and inventory; cash; payables; and capital.

The tendency of little care in the maintenance of accounts observed from 1777 remained in the liquidation process. The absence of reliable information makes difficult to the company recognizes the degree to which it was attaining its aims and to determine plans for future action (Yamey, 1949). Thus, the accounting critical issue for the liquidation process was not its method (i.e., DEB), but the lack of a regular and accurate bookkeeping.

The corporative documents give little information about the economic-financial situation of the PPC at the beginning of the liquidation process. In the instrument of investiture signed by the collegiate committee responsible for the liquidation in Lisbon, there was only the balance²⁹⁸ of some accounts, amongst which cash (5.859\$977 réis) and *aprestos da marinha*²⁹⁹ (49.306\$048 réis) (ANTT 403). The report closest to the beginning of the liquidation containing in the financial statements book is the Summary of the 1779 Balance Sheet (ANTT 394-6). Despite the data discrepancy, the summary worked on a comparative basis for the discussion that is developed in this section (see Table 19). It is a document in which the balance of some accounting items (i.e., obligations and effects) is presented without any

²⁹⁸ The document does not mention explicitly the date in which the account balances were extracted, but it is presumed that it was on February 1781, investiture date.

²⁹⁹ Items expected to be consumed in the day-to-day servicing of the fleet.

reference to the gains and losses of the period (AHU_ACL_CU_015, Cx. 137, D. 10242). It should be noted that the disposition of the items in Table 19 follows the disclosure logic in the Balance Sheet, but it does not match the Summary.

Table 19 – 1779 Summary of the Balance Sheet

Accounts	Values (in réis)
<i>Obligations</i>	
Paid-in Capital	1.360.000\$000
Accumulated Profits	1.115.265\$329
Payables	927.310\$180
Total	3.402.575\$509
<i>Effects</i>	
Inventory and Receivables	2.999.805\$171
Fleet	381.133\$212
Buildings and furniture	16.313\$083
Cash	5.324\$043
Total	3.402.575\$509

Note. Data obtained from AHU (AHU_ACL_CU_015, Cx. 137, D. 10.242).

Thus, the directors responsible for liquidating the PPC took office facing an apparent favorable financial situation, as the accounting value of the effects outweighed the debt (shareholders and third parties) with plenty (1.115.265\$329 réis). The message transmitted by the summary to a *leigo* shareholder (i.e., a shareholder who was unaware of the intricacies of business and accounting practice of the PCC) is that he would get not only the amount invested in the purchase of shares but also part of the accumulated profits with the liquidation. Nevertheless, the same summary does not leave visible the low probability of financial realization of the displayed items, due to the recognition and measurement criteria underlying each item; neither the fact that any losses on the realization of the items, except cash, would reduce leftovers.

It is important to highlight that the PPC prepared only two Balance Sheets (i.e., 1785 and 1793) during the liquidation period. The seconde one (i.e., 1793) was incomplete without the explanatory notes of the accounts.

Buildings, furniture, and ships

One month after the investiture, the Board of the *Junta* started to sell some ships in the fleet (see Table 20). Therefore, the efforts to sell the fleet are before the promulgation of Decree of 05 June 1787. This decree made the sale of vessels mandatory.

In March 1781 the ships *Prazeres*³⁰⁰ and *Navegantes*³⁰¹ were sold (ANTT 472). The initial sales strategy was: to sell some older ships first. Two external factors probably influenced this strategy. The authorization granted by the Crown to the development of new negotiations prevented the fast sale of all vessels. Besides that, according to a shareholder, the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro, had intentions to form a new firm for navigation in Asia and objected to the sale of PPC's new vessels (Ratton, 1920).

Table 20 – Detailed information about some ships' sales during the liquidation process of the PPC

Sale year	Ship name	Acquisition Year	Book Value (in réis)	Price (in réis)	Result
1781	Boussas	1759	14.400\$000	7.110\$000	(7.290\$000)
1781	Navegantes	1760	6.000\$000	4.620\$000	(1.380\$000)
1781	Prazeres	1763	6.000\$000	3.210\$000	(2.790\$000)
1781	Glória	1763	10.400\$000	8.060\$000	(2.340\$000)
1782	São Jose	1772	10.757\$978	9.440\$000	(1.317\$978)
1784	Guia	1761	2.401\$500	2.401\$500	0\$000
1785	Santíssimo Sacramento	1761	3.603\$000	1.520\$000	(2.083\$000)
1785	Santo Antônio	1763	10.163\$437	1.820\$000	(8.343\$437)
1786	Voador	1775	24.498\$319	4.830\$000	(19.668\$319)
1786	Águia do Douro	1777	8.400\$000	3.510\$000	(4.890\$000)
1786	Príncipe do Brasil	1779	-	-	-
1787	Olinda	1773	25.401\$871	4.210\$000	(21.191\$871)
1787	Delfim	1775	24.943\$968	6.000\$000	(18.943\$968)
1787	Cisne	1776	23.441\$735	4.720\$000	(18.721\$735)
1787	Tejo	1777	22.239\$475	6.000\$000	(16.239\$475)
1787	Sultana	1779	15.450\$499	7.590\$000	(7.860\$499)
1789	Postilhão	1775	14.264\$170	3.880\$000	(10.384\$170)

Note. Data obtained from different corporate documents (ANTT 383, 400, 417, 472; AHU_Cód. 1792-804; AHU_ACL_CU_015, Cx. 137, D. 10242).

The accounting records did not favor the monitoring of fleet realization. It was not possible to determine some data such as the acquisition cost and sale value. Furthermore, the records also showed contradictions. For instance, it is reported in the ledger recorded by the accounting department in Lisbon that the vessel *Santíssimo Sacramento* was sold at cost price on 26 April 1785 (ANTT 472). However, the own Board of the *Junta*, in a letter sent to *Direção* of Pernambuco on 20 November 1784, claimed to be aware and in accordance with the sale of the said vessel made by the overseas unit for 1.520\$000 réis (ANTT 383). About the ship *Príncipe do Brasil*, it is known that the Board of the Junta decided to sell it after it

³⁰⁰ Frequently used in the route Lisbon-Pernambuco (ANTT 382-3).

³⁰¹ Vessel usually involved in slave trade (ANTT 382-3).

completed navigation in August 1784 and docked in Lisbon. In a document of 10 May 1786, the ship is given as sold, but the sales value was not cited (ANTT 400). Nor has it been possible to determine the selling price in other accounting documents.

All the sold vessels generated losses to the PPC result (see Table 20). In general, the achieved sale price was lower than the value reported in the financial statements (i.e., the acquisition cost of the item). The ship *Guia* was the only one whose sale price was equal to the cost of acquisition³⁰². It was a *curveta*³⁰³ bought by the *Direção* of Pernambuco on 28 May 1761 (ANTT 293) probably after its former owner, Antônio Gomes Ramos, gave up of being a PPC shareholder. It was interesting to observe that the liquidation committee succeeded in selling the older vessels of the Company for better prices. The sale price of the old ships recovered on average 63 percent of their acquisition cost, compared with 28 percent in the case of new ones.

The vessel *Olinda*, whose recovery rate of the purchase price was the lowest (17 percent) was acquired by a group of four buyers among which were Jacinto Fernandes Bandeira, Teotônio Gomes de Carvalho and their "friends". The first one was a member of the Board of the *Junta* responsible for the liquidation. The second was always connected to the Board of the *Junta* during the monopoly period (see Appendix A). Catarina Josefa, Bandeira's wife, and João Carlos de Bragança e Ligne de Sousa Tavares Mascarenhas da Silva (Duke of Lafões) were also buyers (ANTT 463). It is reported in the corporate documents that Bandeira was Duke of Lafões' legal representative (*procurador*) (ANTT 350). Therefore, the group of buyers consisted of directors and other individuals who belonged to their ties of kinship and friendship.

The documents do not clarify the conditions of each vessel in the fleet, but the consideration of some facts gives rise to the perception that the sale of the ship *Olinda* has been favorable to the group of buyers. Here are the facts: (1) *Olinda* had been built by the *Direção* of Pernambuco's shipyard. To enable the ship's construction, the *Junta* sent master builders to the captaincy of Pernambuco and

³⁰² At least, it was not found another record that contradicts this information.

³⁰³ It is a middle-sized Merchant ship adapted to the requirements of slaving in the southern Atlantic (Miller, 1988)

recommended that the cutting of wood was done by "smart people" (ANTT 382, m0127); (2) the performance of fleet maintenance services was constant (ANTT 293, 417-9), which favored the image of good conservation of the vessel; (3) the current value assigned to the ship *Netuno* in 1785, by which time the *Olinda* ship was sold, represented 35,4 percent of its acquisition cost (see Table 21). It should be noted that the ship *Netuno* had also been built by PPC and cast into the sea less than a year after the *Olinda* ship. Thus, it is likely that the selling price fixed for the latter vessel has favored the buyers group. The presence of a current and a former PPC director amongst the buyers reinforces the idea that they preserved their interests in this transaction.

Table 21 – Vessels confiscated to the royal service

Ship name	Confiscation date	Value (in réis)		
		1775 Balance Sheet	1785 Balance Sheet	1794 Evaluation
Conceição e Santo Antônio	16/06/1786	-	24:000\$000 ^a	20:440\$000 ^a
Polifemo	23/02/1789	-	24:000\$000 ^a	9:000\$000 ^a
Providência	20/06/1790	-	29:012\$300 ^b	7:030\$000 ^a
Netuno	23/12/1790	39:509\$400 ^b	14:000\$000 ^a	4:000\$000 ^a

Note. Data obtained from different corporate documents (ANTT 395, 400; AHU_ACL_CU_015, Cx. 136, D. 10159).

^a = indicates the current value on the date of the statement.

^b = indicates the acquisition cost.

It is possible to notice, from the income earned in the realization of the vessels, how overvalued the values assigned to them in the Company's Balance Sheets were. If the PPC did not recognize the loss in value due to wear as recommended by Sales (1770/2013) because of the constant maintenance that was done, the practice did not guarantee the recovery of the purchase price of the vessels. The loss was around 143.444\$452 réis, equivalent to 10,5 percent of the paid-in capital.

Other vessels of the PPC were confiscated to the royal service by order of the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro (ANTT 400). The accounting information about these vessels is divergent (see Table 21). The ship called *Providência* is listed as sold on 31 December 1789 in the ledger (ANTT 472). However, the seizure is confirmed by other corporate documents and by the *Aviso* of January 17, 1795, issued by the Secretary of State for the Navy and Overseas (ANTT 400).

It is important to highlight, to facilitate the understanding of Table 21, that the disclosure of the fleet value was changed in the 1785 Balance Sheet. The vessels that operated on the PPC traditional routes (i.e., Europe-Angola-America) continued to be reported at their acquisition cost, while the four vessels used on voyages to Asia were reported at current value, considering the “current state” of each ship (ANTT 385, f. 6). The change in measurement criterion in the disclosure is justified by the need to liquidate the Company (Sales, 1770/2013). However, the lack of uniformity in the reporting compromised the comparability of similar items.

On October 30, 1794, the PPC submitted a representation to the Secretary of State for the Navy and Overseas in which claimed payment for the confiscated ships (ANTT 400). The total amount charged was 40.470\$000 réis. In response, the *Aviso* on 17 January 1785 stated that the vessels were owned by the royal service and ordered the delivery of the documents that prove ownership. Following the *Aviso*, the value of the vessels was debited on the crown loan account (ANTT 400).

The PPC fleet also included other three ships at the beginning of the liquidation (see Table 22), whose situation is presented in sequence. The *Junta* had defined that the unit located in Angola was responsible for selling the vessels at the beginning of 1785 (ANTT 290, 383). Nevertheless, ships continued to be reported in 1785 and 1814 Balance Sheets at acquisition cost (17.858\$102 réis). The *Junta* justified the permanence of values in the Balance Sheets for the lack of information regarding the realization (i.e., for sale or dismantling). Such vessels usually did the Angola-Pernambuco route. The last record of transport performed by the vessels was on August 01, 1787, without any mention of the fact of being rented or continuing as the property of the Company (ANTT 472).

Table 22 Ships of the Company whose realization is unknown

Ship names	Acquisition date	Book value (in réis)
Natividade	1764	7.817\$214
Rosário e Santo Antônio	1769	4.001\$500
Espirito Santo	1778	6.039\$388
Total	-	17.858\$102

Note. Data obtained from different corporate documents (ANTT 383, 400, 417, 472; AHU_Cód. 1792-804; AHU_ACL_CU_015, Cx. 137, D. 10242).

The Secretary of State for the Navy and Overseas also seized PPC warehouses in Lisbon for the royal service by the *Aviso* on January 20, 1798 (ANTT 400). The confiscated warehouses were built on land donated by the crown in 1759 and were used for the storage of overseas products (ANTT 400). Because of this confiscation, the PPC had to rent a warehouse for the storage of products. In 1802, the PPC was still trying to recover the buildings by arguing that they have been built with its shareholders' money and, in addition to that, they would be empty (*devoluto*) (ANTT 400). The impasse over the warehouses persisted in 1813. The crown was still in possession of the warehouses³⁰⁴, and the PPC continued reporting on the balances, hoping to reclaim them (ANTT 395, 400). The maintenance of the value in the financial statement favored the overstatement of accumulated profit account valued at 795.414\$749 *réis* in the 1814 Balance Sheet (ANTT 395). Concerning the PPC's furniture, the lack of corporate documents precludes conclusions.

Receivables and Inventory

With the beginning of the liquidation, the disclosure of receivables and inventory undertaken by the *Junta* lost the consistency that it had in the previous period. Information on the receivables and inventory from overseas units (*Direção* of Pernambuco and *Administração* of Paraíba) began to be disclosed together with no clear distinction of each one's value in each unit. The financial statements issued by the *Junta* also do not help so much because of the lack of uniformity in the disclosure (i.e., at times joined, at other times disjointed). Moreover, the collection of books recorded in the accounting department in consists of only two ledgers, which do not include the majority of used accounts nor cover the entire period of liquidation³⁰⁵. The combination of these two factors limited the analysis about the realization of PPC's inventory and receivables during the liquidation in the studied units (*Junta*, *Direção* of Pernambuco, and *Administração* of Paraíba).

The only available data sources on overseas debtors are a limited number of lists with information the debtors (AHU_ACL_CU_014, Cx. 28, D. 2114; AHU_ACL_CU_015, Cx. 137, D. 10206; AHU_ACL_CU_015, Cx. 142, D. 10428;

³⁰⁴ The Portuguese Crown declared the PPC buildings (i.e., headquarter and warehouses) as national goods on August 4, 1821 (ANTT 399 m0218).

³⁰⁵ The date of the last entry is September 25, 1781 (ANTT 60, 524).

AHU_Cód. 1155, 1824-6, 1894). There is evidence that the lists were incomplete (ANTT 384). For example, in the list issued by the *Administração* of Paraíba in 1782, captain-major Jerônimo José de Melo e Castro³⁰⁶ did not appear among the debtors (AHU_ACL_CU_014, Cx. 28, D. 2114). However, when the *Junta* was informed about his death in May 1799, it reminded the local directors about the captain major's debt³⁰⁷ (i.e., 1:200\$000 *réis*). The Junta ordered the use of every possible mechanism to collect the amount (ANTT 384). According to the *Junta*, the captain-major acquired the debt around 1764³⁰⁸ (ANTT 384). Besides being incomplete, the lists of debtors often contain only a single balance for each borrower on a specific date. The distinction between the original debt and the due interests is rarely mentioned (AHU_Cód.1894).

Table 23 – Composition of the overseas receivables on December 31, 1781.

Composition	<i>Direção</i> of Pernambuco		<i>Administração</i> of Paraíba	
	Value (in <i>réis</i>)	%	Value (in <i>réis</i>)	%
Installments	1.026.508\$637	89,4	176.590\$645	92,0
Debts in execution	82.691\$254	7,2	12.347\$316	6,4
Doubtful debts	18.635\$131	1,6	941\$918	0,5
Bad debts	20.563\$583	1,8	2.134\$048	1,1
Total	1.148.398\$605	-	192.013\$927	-

Note. Data obtained from AHU_ACL_CU_015, Cx. 144, D. 10567

PPC's overseas units were responsible for the largest share of receivables. On July 27, 1780, the total of overseas receivables was 1.451.264\$922 *réis*. This value exceeded PPC's capital (AHU_ACL_CU_015, Cx. 137, D. 10206). The receivables managed by the *Junta* were less than 4% of the total overseas receivables³⁰⁹. In 1782, the *Junta* received a plan from the *Direção* of Pernambuco how the latter intended to realize its receivables (ANTT 383, 535). The plan was based on the total receivables at the *Direção* of Pernambuco and *Administração* of Paraíba on

³⁰⁶ The captain-major was "chief" of the liquidation in the PPC's local unit.

³⁰⁷ The amount was equivalent to three shares of the PPC.

³⁰⁸ At that time, he was nominated to the position of captain-major in the captaincy of Paraíba (ANTT 384).

³⁰⁹ This affirmation is based on a balance of the receivables dated December 31, 1779 (AHU_ACL_CU_015, Cx. 137, D. 10242). It was not possible to determine the balance of receivables managed by the *Junta* on July 27, 1780.

December 31, 1781³¹⁰ (AHU_ACL_CU_015, Cx. 144, D. 10567). The document detailed each unit's composition of the receivables³¹¹ (see Table 23).

The receivables in each unit were separated into four parts. The “installments” refer to the receivables whose realization was likely. The debts whose receipt was subject to legal disputes were labeled “debts in execution”. The so-called “doubtful debts” were receivables whose realization was considered possible but required enormous efforts. The receivables without any chance of receipt were labeled “bad debts”³¹².

The realization plan includes only the overseas receivables regarded as “installments”. Debtors could pay their debt in annual rates. The value of the rates depended on the total value of the debt and the financial condition of the debtor (AHU_ACL_CU_015, Cx. 144, D. 10567). It is important to highlight that the plan did not include future adjustments of the interests, such as compensations for the improper charge of the sugar subsidy (AHU_ACL_CU_015, Cx. 144, D. 10567). Nevertheless, if a borrower missed the payment of a rate, additional interests would be charged (AHU_ACL_CU_015, Cx. 144, D. 10567). The agreement made with Luís Antônio de Paiva illustrates this practice.

The corporate documentation described Luís Antônio de Paiva as a merchant and owner of “store on the bridge” in *Vila do Recife* (ANTT 521). He owed 2.500\$170 réis in 1780. In 1787, he had part of his property seized for repayment of the debt, but that proved insufficient to cover the total debt to the company (ANTT 384, AHU_Cód. 1155). To solve the impasse, the debtor's mother, Teresa de Jesus, begged the *Junta* to accept her other son, Antônio de Paiva Crasto³¹³, as the responsible for the debt payment. The *Junta* accepted the appeal and confirmed that all interest could be eliminated if the debt was paid according to the agreed annual rates. In case any rate would be missed, interests would increase the value of the debt. To ensure

³¹⁰ The value presented in this thesis differs from the original document (AHU_ACL_CU_015, Cx. 144, D. 10567) due to an miscount detected in the total of receivables of *Administração* of Paraíba (192.014\$107 réis).

³¹¹ The document also stated that the debtors had been summoned to the unit to agree on how to pay their debts (AHU_ACL_CU_015, Cx. 144, D. 10567).

³¹² It is likely that the value was recognized in the “gains and losses” account. However, the entry was impossible to confirm; there is no verifying document.

³¹³ Antônio de Paiva Crasto was never in debt with PPC; the corporate documents described him as his brother's depositary (AHU_Cód. 1155).

compliance with the agreed conditions, the *Junta* requested the *Direção* of Pernambuco to include the terms of the agreement into a contract (ANTT 384).

Table 24 – Realization plan of overseas receivables

Year	<i>Direção</i> of Pernambuco		<i>Administração</i> of Paraíba		Total	
	Value (in réis)	%	Value (in réis)	%	Value (in réis)	%
1782	204.754\$039		27.032\$499		231.786\$538	
1783	167.056\$532		26.435\$137		193.491\$669	
1784	136.222\$146		23.380\$869		159.603\$015	
1785	117.754\$015		22.498\$135		140.252\$150	
1786	93.857\$481	70,1	20.648\$083	68,0	114.506\$264	69,8
1787	78.087\$236		17.027\$310		95.114\$546	
1788	61.433\$016		14.394\$764		75.827\$780	
1789	47.895\$098		12.081\$242		59.976\$340	
1790	36.060\$678		7.364\$513		43.425\$191	
1791	28.991\$616	24,6	4.415\$538	31,3	33.407\$154	25,6
1792	17.683\$939		479\$168		18.163\$107	
1793	11.040\$482		75\$000		11.115\$482	
1794	7.424\$340		75\$000		7.499\$340	
1795	5.693\$818		75\$000		5.768\$818	
1796	2.795\$433	4,3	75\$000	0,4	2.870\$433	3,8
1797	1.687\$086		75\$000		1.762\$086	
1798	1.680\$000		75\$000		1.755\$000	
1799	1.605\$786		80\$572		1.686\$358	
1800	1.480\$000		50\$000		1.530\$000	
1801	1.539\$778	0,8	50\$000	0,2	1.589\$778	0,7
1802	927\$537		50\$000		977\$537	
1803	180\$000		50\$000		230\$000	
1804	180\$000		50\$000		230\$000	
1805	164\$185		52\$815		217\$000	
1806	80\$000	0,1	-		80\$000	0,1
1807	80\$000		-		80\$000	
1808	80\$000		-		80\$000	
1809	74\$396		-		74\$396	
Total	1.026.508\$637		176.590\$645		1.203.099\$291	

Note. Data obtained from AHU_ACL_CU_015, Cx. 144, D. 10567

Some borrowers asked the *Junta* for their interest to be forgiven and succeeded with their requests. Manoel Antônio Ribeiro, for example, *Direção* of Pernambuco's bookkeeper owed 2.636\$930 réis in 1780 (AHU_ACL_CU_015, Cx. 137, D. 10206). Ten years later, when he owed 683\$208 réis, of which 218\$729 réis were interested, Ribeiro asked for the interest to be forgiven. The *Junta* accepted the plea, affirming that the pardon relied upon the years of dedication to the company (ANTT 384). His final payment was made directly to the unit of Lisbon. The *Junta* then sent a letter to *Direção* of Pernambuco requesting the settlement of Ribeiro's debt (ANTT 384). The *Junta* also accepted the claims filed by people with no apparent link to the Company, as, for instance, the one by Manoel Alvares de Sá. The corporate documents described de Sá as a *vendilhão* (peddler) (ANTT 520) who owed 553\$464 réis in

interest (ANTT 383). These cases show that the PPC was more interested in the collection of the original debt than in the seizure of interests. It withdrew interests if debtors settled their original debt.

According to the realization plan, the receivables managed by *Direção* of Pernambuco should be realized in twenty-eight years and the ones of *Administração* of Paraíba in twenty-four years (see Table 24). The plan included the receivables realization on a diminishing scale. The plan expected to receive almost 70% of the total of receivables in the first five years, a goal that proved quite daring.

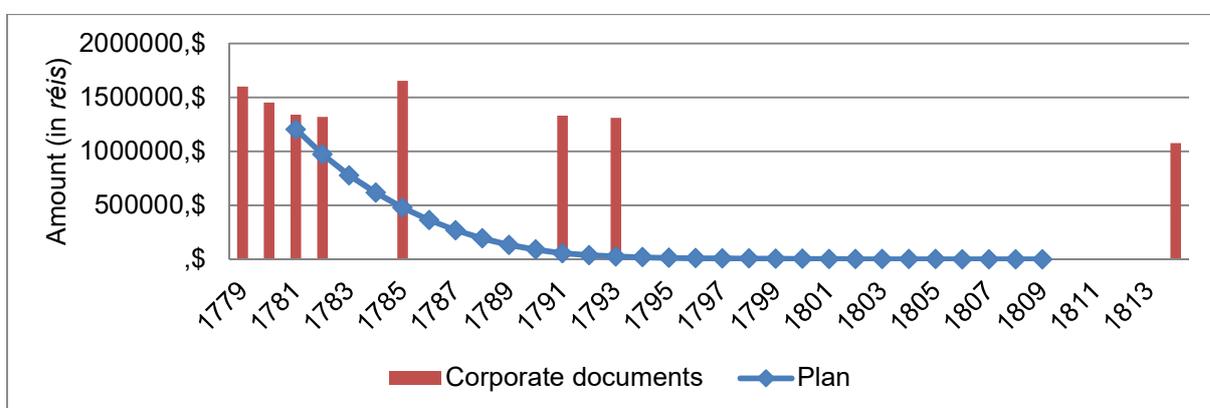


Figure 22 – Comparison between the actual receivables reported by corporate documents and the foreseen levels according to the recollection plan

Data obtained from different corporate documents (ANTT 395, AHU_ACL_CU_015, Cx. 137, D. 10242; AHU_ACL_CU_015, Cx. 144, D. 10567; AHU_Cód. 1155, 1783, 1824-5, 1894)

Despite all efforts, various corporate documents on the balance of the receivables show that PPC failed to carry out the realization plan from the start (see Figure 22). The difference between the balance of receivables expected by the plan (i.e., 971.312\$744 *réis*) and the actual receivable level (1.318.274\$675 *réis*) amounted almost to the value of PPC's vessels fleet. For the year 1793, the PPC had planned an outstanding receivable level of only 26.430\$746 *réis* (i.e. 97.8% of the original installments should have been recollected). In sharp contrast, the accounting records indicated that the actual values in 1793 exceeded the planned value by almost 500 percent or 1.284.168\$738 *réis*. It is probable that the receivable balance indicated in the corporate documents included debts acquired in negotiations after the elaboration of the plan. Numerous new shipments³¹⁴ occurred during the liquidation

³¹⁴ This Topic is discussed in detail later.

period. Given a lack of information, the receivables could not be split into the parts that belong to the plan and the amounts arisen from subsequent activities.

The form of receivable management might have contributed to the failure of the recollection plan. A distinct individual could have one or more financial accounts in each one of PPC's units. The units did not exchange such information on a regular basis. The case of Francisco Carneiro Sampaio (i.e., the *Direção* of Pernambuco's former director and debtor of large sums³¹⁵) illustrates the issue.

In December 1784, Francisco Carneiro Sampaio was sentenced (*executado*) in court by the *Direção* of Pernambuco because a debt of 22.710\$791 *réis* (principal and interest) (AHU_Cód. 1898). Shortly after the claim, the *Direção* of Pernambuco was informed that the debtor owned a 15.027\$332 *réis* credit in the *Junta* for the sale of his products that had been sent to Lisbon on consignment (ANTT 383). The document did not inform how many deliveries were made, but it is possible to assume several (ANTT 383). It means that unlike other debtors who sold their products to *Direção* of Pernambuco, Francisco Carneiro Sampaio preferred to consign them to the *Junta* for sale in Lisbon, trying to get better prices for the products. While reporting on the credit, the *Junta* requested *Direção* of Pernambuco to deduct the amount from the debt that Francisco Carneiro Sampaio had (ANTT 383). When the information about the credit arrived in Pernambuco in March 1785, Francisco Carneiro Sampaio had already passed away. His heirs subsequently requested the withdrawal of the interest on the deceased's debt for the period between the shipping date of the products to the *Junta* and the credit information date. In mid-1785, the *Junta* communicated to the *Direção* of Pernambuco that the heirs' claim had been accepted (ANTT 383). There are no accounting reports on the following actions in the *Direção* of Pernambuco. As such, it cannot be explained why Francisco Carneiro Sampaio is still listed as a debtor in 1791 with an outstanding principal amount of 10.381\$448 *réis* (AHU_Cód. 1894). The available information (original debt level of 22.710\$791 *réis*, the credit rebate of 15.027\$332 *réis*, the forgiveness of at least part of the interest and presumably no new business) would have suggested an outstanding amount below 7.683\$459 *réis*.

³¹⁵ Debtors of large sums are individuals that owed more than 4.000\$000 *réis* (i.e. an equivalent of ten PPC shares).

Between 1780 and 1787, PPC engaged into new businesses. Despite the disagreement of a portion of the shareholders, the firm took advantage of an authorization granted by the *Aviso* on December 11, 1780 (ANTT 382-3; AHU_ACL_CU_015, Cx. 139, D. 10311). Shipments to the ports of Asia³¹⁶ stand out from the new business activities undertaken during the liquidation period (see Table 25). In 1814, PPC still had outstanding receivables of 14.710\$075 réis associated to these shipments to the ports in Asia (ANTT 395).

Table 25 – Result of the shipments to Asia during the liquidation process

Year	Vessel	Result (in réis)	Situation in 28/08/1784
1781	Polifemo	28.606\$186	Realizado
1782	Príncipe do Brasil	73.963\$335	Ganho estimado
1782	Conceição e Santo Antônio	34.621\$732	Realizado
1783	Polifemo	17.055\$518	Ganho estimado
Total		154.246\$771	

Note. Data obtained from ANTT (395).

Furthermore, the PPC also continued the slave trade in Angola and Golden Coast (see Appendix H); until 1787 it even relied on the traditional routes. Also, two shipments were sent directly from Angola to Rio de Janeiro.³¹⁷ From four of the undertaken shipments, it was possible to identify the income generated for the PPC. In all cases, the benefit generated was inferior to the shipping cost. The average loss was 29 percent (ANTT 383, 472, 535).

On a less frequent basis, new products were sent to the captaincies of Pernambuco and Paraíba (see Table 26). These transactions arose from requests made by the units in those locations. Some of the shipments were not for resale but the unit's everyday consumption (ANTT 383-4, 535). The information found in Table 26 is not exhaustive due to a lack of information. Sometimes the corporate documents indicated shipments without specifying any detail about the cargo (i.e., content or cost value).

³¹⁶ It is likely that most of the items brought from Asia were sold by the *Junta*. No evidence on the delivery of these items to other units of PPC was detected.

³¹⁷ During the monopoly, the slaves were sending to Rio de Janeiro via Pernambuco (i.e. the *Direção* of Pernambuco).

Table 26 – Shipments during the liquidation

Year	Route	Ship name	Cargo	Cost (in réis)
1781	Lisbon-Paraíba	Delfim	<i>Fazendas da Índia e da Europa</i>	9.481\$777
1781	Lisbon-Pernambuco	-	Tar and pitch	155\$126
1781	Lisbon-Pernambuco	Delfim	Iron and copper	2.457\$608
1781	Lisbon-Paraíba	-	<i>Fazendas Secas</i>	5.682\$284
1781	Lisbon-Paraíba	-	Wine	301\$949
1781	Lisbon-Paraíba	-	<i>Fazendas secas</i>	9.843\$472
1782	Lisbon-Pernambuco	Olinda	Gunpowder	-
1782	Lisbon-Pernambuco	Voador	<i>Aprestos para marinha</i>	3.151\$408
1784	Lisbon-Pernambuco	Águia do Douro	Wine	1.152\$000
1784	Lisbon-Paraíba	-	-	4.938\$544
1784	Lisbon-Paraíba	-	Iron and cloth fabric	1.108\$254
1787	Lisbon-Paraíba	Providência	Wine	800\$000
1788	Oporto-Paraíba	São Pedro	-	8.404\$386
1788	Lisbon-Paraíba	Providência	Iron	2.046\$770

Note. Data obtained from different corporate documents (ANTT 383-4, 472).

Until 1810, there were continuous shipments (i.e., items and money) from the overseas units to Lisbon. These cargoes probably included both products delivered by debtors to pay their debts and products bought by *Direção* of Pernambuco (i.e., new business activities). The documents made it impossible to distinguish between these two. The *Junta* had authorized overseas units to carry on purchasing products. Sugar was of particular interest because of a booming market and attractive prices (ANTT 383).

Regarding the new remittances in PPC's overseas units, it is remarkable to find the costs of all new shipments of the *Administração* of Paraíba to exceed the values of the receivables which the unit should recollect following the recollection plan. Moreover, two cash transfers (6.000\$000 réis each) undertaken by *Administração* of Paraíba in 1785 and 1786 stick out. These indicate tremendous surpluses because the shipments happened without a prior request by the *Junta*. During the time of these shipments, the *Junta* had ordered to use all local money receipts for the purchase of products³¹⁸. Only in June 1787 the *Junta* ordered the overseas units to send in "all cash" (ANTT 383, m0503). The money was probably be used for the repayment of the shareholders that began in September of 1787 (ANTT 350-1).

³¹⁸ The order to purchase sugar with the money existing in the overseas units lasted until mid-1806 (ANTT 384).

Rather than sending money to the *Junta*, the *Direção* of Pernambuco preferred to ship bills of exchange. The *Junta* regarded the decision as consistent with the “spirit” of the order (ANTT 383, m0514). In April 1807, the *Junta* began to complain about the lack of shipments of either bill of exchange or money (ANTT 384). In response, the *Direção* of Pernambuco justified the lack of shipments by the lack of cash payments from debtors. It also emphasized the rigorous drought plaguing the region (ANTT 535). One year after this response, the governor of the captaincy of Pernambuco, Caetano Pinto de Miranda Montenegro, who headed the process of liquidation in the location, asked the Prince Dom João IV to order the safeguard of PPC’s money in the coffer of the Treasury Board (*Junta da Fazenda*) in that captaincy. This request leads to the promulgation of a royal decree³¹⁹ on July 30, 1808.

Above all, during the liquidation process, it was necessary to treat not only the receivables and inventories accumulated during the monopoly but also during the liquidation. This thesis believes that the permission of new businesses presents a twofold harm for the process of liquidation. First, it distracted the directors from the liquidation activities. Second, new negotiations increased the volume of activities to liquidate. Both distraction and the increase in the volume of activities delayed the liquidation process.

Cash

In addition to the money issues discussed in the previous paragraphs, a dilemma caused by the three key system for opening the cash trunk affected the liquidation slightly. At the beginning of June 1806, Jacinto Fernandes Bandeira, responsible for the liquidation process in Lisbon, passed away. One month later, the *Junta* sent a representation to the Secretary of State for the Navy and Overseas requesting that he should order the deceased’s heir (i.e., Jacinto Fernandes da Costa Bandeira) to hand over the key of PPC’s safe (ANTT 400). The representation pointed out that the lack of the safe key generated some inconvenience to the PPC (e.g., impossibility to pay the shareholders or daily expenses). Following the communication, the *Junta* could not remain not “performing its functions due to lack of one of the safe’s keys”

³¹⁹ See page 137 et seq.

(ANTT 400, m0305). It was not possible to detect the outcome of this representation, but it was possible to confirm the solution of the problem through records of payments made later (ANTT 473). Nevertheless, the incident demonstrates that the PPC experienced a minor delay in its liquidation activities due to the rigorous safeguarding rules for its safe.

Payables

The PPC's Charter said nothing about bondholders or the priority of their claims over those of shareholders in case of liquidation. The balance of the open payables in early 1780 (see Table 19) could be broken down into three parts: creditors in different locations of 644.877\$722 réis; shareholders on profit distribution of 159.232\$458 réis; and a Crown loan of 123.200\$000 réis (ANTT 403). According to the 1785 balance sheet (see Table 27), the PPC's payables totaled 298.587\$859 réis, equivalent to 21,9 percent of capital (ANTT 395). It means that there was a significant reduction (i.e., 67.8 percent) in the balance of payables between 1780 and 1785.

Table 27 – Balance of PPC's payables during the liquidation

Accounts	Values (in réis)		
	31/12/1785	31/12/1793	30/06/1814
Board's commission (<i>Junta</i>)	4.345\$688	56\$552	56\$552
Creditors in Lisbon	749\$360	109\$073	109\$073
Tobacco contractors	53.686\$343	-	-
Sundry creditors	851\$301	851\$301	851\$302
<i>Décima</i> (tax)	4.726\$200	-	-
Profit distribution until 1779	33.413\$464	12.254\$475	1.994\$475
Crown Loan	123.200\$000	-	-
Creditors (voyages to Asia)	21.197\$624	6.388\$482	6.388\$482
Creditors in Pernambuco	31.141\$508	27.830\$560	27.830\$560
Bills of exchange	6.311\$305	4.941\$012	4.941\$012
Freight	18.965\$066	3.127\$410	3.127\$410
Total	298.587\$859	55.558\$865	45.298\$866

Note. Data obtained from ANTT (395).

The arrangement of payables accounts in Table 27 follows the same order observed in the 1785 balance sheet. The four main accounts were: (1) a crown loan³²⁰, (2) tobacco contractors, (3) profit distribution and (4) Creditors in Pernambuco. The crown loan was updated at an interest rate of 4% p.a. The value of the distribution

³²⁰ The value of the crown loan remained the same because PPC paid annually only the interest (ANTT 472-3).

profit account included the amounts not yet distributed to the shareholders; more than half of it was related to the profits of 1779 (ANTT 395).

From 1785 to 1793, PPC reduced the balance of creditors by 81.3%. Remembering the treatment of shareholders, it appears that the PPC focused on the repayment of its creditors during this period. From 1794, it seems that the payment to the creditors (i.e., third parties) was not a priority of the liquidation committee anymore. Either, the focus shifted towards the shareholder or the liquidation process as such lost pace. Little information could be retrieved from the corporate documents whether the process of creditor repayment had special characteristics, which delayed the liquidation. It is peculiar, however, that the PPC was able to repay a large proportion of its creditors during the initial years of its liquidation only to slow down its liquidation after that. It was impossible to verify whether there were key individuals (e.g. the tobacco contractors) who were responsible for the progress of the liquidation until they had recollected their loans.

The reimbursement of capital

The PPC's Charter established a priority order for claims to be repaid to shareholders (§61). The highest priority claim went to shareholders whose shares included in *Morgado, Capela, Fideicommisso* (i.e., similar³²¹ to strict settlement). Next are the shares belonging to a missing person. In this case, the money should be handed over to the *Depósito Geral*, a royal office. The remained shareholders were the next in line.

It is likely that PPC has not fulfilled the priority order established by the Charter. Shareholders only communicated to the PPC the case of sales of their shares. The PPC were responsible for transferring the ownership of the stock to the buyer. There is no evidence that the PPC controlled by written records what happened to the shareholder or whether the share was part in a *Morgado*. The CPP issued an edict to inform shareholders about the payment of the amount invested, the same procedure used to communicate the payment of profit distribution.

³²¹ For more details see page 225.

The payment of the amount invested by the shareholders began to be made on September 1787, in response to the Decree on June 5 of the same (ANTT 398), before the payment of all creditors (ANTT 395). Shares involved in legal proceedings in court should not receive payments duration of the dispute (ANTT 383). The *Junta* and the *Direção* of Pernambuco were for making the payments. Between 1780 and 1813 it was published three edicts on payment of the amount invested to shareholders (see Table 28). On three different occasions, there was the payment of a percentage of the nominal value of the shares. The data collection on the payment took place surrounded by obstacles because of mismatch between entries in the primary and auxiliary accounting books (e.g., different dates and forms of payment).

Table 28 – Plan of reimbursement of capital to shareholder

Installments	Percentage of capital	Payday in the <i>Junta</i>	
		Auxiliary Accounting Book	Primary Accounting Book
First	20%	06/09/1787	05/10/1787
Second	10%	02/02/1793	30/12/1792
Third	20%	20/09/1800	20/09/1800

Note. Data obtained from different corporate documents (ANTT 350-1; 472-3).

The entries in the primary accounting books about the first installment had three counterparties: *Direção* of Pernambuco, *Direção* of Oporto and cash. The use of the first two accounts as counterparties suggests that the payment was made by the unit that entitles the account. Indeed, several other corporate documents show that the *Direção* of Pernambuco made reimbursements to shareholders resident overseas (ANTT 383, 535, 527). Besides, during the monopoly period, the unit was also responsible for the payment of profits distributions or “interests on equity” (*avanços de juros*) to the same group of shareholders. Thus, the fact that the *Direção* of Pernambuco appears as counterparty on reimbursement of capital in an accounting book recorded in the *Junta* is something consistent with past practice. However, the same cannot be said for the *Direção* of Oporto. During the monopoly, the shareholders resident in Oporto always had to go to the Junta to receive profits distributions or “interests on equity”. Thus, the *Direção* of Oporto as counterparty puts into question the accuracy of accounting records. It is a unique record of payment made to the heirs of shareholder Custódio dos Santos Alves Brito for 11 shares³²². In

³²² The heirs' legal representative (*procurador*) received the payment according to the auxiliary accounting book (ANTT 350, f.c0171 ou 85v).

the ledger, this event was recorded on July 11, 1788, while in the auxiliary accounting book on May 22, 1793 (ANTT 350, 472).

The most entries of reimbursement in the ledger has the cash account as counterparty, what suggesting that the payments were made with money (ANTT 472). However, the data collected in several auxiliary accounting books presented a different scenario in which goods (e.g., bills of exchange, and ships) were the means of payment used to reimburse the shareholders (ANTT 350-1, 383, 482). For example, a box of sugar served as payment of the first installment for a share (number 1802), belonging to Maria de Assis Gold and Melo. Part of the Olinda ship's value served as payment to a group of four shareholders. Both the sugar box and the ship were "sold" in an auction held on September 5, 1787 (ANTT 350). The shareholder, Francisco Aurélio Teixeira, agreed to receive six bills of exchange on Antônio Gonçalves Barros (867\$155 *réis*) and money (12\$845 *réis*) as his first installment for 11 shares. All these transactions were recorded in the ledger with the cash account as counterparty.

The use of goods as payment would be an attractive alternative to the Company that transfers the responsibility to convert the item into cash for the shareholder. However, taking the sale of Olinda ship as standard, it is likely that the use of goods as a form of payment was not an advantage to the Company.

The reimbursement brought down part of the debt (i.e., proportional to the amount due) of a shareholder debtor (ANTT 350, 471, 535). They must sign a document which confirms that they were aware of the situation (ANTT 383). This payment option was used in both units (*Junta* and *Direção* of Pernambuco) and benefited former directors such as Francisco Manoel Calvet, director between 1768 and 1776 in the *Junta*; and José Timóteo Pereira de Bastos, director at the same period at *Direção* of Pernambuco.

Over the 33 years of liquidation under analysis, the PPC reimbursed at most half the paid-in capital. The Decree of April 7, 1813, was right about this matter. Table 29 presents the balance of the reimbursement until that date. The non-receipt of the reimbursement would be associated with shares involved in legal proceedings (ANTT

331); shareholder did not go to the Company's office to receive the payment, or shareholder did not present the share to prove ownership (ANTT 383). The possibility of exclusion of shareholders during the reimbursement was refuted after analysis of the individual situation of each share.

Table 29 – Balance of the reimbursement of capital

Installments	Capital portion (in réis)	Balance in 07/04/1813 (in réis)	Number of shares not reimbursed
First	272.000\$000	9.867\$823	123
Second	136.000\$000	7.050\$800	176
Third	272.000\$000	49.546\$821	619

Note. Data obtained from different corporate documents (ANTT 350-1; 395; 472-3).

The latest letters sent from *Junta* to the overseas' units date of May 29, 1807. According to company documents, the French invasion, and the war paralyzed the liquidation activities between 1808 and 1813 (ANTT 384, 535). In the meanwhile, the communication was scarce. The Board of the *Junta* wrote overseas' units on January 24, 1809, to report (1) the transfer of the Portuguese court to Brazil; (2) the end of the French occupation in Lisbon; and (3) the unlock of the port of Lisbon. This latter enabled to restart the liquidation activities according to the Junta's opinion. For this purpose, the Board requested the overseas' unity to send money or goods collected from debtors. These values would be used to reimburse shareholders (ANTT 384).

In response, the *Direção* of Pernambuco said that it could not fulfill the order because of the law³²³ (*Carta Régia*) issued on 30 July 1808. According to this law, the entire unit's money should be kept in the safe of the Royal Treasury in the captaincy of Pernambuco (ANTT 535). The law was issued following a request made by the governor of the captaincy of Pernambuco, Caetano Pinto de Miranda Montenegro. The reasons for the request were not mentioned in the body of the law. The directors should only undertake collection efforts with the aim of converting Company's receivables accounts into cash. All money collected must be sent quarterly to the Royal Treasury. The unity had only the enough money to pay administrative expenses.

³²³ Available at *Coleção de Leis do Império do Brasil – 1808, página 93 Vol I.*

The issue of shareholder reimbursement was left in a situation of abeyance. On the one hand, the company did not manage the reimbursement thoroughly. On the other hand, the shareholders did not call for their rights. From the shareholders' perspective, this situation appears surprising - had they lost their interest in their money? From the perspective of the PPC, the situation can be seen as a violation of the Charter. The §61 argues that PPC was responsible for reimbursement. It also established a priority order to be applied. To fulfill these regulations, the PPC would have required more detailed records of its shareholders (i.e. information on who currently possessed a share and what are the individual's whereabouts). Based on such records, PPC could have, for example, contacted all shareholders by mail to announce the reimbursement to call shareholder's attention and trigger their collection of the reimbursement parcels. Another possibility would have been to contact shareholders, issuing a deadline until which shareholders could recollect their funds. After that date, the non-collected funds could be used for additional parcels to pay the remaining shareholders. The PPC did not apply any of the suggested measures to fasten the reimbursement. For each parcel until 1813, PPC awaited shareholder's appearance in Lisbon to be refunded. The funds not recollecting by shareholders remained unavailable for shareholders who showed an actual interest in reimbursement. This procedure slowed down the liquidation.

4.2.3.3 Summary and conclusion

The analysis showed differences in the recordkeeping among the two accounting departments of the PPC, although both followed DEB. Each form of recordkeeping harmonized with the dominant thought of the time and had advantages and disadvantages. However, the differences did not create significant problems to the accounting practice. The zeal of the records was notorious in both accounting departments. It is possible to notice, for instance, the sync in the record of events in the primaries and auxiliaries accounting books, and entries to correct amounts. However, this dissertation highlights the accounting practice of the Direção of Pernambuco was the most suitable for the company, because of the visibility it provided for individuals (i.e., debtor and creditors) and their relationships (i.e., the cession of credit). The entries of cession of credit in the accounting books recorded in Pernambuco shows that local merchants widely used this instrument. This finding

extends the work of Ogilvie (2011), which associates the use of this enforcement mechanism only to international traders. This finding also agrees with Hopwood et al. (1980) who states that the accounting reflects social relationships.

All balance sheet published (1760-1775) by the accounting department of the Junta had the same form of presentation, which favor the reading of the information. At the right side, short captions referred to the accounts. The left side presented an explanatory note for each item on the opposite side. Comparing the balance sheets of the PCC with those of EIC, based on Baladouni (1986, 1990), it is possible to argue that the form of presentation used by the PPC was probably clearer and more concise.

However, the zeal of the accounting records and the annual publishing of balance sheet did not last even until the end of monopoly. From 1777, divergences in the entries of the same event in different accounting books appear and the PPC stopped publishing the balance sheets. Consequently, for instance, they lost the control of the company situation and the changing of profit distribution rules caused losses for shareholders. Thus, the accounting system lost its function of accountability and hampered the activities of the liquidation process. This finding is consistent with the position of Yamey (1949) which affirms that without systematic accounts confusion reigns and the achievement of goals becomes impossible.

The lack of zeal in the accounting system, from 1777, supports the argument that the company only adopted DEB in respect of reciprocity between the members of the first Board of the Junta and Pombal. The dismissal of Pombal meant the end of the external control over the directors for the regular accounting practice of PPC. The directors were not responsible for the recordkeeping, but they should supervise the officials from the accounting department to ensure obedience to the rules and update of accounts. Therefore, the lack of external control allowed the directors to neglect the duty of supervising the activities of the accounting department.

In general, the rationales used in the accounts followed the coeval literature. However some exceptions deserve comments (i.e., receivables; durable goods; and gains) for the effect on the result, and the resources of the PPC presented on the

balance sheets. Receivables were not evaluated at the end of the social period for the possibility of recoverability. Thus, values with uncertain realization generated the overvaluation of this item. Similarly, the company also over evaluated durable goods (i.e., buildings, furniture, and ships). They did not record the consumption of the durable goods because of their use.

Another accounting choice that inadequately increased the value of the reported result was the adoption of the departure of the ship, as the critical event for the recognition of gains in the commercial activities. This practice also impacted on the profit distribution, threatening the company liquidity. This research argues that the adoption of the departure of the ship as the critical event was due to the interest of directors, whose remuneration depended on revenue recognition. The accounting practice was, therefore, constrained by the meanings given to support director's interest. This finding is consistent with some researchers who have claimed that the accounting practice is affected by the context (Hopwood & Miller, 1994; Hopwood, 1976, 1983; Potter, 2005).

The provisions of Charter of PPC (§27-8) favored the anticipated recognition, establishing the maximum percentage of gains of some products traded by the company. The early recognition of gains of the commercial activity compromised the capital maintenance that was the basis the accounting practice of PPC. The analysis of estimates and subsequent adjusts of trade activity verified that at the end of 1780 more than a fifth of the value kept in the accumulated profit account in the balance sheet of 1775 had no guarantee of recoverability. This finding agrees with and extends the works of Andrade (2013) and Oliveira (2014) who reported the practice of gains recognition on an estimated basis in Pombaline companies (PPC and CGAVAD, respectively). The present dissertation extends their works by identifying the monetary dimension of the “imaginary” gains reported in the PPC’s balance sheet.

The distortion brought by the receivables combined to the extended period of financial conversion of gains recognized by estimates hampered the liquidation process. The PPC insisted on collecting the receivables instead of recognizing the loss incurred. After all, according to Hines (1988), the receivables became “real”

when the PPC recognized them. This insistence significantly lengthened the process. Shareholders were deprived of their capital, but the delay was in the interest of the directors. The financial conversion of gains recognized by estimates generally would take up to six years and, when it happened, the value was below the estimate. Therefore, goods sent up to 1780, the last year of monopoly, were still depending on payment, and the company had no guarantee of realization of the estimated gain.

The PPC's case resonates nowadays. The today's firms continue including estimates of the future into their current financial statement (Barth, 2006). The discussion presented shows the difficulty of the PPC in performing the scenario that had been recognized in its financial statements because of a change in the environment (from monopoly to free market).

The authorization for trading after the monopoly further worsened the scenario. The end of the liquidation depended not only on the operations previous to the end of monopoly but also the liquidation of values arising in the new negotiations. Therefore, they had to wait for the economic and financial benefits of trade. However, the transactions made during the free trade phase also had a positive impact, helping in the payment of creditors and shareholders.

The reimbursement of share value was not faultless. The payment priority stated at the Charter was not observed due to lack of control on information of shareholders. The directors did not exert diligent efforts on seeking shareholders. Until 1813, shareholders received, at most, 50 percent of the nominal value of the stocks.

4.2.4 Ties between PPC's stakeholders

The analysis presented here offers a new perspective on two matters that had already been mentioned in previous subsections: directors' turnover³²⁴ and PPC lending activities³²⁵. The differential lies in the inclusion of the ties, part of the mental framework where the PPC operated. Therefore, the objective of this chapter is to

³²⁴ See page 153 et seq.

³²⁵ See page 245 et seq.

verify the possible influence of kinship and mercantile ties³²⁶ on (1) the compliance with the organizational provision of turnover (§§4 and 6) at the collective bodies of Junta and *Direção of Pernambuco* (4.2.4.1); and (2) on the lending activities at the *Direção of Pernambuco* (4.2.4.2).

4.2.4.1 Director's turnover: *Junta* and *Direção of Pernambuco*

The election for the second Board of all PPC's business unities was requested by the *Aviso* issued on behalf of the King by Secretary of State for the Navy and Overseas on August 13, 1768 (ANTT 382).

The election took place at Junta on November 16, 1768 (ANTT 382). Moreover, the elected Board took office around 2nd December (ANTT 403) (see Appendix A). Nearly 80 percent of elected directors were PPC's original shareholders. Other elected directors (Bento José de Miranda, José Soares de Andrade and Francisco Paliart) had acquired their shares just after the *Aviso*. This temporal proximity raises the question whether attempts to introduce allies into positions at PPC's highest Board were beyond the share buys.

Table 30 – Details on the origin of Bento Jose de Miranda's shares

Seller name	Date of Sale	Number of shares
José Domingues	10/06/1768	1
Gonçalo Ribeiro dos Santos	20/06/1768	2
Antônio José de Miranda	13/08/1768	1
João Dias Santos	20/08/1768	1
Teresa Maria Joaquina	20/08/1768	4
João Xavier Teles	26/08/1768	1

Note. Data obtained from ANTT (327).

Bento José de Miranda had become shareholder purchasing three shares just before the *Aviso*. The seven left shares, required for application to the election, were "purchased" within fifteen days after *Aviso* from people belonging to his mercantile ties (see Table 30). Among the sellers were Gonçalo Ribeiro dos Santos, elected at the same election; João Xavier Teles, that had different Board positions at *Junta*

³²⁶ It is a tie of friendship between two people who are in contact over a sustained time period through commercial interests and actions, having as a common goal the desire to profit economically from commercial activities (Fusaro, 2012).

since 1759; and Teresa Maria Joaquina, whose son Manoel Eleutério de Castro had been CGPM's director since 1761 and was contractor at the India House (Casa da Índia), a royal office (ANTT 382; Madureira, 1997; Pedreira, 1995).

José Soares de Andrade acquired his 8th to 10th share just after the *Aviso*. His shares originated in the minority from his mercantile ties. One share he received from the Policarpo José Machado, who was named chairman at the election and who had already been director of the first *Junta's* Board, which had taken office in 1759. Another two shares he bought from Carlos Alberto da Silva Franco that was *desembargador* of *Casa de Suplicação* and PPC's tax attorney since 1761 (ANTT 382, 403) (see Table 31).

Table 31 – Details on the origin of José Soares de Andrade's shares

Seller name	Date of Sale	Number of shares
Carlos Alberto da Silva Franco	26/03/1768	2
Manoel de Almeida Braga	20/04/1768	4
Policarpo José Machado	01/07/1768	1
João da Silva Ledo	20/08/1768	3

Note. Data obtained from ANTT (327).

Francisco Paliart, elected for the *Junta's* Board position of counselor, had purchased his shares on August 20, 1768, from Daniel Gildemeester. Gildemeester was a Dutch consul, and with 129 shares³²⁷, he was one of PPC's largest investor (ANTT 327, 437-48). Note that owning ten shares was no formal requirement to apply for the position of counselor. However, it was an informal prerequisite because all individuals interested in that position fulfilled it.

Having identified these interrelations, the turnover rate of the *Junta's* Board can be recalculated (see Subsection 4.2.2.1) based on the elected members' mercantile ties as well as their previous administrative experience at PPC. The result is a rate of 42% (see Table 8). It does not merely mean that there was an insignificant replacement of former managers. Former directors, if not re-elected, also managed to bring in allies (i.e. people who had commercial ties with them). Interestingly, the formation of allies to affect a firms' board was no peculiarity of PPC. Philips (1961)

³²⁷ Daniel Gildemeester was an original shareholder (ANTT 444-8).

describes a similar case for EIC. It was not possible to assess the turnover rate at the *Junta* under the consideration of kinship due to a research time restriction.

In contrast, the data availability enables a refinement of the analysis of management changes considering both mercantile and family ties. At the *Direção of Pernambuco*, the second election was held on August 13, 1768, and November 23, 1768 (ANTT 382). It was not possible to identify the exact starting date of the tenure. Possibly, the directors took office around April 24, 1769. On that date, the *Junta* notified the *Direção of Pernambuco* about the Royal³²⁸ confirmation of the 1768's election results. The second column in Figure 23 presents the elected for the Board of *Direção of Pernambuco* established in 1769.

Board of Directors (1759-1768)	Board of Directors		
	Elected members in 1768	Condition	Replacement during the term
Antônio José Souto	Antônio José Souto	Re-elected	No.
José Bento Leitão	José Bento Leitão	Re-elected	Luís Pereira Viana (First term)
Francisco Xavier Fetal	Francisco Xavier Fetal	Re-elected	He did not end the term of his post, but no one was appointed to replace him.
Luís da Costa Monteiro	Luís da Costa Monteiro	Re-elected	No.
Antônio Pinheiro Salgado	Manoel Afonso Rigueira	First term	No.
João de Oliveira Gouvim	Francisco Carneiro Sampaio	First term	No.
Manoel Correa de Araújo	Henrique Martins	First term	No.
Antônio Francisco Monteiro	Manoel de Almeida Ferreira	First term	No.
Manoel Gomes dos Santos	José Timóteo Pereira de Bastos	First term	No.

Figure 23 – Composition of the board of directors of the *Direção of Pernambuco*. Data obtained from different corporate documents (ANTT 382, 397, 400)

All elected board members were original PPC shareholders, except José Timóteo Pereira de Bastos (Bastos, hereafter). His entry as a board member is surprising. According to the auxiliary accounting books from Lisbon's accounting department, Bastos had become shareholder after the election only. Lisbon registered Bastos' purchasing transaction of 10 shares³²⁹ on February 1, 1769 (ANTT 327-30; 437-48).

³²⁸ The Royal dispatch date was April, 12 1769 (ANTT 382).

³²⁹ The register of the purchase arose from a letter of Felix Teixeira de Matos, a former director of PPC Lisbon (ANTT 327).

Because of that, Bastos did not appear in the election list sent by *Junta* to *Direção of Pernambuco* in September 1768. The list contained all shareholders that could be a candidate as Board members, and that could exercise voting rights at *Direção of Pernambuco*. Hence, according to the *Junta's* information, Bastos could not have participated in the 1768 elections. Moreover, he could not have been elected as a board member either; Bastos did not fulfill the requirements imposed by the Charter³³⁰. Three explanations emerge for the election of Bastos.

First, Bastos might have purchased his shares just before the election but due to a lack of time, the *Direção* of Pernambuco could not inform the *Junta*. Second, Bastos shares could have originated from his marriage. Bastos married the daughter of the former shareholder Manoel Gomes dos Santos (ANTT 327-30; 437-48) in 1766 (Souza, 2012). This way, the absence of Bastos from the election list might be a lack of communication by the *Direção* of Pernambuco (i.e., a mistake) (ANTT 382). Third, the participation of Bastos in the 1768 election could have been a fraud, infringing PPC's Charter. Evidence for the latter two alternatives arises from a letter submitted by some directors of the *Direção* of Pernambuco (among them Manoel Gomes dos Santos) to the *Junta* before the announcement of the elections in which they demanded to stay in office. The *Junta* did not submit the plea to the King because they considered a management change to be a "more decent and decorous" intention for those directors. Moreover, the *Junta* saw a need to name new people for the offices (ANTT 382). After this refusal, Manoel Gomes dos Santos's strategy to maintain his influence at PPC could have been to pass ten shares to his son-in-law.

Santos' kinship ties (see Figure 24)³³¹ reveal that seven, four, and seven out of the nine board members at the *Direção* of Pernambuco emerged from his "family" during the second (first, third) board election. Hence, his family apparently had a great interest in governing PPC in Pernambuco. Indeed, most members elected in 1768 had family or mercantile ties with previous board members of PPC or were re-elected.

³³⁰ Page 149 et. seq. introduces these requirements.

³³¹ Figure 24 pictures all family relationships of Manoel Gomes dos Santos within the *Direção* of Pernambuco of the PPC. Thereby, nodes are individuals and lines are ties of kinship. Red nodes mark family members who were directors at the *Direção of Pernambuco* during the monopoly. Their names and terms of offices are listed within the table below the network.

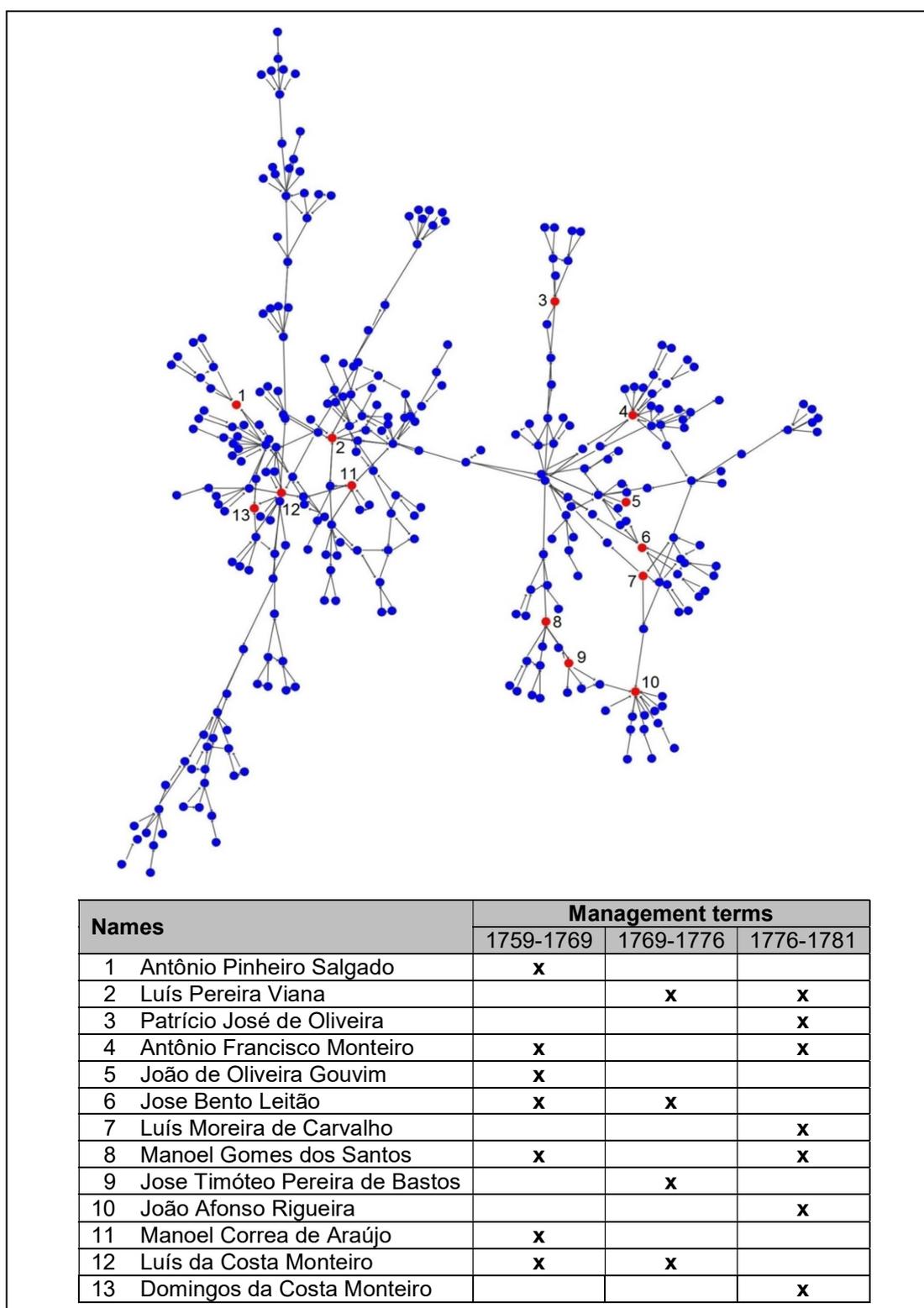


Figure 24 – Ties of kinship of the *Direção* of Pernambuco's thirteen directors

Antônio José Souto, Luís da Costa Monteiro and José Bento Leitão were re-elected in 1768. The latter ended the mandate before 1776 due to family issues (ANTT 382). Peculiarly, his resignation request did not affect his relationship with the PPC. He had

a seat on Board again in 1775, though this time the Board of the *Direção* do Oporto (ANTT 383). Luís Pereira Viana replaced his relative³³² José Bento Leitão. The family issue also caused the re-elected Francisco Xavier Fetal's resignation from the director office at *Direção* of Pernambuco. There was no replacement (ANTT 400).

Four non-mentioned individuals in the second Board of *Direção* of Pernambuco were not part of a previous board (see Figure 23). However, some of them also had family ties with PPC's directors. Manoel Afonso Rigueira was Antônio José Souto's uncle. Henrique Martins was a brother of João Henriques Martins, a director of *Junta* in 1759. Only the elected board members Manoel de Almeida Ferreira e Francisco Carneiro Sampaio did not have any ties to other board members nor did they have previous experiences. Only these can be considered new members of the board of directors.

Finding only two of the ten individuals of the second board at the *Direção* of Pernambuco to be 'new' ones, leads to a turnover rate of 25 percent for that election. As such, the premise of management changes in PPC's Charter cannot be found for that election. Notably, the turnover rate would be 75 percent if family ties were disregarded during the assessment of management changes (see Table 8). The low turnover rate hints that many individuals or groups kept their influence on the Board of the *Direção* of Pernambuco, despite in an indirect manner via elected relatives sometimes.

The election for the third Board of all PPC's business unities was requested by the *Aviso* issued on behalf of the King³³³ by Secretary of State for the Navy and Overseas on May 15, 1775 (ANTT 383).

As soon as the *Aviso* was available, the shareholders began to form alliances. In Lisbon, shareholders José dos Santos Rodrigues, Luís Rodrigues Caldas, Antônio Pinheiro Salgado, Francisco Martins Duarte and João Pedro Lisbon jointly agreed on

³³² Luís Pereira Viana's wife is sister-in-law of José Bento Leitão.

³³³ It was not possible to investigate the election dates for the two PPC units (i.e., *Junta* and *Direção* of Pernambuco). It is merely known that the directors took office at the *Junta* on May 6, 1776 (ANTT 383). The board member of the *Direção* of Pernambuco Board took Office on November, 13, 1776 (AHU_ACL_CU_015, Cx. 125, D. 9490).

Manoel de Freitas Guimarães (Guimarães, hereafter) as their candidate for the board of the *Junta*. Since an application depended on having at least ten shares, they started passing shares to Guimarães, who possessed only a single share he had purchased in 1771 before the Aviso (ANTT 328). By the end of June, his friends had passed on additional six shares (see Table 32). The registers do not allow interfering whether these transactions were ‘simulated’; whether or not Guimarães paid for the new shares could not be verified. Guimarães’s unexpected death interrupted his application before it could actually start.³³⁴

Table 32 – Details on the origin of Manoel de Freitas Guimarães’s shares

Seller name	Date of Sale	Number of shares
José dos Santos Rodrigues	10/06/1775	2
Luís Rodrigues Caldas	10/06/1775	1
Antônio Pinheiro Salgado	22/06/1775	1
Francisco Martins Duarte	22/06/1775	1
João Pedro Lisboa	22/06/1775	1

Note. Data obtained from ANTT 329.

Among the elected individuals for the third Board of the *Junta* (See Appendix A), three were no original shareholders (Francisco Paliart, Bento Alves da Cunha and João Antônio de Amorim Viana). For none of them, any shares purchased could be detected around the election time. The directors Geraldo Venceslau Braamcamp de Almeida Castelo Branco (Geraldo Braamcamp, hereafter) and José Domingues did not have previous experience as a director of PPC. However, they had family and trading ties with former directors. Geraldo Braamcamp was Anselmo José da Cruz’s son-in-law. Anselmo José da Cruz is one of the authors of PPC’s Charter and a member of the first two Boards at the *Junta*. José Domingues had mercantile ties with João Xavier Telles, Gonçalo Ribeiro dos Santos and Bento José de Miranda. All of these are former directors of the *Junta*. Based on these facts, the turnover rate of the *Junta*’s third Board is 42%. Hence, there are no changes if compared to the second election. The turnover rate for the *Junta* shows that individuals without previous experience and family ties or trading ties with former directors had little chance to become a Board of the *Junta*

³³⁴ All these events were unraveled by a letter of the widow, Luisa Teresa Clara da Cunha. In her communication, she had asked PPC to transfer the shares to their former owners. Accordingly, these had “borrowed” them to her husband so he could “accumulate ten shares of the Company to be able to become a director” (ANTT 329, f. m0164). The first record reversal of the borrowing dates to December 22, 1775 (ANTT 329).

Similar to the case Manoel de Freitas Guimarães in Lisbon, the *Direção of Pernambuco* also experienced a case of an individual trying to secure his position in PPC during the third election. In Pernambuco, the attempt was made visible by the Governor José César de Meneses. Meneses sent a letter to the Secretary of State for the Navy and Overseas, Martinho de Melo e Castro on October 27, 1775 (AHU_ACL_CU_015, Cx. 121, D. 9218). Therein, the governor confirmed that Antônio Jose Souto had visited all locally resident shareholders to ask them to vote for him. Besides, Antônio Jose Souto also “sold” ten shares to Jácome Lumachi³³⁵. Souto promised Lumachi a position on the Board of the *Direção of Pernambuco*, which he wanted to arrange based on his friendship with Inácio Pedro Quintela (AHU_ACL_CU_015, Cx. 121, D. 9218). Inácio Pedro Quintela was one of the authors of PPC’s Charter and a member of the first Board of the *Junta*. Apparently, Quintela had maintained his influence on the royal confirmations of elections in the overseas entities despite being without a board position since 1768.

Transferring shares to Jácome Lumachi was beneficial for Antônio José Souto because it increased his number of the vote during the election. The share transfer between Jácome Lumachi and Antônio José Souto emerged in an auxiliary accounting book kept in Lisbon’s accounting department on September 3, 1775 (ANTT 437). Despite all attempts, Antônio Jose Souto was not able to ensure his reelection (see Appendix A). The governor’s letter could thus be interpreted as a successful intervention into the election process. He had raised concerns that the election of Antônio José Souto and Jácome Lumachi would make it impossible to “discover the bad debt” of the firm (AHU_ACL_CU_015, Cx. 121, D. 9218). In the position of directors, they could manipulate the receivables records to their benefit.

All individuals elected to the third board of the *Direção of Pernambuco* (see Appendix A) were original shareholders, except for João Afonso Rigueira and Luís Moreira de Carvalho. The former had become a shareholder in 1772 by buying ten shares from Inácio Pedro Quintela, a former director of the *Junta* (ANTT 447). The latter had become a shareholder through an inventory process in 1773 by being “his wife’s

³³⁵ Jácome Lumachi was Julião Lumachi’s brother, the first bookkeeper at *Direção of Pernambuco* (AHU_ACL_CU_015, Cx. 118, D. 9013; AHU_ACL_CU_015, Cx. 196, D. 13468).

head". Luís Moreira de Carvalho was married to Ana Maria dos Anjos, a niece of João de Oliveira Gouvim (ANTT 439-40).

Four of the elected members had previous positions on the Board of the *Direção of Pernambuco* (i.e., Manoel Gomes dos Santos, Antônio Francisco Monteiro, Francisco Carneiro Sampaio, and Luís Pereira Viana) (see Appendix A).

Another four of the elected board members did not have such previous experience. However, they were relatives of former managers (See Figure 24). (1) Patrício José Oliveira had family ties with João de Oliveira Gouvim, chairman of the first Board of the *Direção of Pernambuco*. Oliveira's wife was the niece of Brás Ferreira Maciel. Maciel's wife, in turn, was the sister of João de Oliveira Gouvim. (2) João Afonso Rigueira had his children married to a daughter of José Timóteo Pereira de Bastos and Luís Moreira de Carvalho. (3) The latter had also been elected to the third Board of the *Direção of Pernambuco*. (4) Domingos da Costa Monteiro's father, Luís da Costa Monteiro, had been a member of the first and second Board of the *Direção of Pernambuco* (see Appendix A).

There was only one elected director (i.e., Antônio José Brandão) who had neither previous experience nor family ties with former director³³⁶. Hence, the turnover rate of the *Direção of Pernambuco* during the third election (*Aviso* of 1775) was 11%. The result is about 50% below the turnover rate during the second election in 1768. These results, obtained for the turnover rate of the *Direção of Pernambuco* under the consideration of previous experience and family ties, underline similar findings of other authors (Andrade, 2013; Araújo, 2012; Ribeiro Júnior, 1972; Silva, 2014). The group of directors of the *Direção of Pernambuco* was indeed restricted to a small group of individuals and their families.

Overall, the low turnover rates at the *Direção of Pernambuco* show that it was nearly impossible for a subject without any previous experience or without family ties to

³³⁶ Antônio José Brandão has mercantile ties with Luís Ferreira de Moura and Miguel Rodrigues Colaço (Souza, 2012) who had kinship ties with the *Direção of Pernambuco*'s thirteen directors. However, there is no evidence in the corporate documents that he had enjoyed any benefit from this mercantile tie for the election process in 1776. All his other mercantile ties collected in accounting books dated after he took the position as director.

former directors to take office at that PPC unit. A comparison of the significance of previous experience and family ties in Pernambuco reveals that family ties were rather more important. This argument arises from a peculiarity of the family networks in Pernambuco. Several families living in Pernambuco formed an extensive family network from which a total of 13 directors arose (see Figure 24). Arguably, any outside subject that had wished to take a director's position at PPC's unity in Pernambuco could have done so most easily by establishing relationships (i.e., family or trade ties) with individuals of that family network³³⁷. Unfortunately, no examples were found to analyze whether certain (i.e., family) connections, such as marriages, were indeed arranged for the mere purpose of gaining access to the PPC.

The organizational rules (elections royal confirmation of the election results and management change, i.e. return rates) could not prevent a group of shareholders from staffing their family members into PPC's board. It applies particularly to the *Direção of Pernambuco* because it had a comparable small number of votes, candidates and functions. The position as a director had turned into a political and social asset of the local merchants (elite). Once in the position, the elites could use their power to divert corporate wealth to themselves, according to their personal enrichment strategies³³⁸. Other firms, such as, for example, the VOC faced similar effects. Exclusive access to board positions for members of the local or provincial oligarchic elite was common at the VOOC between 1602 and 1623 (Gelderblom et al., 2011; Jongh, 2011). Interestingly, the VOC's situation changed after shareholder's activism which resulted in an correcting amendment to the firm's Charter (Gelderblom et al., 2011; Jongh, 2011).

4.2.4.2 Overseas debtors: ties of kinship and trade

Even after the end of PPC's monopoly, being a director of the Company remained an attractive position. According to the governor of Paraíba (i.e., Amaro Joaquim Raposo de Albuquerque), the attraction resulted from the social impact of such a position and the economic benefits that an officeholder could expect

³³⁷ Weddings were a possible bonding alternative (Silva, 2014; Souza, 2007, 2012).

³³⁸ See Araújo (2012), Dias (2014), Silva (2014), and Souza (2007, 2012) for more details about enrichment strategies of the business elite in Pernambuco during the mid-eighteenth century.

(AHU_ACL_CU_014, Cx. 47, D. 3310). Following the governor economic benefits, came from a board members freedom to pursue ‘unlawful interests’ (AHU_ACL_CU_014, Cx. 47, D. 3310, f.0277). Social impact meant that the collection of debt would focus on debtors to whom the directors “had worse will” than on relatives and friends, according to the Governor (AHU_ACL_CU_014, Cx. 47, D. 3310, f.0277).

In the following, PPC’s recollection of receivables shall be subject to a detailed analysis while considering for family and mercantile networks. Necessarily, this discussion must be preceded by a review of PPC’s debtors in the light of such networks.

Family ties were used by PPC to control the receivables, especially during the recollection. The list of debtors with large outstanding amounts produced between 1776 and 1777, for example, reported some individuals by (family) groups (ANTT 383; AHU_ACL_CU_015, Cx. 137, D. 10242). Two of these groups (i.e., the network of the thirteen directors and the Lumachi family) are analyzed hereafter because they and their family ties (a) were very influential for the PPC (the network of the thirteen directors) or (b) could easily affect the company’s accounting system through the accountant (Julião Lumachi).

Belonging to the network of the thirteen directors (see Figure 24) or having a relationship with it facilitated obtaining credit from the PPC. In contrast to other people, individuals within the network of the thirteen directors rarely offered guarantor when lending from PPC. If they offered, they included a family member into their (see Appendix I). Thereby, the individuals within the network of the thirteen directors accumulated 7% of PPC’s total receivables until the beginning of the liquidation.

The kinship ties of the Lumachi family³³⁹ were responsible for 4% of the total receivables (see Figure 25). The network is larger than the Lumachi family as considered by the PPC’s list of debtors from 1780. The PPC’S list (1776/1777) includes only the individuals (1) - (4) shown in Figure 25 (AHU_ACL_CU_015, Cx.

³³⁹ The figure shows the family members of the Lumachi family in blue dots and family relationships in red lines.

137, D. 10242). The others were excluded because the debt value of each one was less than not considered a large (*avultado*) amount.

PPC had obviously trusted family ties to grant credits. The firm, however, was not too keen in managing its receivables. For both family networks above, PPC was not aware of the nets' overall debt. The values recorded within the list of debtors from 1776/1777. Neglecting issues of a more restricted definition of family, this suggests that PPC was not aware of the density of their debtors-networks. In another word, the Company had little control over their outstanding receivables. Arguably, this lack of control transformed the management of the actual levels of collectible receivables into a challenging task. These findings add to the discussion of receivable collections from section 4.2.3.2 (see Figure 22). The extensive family ties within the Company might have hampered PPC's ability to recollect its receivables. In line, there is little evidence that the company also exercised strong peer pressure (Ogilvie, 2011) to realize the receivable in *Direção* of Pernambuco.

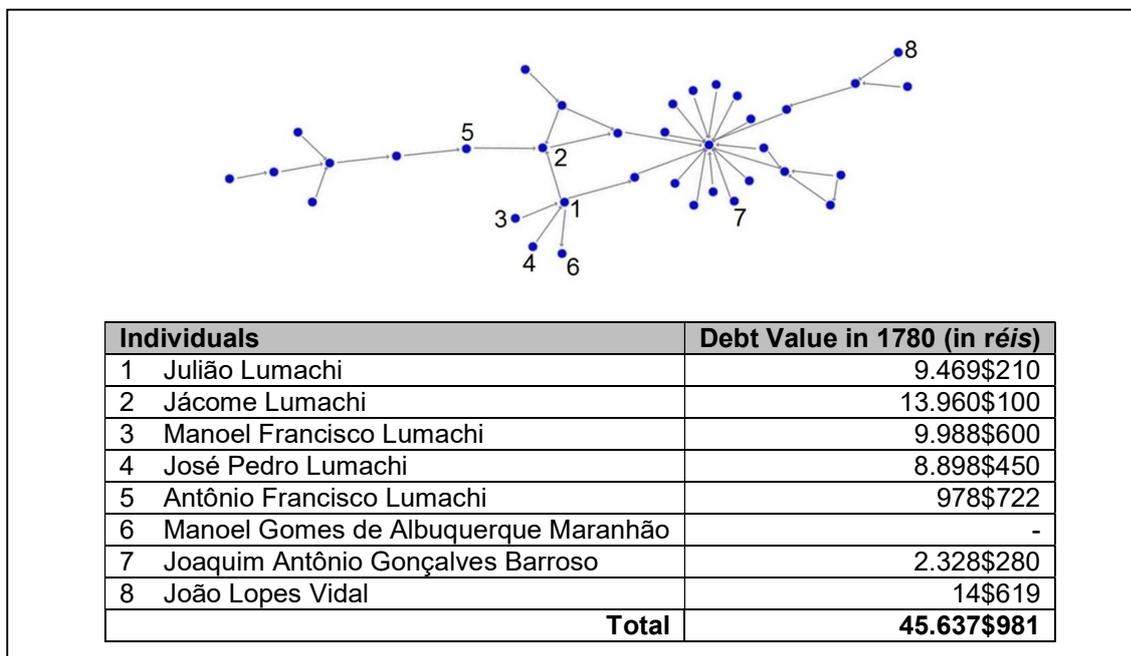


Figure 25 – Lumachi Family's kinship network

The Lumachi family, for example, actually managed to distract from its total debt by transferring debt between family members. These transfers are evident in the accounting ledgers (ANTT 60, 516, 519, 527). The shifts can be exemplified using

the case of Manoel Gomes de Albuquerque Maranhão (number 6 in Figure 25). He was the father in law of Julião Lumachi and turned debtor in 1792 after buying the Miranda sugar mill³⁴⁰ which had been used as a debt guarantee (ANTT 527; AHU_Cód. 1898). The transfer postponed or altered the payment conditions associated with the debt guarantee for the debtor (Caldeira, 1999). For the PPC, the transfer was negative since it hampered the recollection of debt and thereby prolonged the liquidation.

Besides, much other of the directors from the liquidation period as well as their family members can even be found in the list of debtors produced by the PPC in 1830 (ANTT 381). Given the presented analyses, it appears plausible to assume that these individuals' interest in social status and economic benefits for them and their families suppressed their duties for the PPC. Hence, finding their names on the debtors list of 1830 suggests that the directors from the liquidation had little interest in pursuing their tasks of recollecting outstanding debts. The debtors' list also contains names of directors who had served PPC during the monopoly (see Appendix J) and who had enabled the access of their successors to the PPC boards. Therefore, this thesis believes that the family and trade ties (between directors and debtors) hampered recollecting the Company's receivables during the liquidation, especially in the overseas entities of the PPC. The results underline arguments by Gouvea (2010) who attributes benefits within business relations between networks and firms to the networks and their individual members. In contrast, the above findings contradict Ogilvie (2011). In the view of that author, transactions with closely knit networks can reduce a company's risk (Ogilvie, 2011). Theoretically, firms should be able to use the kinship ties to put pressure on their business partners to prevent them from breaking contracts (Ogilvie, 2011). Under the impression of the findings from PPC, Ogilvie's arguments must be restricted to situations in which a company's employees have either little private interests or high levels of dignity.

Similarly, guarantor relationship – a common mercantile tie at PPC – did not have the fraud avoiding (i.e. contract enforcing) effect suggested by Ogilvie (2011).

³⁴⁰ It was not possible to identify the debt amount.

Guarantor relationships were extensively mentioned in the PPC documents (AHU_ACL_CU_015, Cx. 137, D. 10242). The presentation of a guarantor while engaging into a credit contract with PPC served as a guarantee for the company. According to the Filipinas Ordinances³⁴¹, the PPC could approach the guarantor if the wealth of the principal debtor were insufficient for debt settlement. A guarantor made himself responsible for the debt payment of a debtor for the creditor (i.e., PPC). As such, many individuals interested in a credit depended on a trust-relationship between his creditor and his guarantor. Family, trade or social ties helped to establish such trust relationships.

The data on guarantor relationship collected in the accounting ledgers of the PPC is presented in Figure 26. Therein, individuals are pictured as blue dots and guarantor relationships as green lines. Guarantor relations used for illustrative purposes hereafter are colored in red. Note that the limited number of guarantor relationships in the left part of the figure is due to a lack of according information. Especially the accounting ledgers in Lisbon rarely included guarantor relationships. Therefore, the subsequent analysis is restricted to overseas examples.

The analysis suggests that the PPC had lost control over the guarantor relations as a tool to guarantee its credits. A single individual could serve as a guarantor for various other debtors. The overall debt the guarantor guaranteed could thereby exceed his/her original debt in the company. The case of João Cavalcante de Albuquerque (number two as Example A Figure 26) exemplifies such a situation. In 1780, Albuquerque owed 1.820\$040 réis. Moreover, he acted as a guarantor for no less than fifteen individuals. Because these individuals joint debt in the PPC was another 2.479\$341 réis, Albuquerque was actually responsible for more than the double of his own debt. The list of debtors maintained by PPC hid these interrelations. The focus of the list was the principal debtor (*afiançado*) and its debt. The PPC did not have a list for guarantors and the total amount of his responsibility.

This control focus allowed debtors to establish guarantors-chains. An illustration of such a chain is pictured as Example A in Figure 26. The chain starts with the

³⁴¹ Book IV, Title LIX. Available < <http://www1.ci.uc.pt/ihti/proj/filipinas/l4p855.htm>>

merchant Joaquim Ribeiro dos Santos (number 1) who acted as a guarantor for six other individuals. Among them was João Cavalcante de Albuquerque (number 2). This latter had also turned into a guarantor of another fifteen individuals, after being regarded as a trustworthy person by the PPC. Of these fifteen, the figure shows two individuals (numbers 3 and 4) who had, after turning debtors of the PPC, also offered others to act as guarantor. Overall, the entire chain was responsible for three percent of PPC's receivables in 1780 (i.e., 1.148.398\$605 *réis*). It can be concluded that the instrument of guarantor relationship turned into a tool for the local trade elites to retrieve credits from the PPC, considering these chains of guarantors. Thereby, it had lost its original purpose of guaranteeing PPC's ability to recollect its receivables.

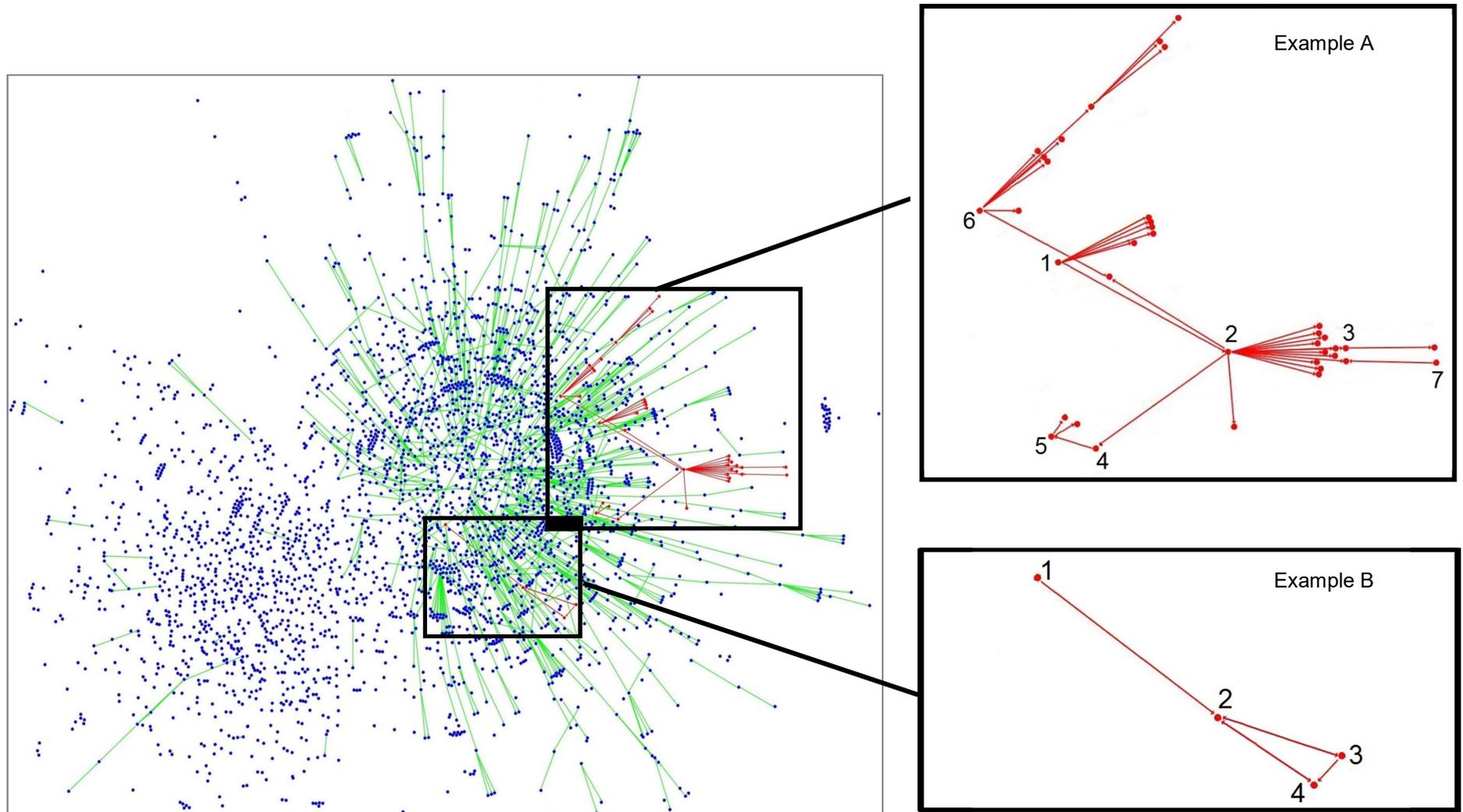


Figure 26 – Guarantor relationship between PPC's stakeholders.

If the PPC had managed the guarantor relationship more profoundly, it might have raised potential problems regarding the ability to recollect its receivables more easily. The fragility of the guarantees beyond its receivables would have been more visible. The PPC apparently demanded for a second guarantor as a complementary measure to guarantee its receivables. A second relationship (i.e. two guarantors) can regularly be found in the PPC's accounting documents. However, this procedure was of little efficiency in the absence of the analysis of the financial conditions of the guarantor. Antônio José Cavalcante, for example, presented his father João Cavalcante de Albuquerque (number 2 in example A of Figure 26), and Gonçalo Francisco Xavier Cavalcante (number 6 in example A of Figure 26) when asking for credit in 1776. At that time, Gonçalo already served as a guarantor for three additional persons.

The existence of circles of guarantors is another example demonstrating the fragility of guarantor relationship as an instrument to guarantee the recollection of receivables. Example B in Figure 26 illustrates such a circle. Circles make it essentially impossible to define who is responsible for the debt of the involved individuals. In an attempt to realize the receivable, the PPC contacted all individuals involved with the receivable relying on the joint responsibility of the guarantor and principal debtor.

Example B illustrates the guarantor relationship circle of Antônio Pinheiro Salgado (number 1). Salgado became a guarantor of the captain Alexandre da Costa Monteiro (number 2) in 1764 while being a member of the first board of the *Direção of Pernambuco* (ANTT 514). Two years later (1766), the accounting books reveal (ANTT 516), Monteiro had already become the guarantor of the priest Reinaldo Dias dos Reis (number 3). In 1769, an additional guarantor relationship of the latter two individuals was recorded. However, this time, Reinaldo Dias dos Reis engaged himself as a guarantor of Alexandre da Costa Monteiro³⁴² (ANTT 518). Similarly, Alexandre da Costa Monteiro (number 2) and the priest Inácio Xavier da Costa (number 4) also engaged into a mutual guarantor relationship between 1776 and 1780 (ANTT 520, 524). In 1781, Reinaldo Dias dos Reis (number 3) attended to the *Direção of Pernambuco* (ANTT 524) and said he was responsible for his debt, the

³⁴² In 1780 both, Reis and Monteiro shared a joint account at PPC (ANTT 524).

Monteiro's debt (number 2) and the Costa's debt (number 4). Thereby, Reis (number 3) closed the guarantor-circle between himself, Monteiro (number 2) and da Costa (number 4). Peculiarly, the presented example B can be linked to kinship ties of the thirteen directors (see Figure 24).

The individuals from Figure 24 linked with the individuals from example B through guarantor-chains³⁴³. Adding to the debt of the individuals within the family network of the thirteen directors (i.e., seven percent of the receivables) the debt of non-family members associated with the network via guarantor relationship results in a total of about 110.862\$038 réis³⁴⁴ in receivables. In other words, no less than 10 percent of the PPC's receivables in 1780 arose from the extended network of the thirteen directors.

Hence, besides the lack of control over its debtors, PPC also missed managing the guarantor ties among its stakeholders. The note "there was no information on debtors or guarantors" from the list of receivables (ANTT 381, f.m0144) exemplifies this interpretation. Apparently, the directors responsible for the liquidation insisted that all receivables were collectible and refused to recognize bad debt. With the time passing by and the lack of effective debt collection mechanisms and the loss of control over its stakeholder ties, deferred the liquidation of the company.

4.2.4.3 Summary and conclusion

The observance of the provision for director's turnover (i.e., *Junta* and *Direção of Pernambuco*) was put under review in this subsection after preliminary consideration (4.2.2.1). At the time, the calculation of the turnover rate was accomplished by adjusting Greene's (1994) formula. Individuals who had previous experience in the *Junta* were not considered "new members". Based on this criterion, both units (i.e., *Junta* and *Direção of Pernambuco*) presented rates higher than 50 percent (see

³⁴³ Example B was not the only relationship of guardorship linked with the family illustrated in Figure 24. Many additional debtors were identified in the accounting documents which, despite being no member of the family, had a guarantor within that family or were included within a guarantorship-chain linked to Figure 24.

³⁴⁴ For some of the individual debtors within the discussed network the value of their debt could not be found in the accounting documents.

Table 8). This result confirmed the observance of the director's turnover in both units in the different elections.

However, the previous formula let the effect of ties between the elected in turnover rate slip. The objective of the analysis in this subsection was to verify whether the inclusion of ties in the new member definition would a cause change in each unit turnover rate. For purposes of this second calculation, it was considered a new member the person who did not have previous experience on the Board, neither parental nor mercantile ties to former directors. The verified numbers proved that the rotation principle of Board members was not followed in both analyzed units during the two elections (i.e., 1768 and 1775). All the calculated rates were lower than 50 percent. Some members of the first Board in each unit remained in office until the next election or elected relatives and friends for the positions. This situation was most critical in the *Direção of Pernambuco*, where the number of voters and eligible candidates was lower than in the *Junta*.

Poorly formulated rules and the lack of control over the electoral process contributed to the non-compliance of the rotation principle of the Board members. For example, the *Diretório Econômico* did not set a deadline for verification of voter status or eligibility of each shareholder before each election. Each Board chairman had control powers over the electoral process, which could also be competing directly or indirectly, because of the application of family or friends, to positions in the election. Maintaining the position was important because of the profit it provided to network members. A similar behavior is also attributed to other majestic European companies in the literature (Dibadj, 2011; Gelderblom et al., 2011; Jongh, 2011; Koppell, 2011; Philips, 1961).

The verified result in the PPC related to the turnover is not unique to itself. Even with more strict electoral rules, Philips (1961) states that the directors of the EIC managed to maintain their seats on the Board of EIC. These results demonstrate how the position of director of majestic European companies was necessary for merchants as enrichment and social ascent strategy by the profits they provided for the holder of the office itself and the members of his/her network of kinship and friendship. These benefits justified circumventing the rules. This finding highlights the importance of

relational analysis to the issue of rotation within the Boards (Imizcoz Beunza, 1996, 2004, 2009).

During the liquidation period, the rotation period was completely forgotten. The directorship became a lifetime appointment. The permanence for several years in office paid officers of the Lisbon unit a high income, the sum of which was greater than the amount they had invested in PPC stocks³⁴⁵. In the absence of high wages, Pernambuco unit's officers' profits came from the non-collection of receivables from individuals who had parental or commercial ties. Both cases were harmful to the liquidation process.

The family is an important economic institution since before the so-called medieval commercial revolution (Ogilvie, 2011). Corporate documents showed that the company transacted (i.e., credit granting) with a circle of trust overseas (i.e., family members and friends). However, the PPC case suggests that the family concept was not used to control the debt situation of the group, performing as a lock for access to more credit for example. It shows, too, that the family did not serve as an enforcement instrument on those who defaulted on contracts. The directors of the *Direção* of Pernambuco did not exert pressure on one another from their circle of kin and friends to ensure the realization of receivables. The moral obligation from the tie overcame the director's obligation with the PPC businesses. It certainly harmed the liquidation progress that depended on the realization.

The PPC also requested a guarantor as collateral for the credit-granting. However, there was a lack of control of total debt secured by the same guarantor, which caused the loss of enforcement power. This procedure confirms Marques' (2009, 2010) position. According to her, the PPC would have granted credit towards fragile criteria and without sufficient guarantees. The loss of guarantee certainly impaired the liquidation progress that depended on the realization. However, it is worth noting that what neutralized the effectiveness of family and guarantors, as an enforcement instrument, was the interest of directors who did not lead the PPC with the expected diligence. The fact that these mechanisms persist currently in use by merchants

³⁴⁵ See page 202.

attests that they are effective despite the potential losses that they can also produce. Regarding this issue, this dissertation confirms Ogilvie's (2011) opinion.

According to Pedreira (1995), Lisbon traders were subject to conviction by the Board of Trade for lack of diligence in conducting the business. The author even mentions, the conviction, in 1788, of Antônio Martins Bastos³⁴⁶, who sold tobacco to a buyer who was bankrupt (Pedreira, 1995). In this sale, the convict was acting as a merchant from Bahia (Pedreira, 1995). The data collected in PPC's accounting books also show the director's lack of diligence while conducting business. However, it is likely that the independence principle guaranteed by the Charter have saved the directors of the PPC from similar convictions.

³⁴⁶ He was an original shareholder of the PPC.

5 CONCLUSION

This dissertation investigated the dynamics, rationales and context of accounting practices in a pre-industrial setting. By focusing on the particular case of the General Company of Pernambuco and Paraíba (PPC), the examination could analyze a firm's entire lifecycle (from the birth until decline). The PPC was a privately owned Portuguese company whose monopolistic trading privilege was granted by the Portuguese Crown in 1759 and suspended in 1780. Between the removal of the monopoly rights and 1813, the company 'got stuck' in a liquidation process despite using double-entry bookkeeping (DEB). DEB was regarded the accounting method for the perfect merchant at that time. Given this situation, this study aims to answer the following research question: **How and why did the PPC's liquidation process stretch for so long?**

Based on the premise that accounting cannot be isolated from the organizational setting in which it plays a role, the dissertation analyzed four context issues to answer the research question. The issues were (1) the relationship between the PPC and the Portuguese Crown, (2) the organizational structure of the PPC, (3) the accounting system of the PPC and (4) the ties between PPC's stakeholders. The dissertation shows how and why each factor evolved over time and contributed to the delay in the PPC's liquidation process. The examination relies upon different archival sources, including the surviving corporate books (i.e., accounting and administrative) prepared at two of PPC's business units (i.e., *Junta* and *Direção* of Pernambuco), and other documents from contemporary public institutions and authors. The applied research design was a case study, and the dissertation is grounded in New Accounting History as its conceptual basis (i.e., accounting as a practice is perceived as being influenced by the environment while, at the same time, accounting influences its environment).

This chapter summarizes the main findings of the dissertation and concludes on their implications. Moreover, the chapter also addresses opportunities for future research.

The relationship between the PPC and the Portuguese Crown

The analysis of the relationship between the PPC and the Crown discussed the role of the crown, the consultation mechanism, and the independence provision.

Between 1759 and 1813, the Crown was the “head” of the company rather than the PPC’s shareholders. The Crown had the power to alter any corporate rules at any time or to decide about the company’s business expansion, employees of all hierarchical positions (i.e., remuneration and punishment), and changes to capital (owners’ funds). The Crown modeled the PPC inspired by the structure of its institutions. However, it would be unsuitable to claim that PPC was primarily a royal corporation. The Crown granted existence to the PPC and gave it an “aura of public agent”, but PPC’s development depended crucially on the actions of its board members (i.e., a group of wealthy investors). The Crown exercised merely a remote control over these Boards, which were responsible for managing the everyday activities. This setting was common in Portuguese public institutions. It also allowed the directors to manage the PPC in the way that seemed best to them. These ways did not always imply the best for the Company or the majority of its shareholders. The independence provision, granted by the Charter, and an absence of effective shareholder control increased the autonomy of the PPC’s directors to direct the firm for their private interests.

During the monopoly phase, the independence provision also ensured the PPC protection from outside intervention, essentially from agents or institutions of the Crown’s administration. The provision applied to the Company’s management and accountability. Despite the seeming shield, the *Junta* always sought to maintain close contact with the overseas agents. However, the case of the governor Manoel da Cunha Meneses showed that the cordiality between the PPC and overseas agents relied on the harmony of opinions and interests of both parties. The independence of external interference changed before the end of the monopoly when the *Junta* could not enforce its authority to the *Direção* of Pernambuco. The PPC Charter was not amended. Instead, the Crown granted additional social actors with authority to interfere in the Company’s internal affairs. With the beginning of the liquidation process, these external authorities increased. At the same time, the Crown’s interest in the firm started fading. The Crown started taking considerably more time to answer

the institutionalized corporate consultations (i.e., as demonstrated by the analysis of the waiting time), once the PPC was no longer an instrument of economic policy (i.e., after 1780).

The interference of additional agents in internal matters must be evaluated carefully. These new individuals also had private interests that could not coincide with the benefit of the company. The lack of documents hindered an effective assessment of how the new agents and their successors affected the liquidation process. However, the accounting numbers showed that the receivables collection plan proposed by the governors and the local directors of the company did not materialize. Besides, even the Captain-major of the captaincy of Paraíba was in debt with the PPC but might keep his case off the radar – his name did not appear on the list of overseas debtors.

It is not possible to state that if the Charter had placed more power over internal decisions in the hands of the majority of owners, the situation of the PPC would have been different during the monopoly phase or the liquidation. Other European chartered companies had corporate structures that were more permissive for shareholders (e.g., VOC and EIC). Nevertheless, they were also subject to corporate abuses by directors, and shareholder activist constantly tried to change the internal power equilibrium. However, granting greater influence to shareholders would have empowered individuals who were interested in avoiding director's moral hazard during the monopoly and, to recover the invested money, the nimbleness of the liquidation process. At the beginning of the liquidation process, the Crown was apparently more open to the possibility of expanding the rights of (minority) shareholders. However, since shareholder activism at that time was characterized by a very small representativeness and relied upon fraudulent signatures on their letters, activists remained of little influence.

Overall, the Crown clearly affected the delay in the liquidation process largely. The royal order (i.e., Aviso of December 11, 1780) on the liquidation was ambivalent. The order to liquidate the PPC was consented with the authorization to undertake new business activities. Therefore, between 1781 and 1787 both activities could be carried out. Indeed, the realization of new business transactions was financially more attractive for the directors than the liquidation process due to the firm's remuneration

policies. For this reason, this dissertation argues that the years 1780 to 1787 must be seen as a transition period in the liquidation process. The first pronouncement of the Portuguese Crown with the clear order to liquidate was the Decree of 1787, which states that all company's efforts must be directed exclusively towards the liquidation process. Thus, the first six years delay was based on the ambivalence of the 1780 crown decision. Moreover, the subsequent royal seizure of some PPC's most valuable resources (e.g., ships, warehouses, and headquarter) also had a direct impact on the liquidation. The seizures reduced the amount of resources that could be converted into cash to repay the firm's debt and equity.

The organizational structure

The analysis of the organizational structure of the PPC focused on the physical boundaries and responsibility of its business units; the roles, power, and authority of firm's officers, mainly the board members; as well as the remuneration and sanction systems.

The PPC had a business unit in each city of commercial interest. The central body of the hierarchy was the *Junta* in Lisbon, which determined the firm's actions and corporate direction. Besides, the Charter prescribed the existence of two subordinate units, called *Direções*, located in Pernambuco (a Portuguese Atlantic possession) and Oporto (in Portugal). The idealized organizational structure was based on the assumption that the operational cohesion depended on the centrality of power and authority in the *Junta*. However, during the period between 1759 and 1780, the firm's organizational structure differed from these written rules.

Apparently, the *Junta* could not enforce its orders to the *Direção* of Pernambuco. The lack of cohesion in the Company could be attributed to weak rules on remuneration and sanctions in the Charter. The *Junta* and *Direções* had almost the same standards of board composition and nomination. Merely on remuneration, the *Direções* were treated differently. The *Direção* located in the Kingdom (i.e., Oporto) received the same compensation rules than the *Junta* while the *Direção* situated in the Atlantic possession had distinct and less favorable rules for its directors. Moreover, the directors seemed to be immune to punishment, and the organizational

regulation did not prescribe collective sanctions in the case of insubordination of business units.

In the inception of the liquidation process, the *Aviso* of 1780 tried to restore the centrality premise with new rules (i.e., a variable pay scheme for *Direções*, independence of *Administração* of Paraíba, and the right to dismiss to the *Junta*). However, these new rules lost force due to the ambivalence of the 1780 royal *Aviso* about the authorized activities during the liquidation.

Despite changes, the compensation system did not encourage the directors to work towards the liquidation. The directors of the *Junta* began to earn a fixed salary, which motivated them to remain in office as long as possible. By doing so, they could enjoy a double advantage: a high salary and more opportunity to trade for their benefit. The amount received by each director during the period in office was greater than the amount they had in shares of the company. It appears that the seat on the Board of the *Junta* during the liquidation yields an “early reimbursement” of the amount invested in shares to each director.

The directors in Pernambuco continued to receive a variable pay, but with a different basis for calculation, which did not encourage their efforts to collecting debts (i.e., a critical aspect for the liquidation of that unit). From the position of their commission, the directors in the *Direção* of Pernambuco were encouraged to focus their efforts more on selling goods than on the realization of receivables. Moreover, for some directors, the non-collection of receivables from individuals who had parental or commercial ties could also be understood as an indirect form of earnings. They preferred to maintain or to enforce their social bonds. Both cases were harmful to the liquidation process.

The resolution of all these agency problems was not in the dissolution of units, as recommended by one of PPC's shareholder. Instead, the PPC could have, following the examples of other European chartered companies (e.g., VOC, EIC, and FEIC), limited the problems through the redefinition of organizational rules combined with a more effective corporate control (i.e. corporate governance). Changing the rules remains without effect if agents do not obey them.

By order of the Queen, the private court of the PPC changed at the beginning of the liquidation process. The modifications affected the *Junta* and the *Direção* of Pernambuco differently. In Lisbon, the position of a private judge should be filled by a magistrate from the *Casa do Cível* instead of *Casa de Suplicação*. This change was negative to the liquidation process because the *Casa do Cível* had less experienced judges with a general reputation for a badly overburdened docket and an extremely slow process of litigation. It is important to stress that the private court in Lisbon worked as the court of appeal in the organization structure. The position of private judge in the *Direção* of Pernambuco endured a reverse movement comparing to the *Junta*. A more experienced local magistrate (i.e., *ouvidor*) was appointed to the position of private judge. The realization of the large part of receivables depended on the private judge. As such, this change had a positive effect on the liquidation process.

Despite contrary examples (the judge in Pernambuco), the organizational rules were, in the majority, unfavorable for the liquidation process. Especially the lack of punishments for director's fraud and the doubtful incentive systems (i.e. remuneration policies) had their share in the delay of the liquidation process.

The accounting system

The analysis of the accounting system of the PPC presented the technical practice of accounting (i.e., the recordkeeping function) and the rationales beyond the accounts. Furthermore, the analysis demonstrated the issues to which accounting gave visibility and significance within PPC's financial statements and the ways in which the company was embedded in accounting practices.

The decision of establishing a specific accounting system in the PPC was not only the external imposition by the State Secretary, who promoted PPC's set up (Pombal). Rather, the use of DEB also appears to rely upon a conscious decision of some shareholders to show their notion of reciprocity. These PPC shareholders, which were responsible for the design of the organizational regiments, can be seen as collaborators of Pombal. Since most of them were appointed to the firm's first board,

they arguably enjoyed Pombal's direct and indirect assistance in making their fortunes. Therefore, the inclusion of the mandatory use of DEB in the *Directorio Econômico* also appears as the way directors return the support received from Pombal. By saying so, this dissertation is not stating that the use of DEB did not rely heavily on Pombal. His fall from power correlates with the disappearance of thorough bookkeeping in the Company. After Pombal's fall, a lack of complete records and the not issued of balance sheets became reality at PPC (around 1777).

The tendency of little care in the maintenance of accounts starting in 1777 also characterized the liquidation process. Regardless this lack of zeal, it was remarkable to find the entity and dual-aspect concepts as well as the balance between debits and credits to characterize PPC's accounting books at all times. Thus, the problem with the accounting practice at the PPC was not DEB as a method itself. Instead, the way in which the Company (i.e., its directors) used and adopted the rationales of DEB's abstract items to form the firm's accounting practices was somehow problematic. Due to their doings, the company, for instance, lost the control over the economic and financial situation. As such, there was a delay in the payment of the profit distributions and the reimbursement of invested capital to shareholders.

As indicated, the PPC used some accounts (i.e., receivables, noncurrent effects, gains, and commissions) applying different rationales than indicated in the coeval literature. Receivables were not evaluated at the end of the accounting period for the possibility of recoverability. Thus, values with uncertain realization led to the overvaluation of this item in the balance sheet. Regarding the non-current assets, the Company did not record the consumption of these items over their lifetime. The consequence, in this case, was similar to the receivables (overvaluation). Moreover, the departure of a ship was used as the critical event for revenue recognition (trade activities) and the payout of director's commission. This practice also impacted on the profit distribution. Paying out non-realized profits threatened the company's liquidity. This dissertation argues that the adoption of the departure of the ship as the critical event was due to the interest of directors. They were interested in an early receipt of their commissions and profit shares.

According to the coeval literature, any earlier recognition of gains and commissions should be labeled as “arbitrary”. The probable benefits were neither liquid nor were their collection guaranteed. The early recognition of gains of the commercial activity compromised the capital maintenance that was the basis the accounting practice of PPC. The analysis of estimated gains and subsequent adjusts of trade activity verified that at the end of 1780 more than a fifth of the value kept in the accumulated profit account in the balance sheet of 1775 had no guaranteed recoverability. The financial conversion of gains recognized by estimates generally would take up to four years and, when it happened, the value was below the estimate.

The distortion brought by the receivables combined with the extended period of financial conversion of gains recognized by estimates delayed the liquidation process. The PPC insisted on collecting the receivables instead of recognizing the loss incurred.

In line with the above arguments on PPC’s way of using DEB, the analysis also revealed differences in the recordkeeping of PPC’s two accounting departments (i.e., in Lisbon and Pernambuco), which both followed DEB. The observed differences did not create significant problems for the daily accounting practice at each unit. However, this dissertation finds the accounting practice of the *Direção* of Pernambuco to be more suitable for the PPC. The system provided better visibility about individuals (i.e., debtor and creditors) and their relationships (e.g., in the cession of credit). This information was interesting during the monopoly but was crucial for the progress of the liquidation activities. Since the receivables account represented the highest amount to convert into cash during the liquidation, being able to manage the owing individuals was very urgent. These accounting practices in Pernambuco, however, could not counterbalance the drawbacks within the current asset accounts, receivable accounts, and revenue recognition. Overall, PPC’s way of using its DEB system lost its function of accountability and hampered the activities of the liquidation process.

The authorization for trading granted by the Crown after the monopoly further worsened this scenario. The end of the liquidation depended not only on the realization of operations that occurred before the end of monopoly. Instead, the

accounting numbers of the new negotiations were to be liquidated as well. Therefore, PPC had to await the economic and financial benefits of these new transactions. Remark that it is impossible to deny that the new negotiations made during the free trade phase have positive effect on the firm. They helped in the payment of creditors and shareholders. Given the overvaluation of current assets and receivables, one might even argue that the funds generated by the new business activities after the monopoly facilitated the liquidation process.

Finally, the reimbursement of share value was also problematic. The payment priority stated in the Charter was not followed due to lack of control on shareholder information. The directors did not exert diligent efforts on seeking shareholders. They simply waited shareholder's appearance in Lisbon to be refunded. Considering director's fixed salaries, this waiting time quite costly. Moreover, the funds not recollected by shareholders remained unavailable for those shareholders that showed an actual interest in reimbursement. This procedure slowed down the liquidation. Until 1813, shareholders received, at most, 50 percent of the nominal value of their stocks.

Ties between PPC's stakeholders

The analysis of the ties between PPC's stakeholders had two focuses: directors' turnover and PPC lending activities.

The rotation of directors was a premise in the PPC's Charter. In the eighteenth century, this corporate policy was already seen as a mechanism to limit agency problems. This dissertation analyzed the matter on two distinct occasions. The chapter concerning organizational rules explored the rotation of directors during the monopoly with the calculation of a turnover rate based on Greene's (1994) formula and an adjustment in the definition of "new members" proposed by Greene. The results confirmed the director's turnover in both units (i.e., *Junta* and *Direção* of Pernambuco) during PPC's board elections (i.e., 1768 and 1775). The calculated rates were higher than 50 percent.

Despite the objectivity of Greene's formula, the mentioned results disregarded a feature of the time and space in which the PPC operated, namely ties between individuals. For this reason, the chapter on family and trade ties detailed the analysis of the director rotation. For the second calculation, the board rotation was restricted to new board members without previous experience on the Board and parental or mercantile ties to former directors. In this scenario, the rotation principle of Board members was not fulfilled in both analyzed units during the two elections. All the calculated rates were below 50 percent. Some members of the first Board in each unit remained in office until the next election or were substituted by relatives and friends. This situation was most critical in the *Direção of Pernambuco*, where the number of voters and eligible candidates was lower than in the *Junta*. During the liquidation period, the rotation was completely withdrawn. The directorship became a lifetime appointment.

A seat on the Board of the PPC was financially attractive for the holder of the office as well as for the members of his network of kinship and friendship. This statement is true for the monopoly and the liquidation. The earnings extracted from the compensation scheme could be multiplied by the lack of internal and external control over the director's actions (i.e., moral hazard or fraud). The remote monitoring exercised by the "head" of the Company (the crown) was inefficient to prevent the directors from abusing corporate rules (e.g., remunerating themselves through related-party transactions, and changing rationales of accounting items) for their benefit. A similar behavior is also evident at other royal European companies (e.g., VOC, EIC, and FEIC). Arguably, the low rotation of directors must be seen as directors' attempts to maximize their private rents (financial and social wealth). In line with the conclusions drawn in the previous paragraphs (e.g. numeration), this suggests that the directors had little interest in liquidating the company. The length of Directors' office terms had a share in the delay of the liquidation.

Regarding the lending activities, the corporate documents showed that the PPC negotiated with a circle of trust (i.e., family members and friends), especially in the overseas units. These family concepts, it appears, were not used to control the debt situation of the kinship members (e.g., operating as a lock for access to more credit). Kinship also did not serve as an enforcement instrument on those who were at risk to

default their contracts. Instead, it appears that the ties between debtors and directors of the company ensured the social status of the involved individuals. The directors of the *Direção* of Pernambuco, for example, did not exert pressure aiming at the realization of receivables on individuals from their circle of kin and friends. The social obligation from the tie overcame the director's obligation with the PPC businesses. It certainly harmed the liquidation progress that depended on the realization of the firm's effects.

Valuing kinship and family ties over the company's wealth also affected the efficiency of a legal enforcement mechanism requested by the PPC for the credit-granting (guarantor). During the monopoly, the firm's management of debtors focused on the principal debtor and its debt. The PPC did not control for guarantor networks. As a result, a single individual could serve as a guarantor for various other debtors. The overall debt the guarantor guaranteed could thereby exceed his/her original debt in the PPC by far. Thereby, the PPC granted credit based on fragile criteria and without sufficient guarantees. In the liquidation, when the company needed to convert the receivables into cash, the lack of guarantees probably caused additional delay.

In conclusion, it can be said that the long lasting liquidation process at the PPC had no single cause. Of course, the long accused accounting system had their fair share in the delay. However, accounting practices such as DEB cannot be regarded as the only reason for the delay. The role of the Portuguese Crown, the PPC's organizational rules, and the ties between the firm's stakeholders were involved. The findings of this thesis actually suggest that any attempt to identify a singly responsible for the delay in PPC's liquidation remains preposterous. The analyzed issues already prove too heavily interwoven to crystallize a major cause. Thus, future analysis can probably add complementing explanations.

Opportunities for future research

This thesis analyzed on four issues that affected the working and liquidation of the PPC. All of them proved important to understand PPC business practices as well as the delayed liquidation. Nevertheless, the presented results merit future research to elaborate on the exhaustiveness of the presented explanations. Moreover, the

appearance of additional data sources on the PPC within the archives could be used to complement the findings of this study.

(1) According to its Charter, the PPC was a firm dedicated to trade and navigation. In performing these activities, the movement of bills of exchange was inevitable. As discussed throughout Subsection 4.2.3.1, the PPC even had the opportunity to benefit from paying a bill of exchange before its due date. Hence, the amount of available data in the PPC's accounting books on bills of exchange could be used to understand the financial circuits of the Portuguese Empire. Whether or not PPC must be seen as one of the Portuguese empires earliest banks merits a detailed analysis.

(2) The accounting books recorded by the *Direção* of Pernambuco contain valuable data (e.g., residence, race, credit given by PPC, payments forms, purchased products, relation with third parties) about the "small economy agents" such as *vendilhão* (peddler), carpenters, and *boticários* (apothecaries). This information would help to understand the economic dynamics of these small agents in the captaincy of Pernambuco and its attached captaincies. The analyses could clarify the historical and economic development of Brazil.

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APPENDIX A

Boards' composition during the monopoly: *Junta*, *Direção* of Oporto, and *Direção* of Pernambuco

Unit	Members	Positions		
		First Board	Second Board	Third Board
Junta (Lisbon)	José Rodrigues Bandeira	<i>Provedor</i>	-	<i>Conselheiro</i>
	José Francisco da Cruz	<i>Deputado^a</i>	-	-
	João Henriques Martins	<i>Deputado</i>	-	-
	José da Silva Leque	<i>Deputado</i>	<i>Deputado</i>	-
	Manoel Pereira de Faria	<i>Deputado</i>	-	-
	João Xavier Telles	<i>Deputado</i>	<i>Deputado^a</i>	-
	Policarpo José Machado	<i>Deputado</i>	<i>Provedor</i>	<i>Conselheiro</i>
	Manoel Antônio Pereira	<i>Deputado</i>	-	-
	Inácio Pedro Quintela	<i>Deputado</i>	-	-
	Anselmo José da Cruz	<i>Deputado</i>	<i>Conselheiro</i>	-
	Felix Teixeira de Matos	<i>Deputado</i>	-	-
	Paulo Jorge	<i>Conselheiro</i>	-	-
	João Rodrigues Caldas	<i>Conselheiro</i>	-	-
	Estevão José de Almeida	<i>Conselheiro</i>	-	-
	Teotônio Gomes de Carvalho	-	<i>Deputado</i>	<i>Deputado^a</i>
	Francisco Nicolau Roncon	-	<i>Deputado</i>	-
	Gonçalo Ribeiro dos Santos	-	<i>Deputado</i>	-
	Manoel Caetano de Mello	-	<i>Deputado</i>	<i>Deputado</i>
	Francisco Manoel Calvet	-	<i>Deputado</i>	-
	José Soares de Andrade	-	<i>Deputado</i>	-
	Bento José de Miranda	-	<i>Deputado</i>	-
	Mauricio José Cremer Van Zeller	-	<i>Deputado</i>	<i>Provedor</i>
	Francisco José Lopes	-	<i>Conselheiro</i>	-
	Francisco Paliart	-	<i>Conselheiro</i>	<i>Deputado</i>
	Geraldo Venceslau Braamcamp de A. C. Branco	-	-	<i>Deputado</i>
	José Dominguez	-	-	<i>Deputado</i>
	Bento Alves da Cunha	-	-	<i>Deputado</i>
	José Manoel de Mendonça	-	-	<i>Deputado</i>
	João Rodriguez Valle	-	-	<i>Deputado</i>
	João Antônio de Amorim Vianna	-	-	<i>Deputado</i>
Antônio José dos Santos	-	-	<i>Deputado</i>	
Matias José de Castro	-	-	<i>Conselheiro</i>	
Direção (Oporto)	Gaspar Barboza Carneiro	<i>Intendente</i>	<i>Intendente</i>	-
	Antônio de Araújo Gomes	<i>Deputado</i>	-	-
	Manoel da Costa Santiago	<i>Deputado</i>	-	-
	Manoel Ferreira Velho	<i>Deputado</i>	-	<i>Deputado</i>
	Antônio Rodrigues da S. Praça	<i>Deputado</i>	-	-
	Manoel Gomes Leitão	<i>Deputado</i>	-	-
	João Bastos Maia Pereira	<i>Deputado</i>	-	<i>Intendente</i>
	Manoel Vaz Camelo	-	<i>Deputado</i>	-
	Francisco Barbosa dos Santos	-	<i>Deputado</i>	-
	Damaso Coelho	-	<i>Deputado</i>	-
	Pedro Martins Gonçalves	-	<i>Deputado</i>	<i>Deputado</i>
	Thomé da Silva Porto	-	<i>Deputado</i>	-
	Luís Antônio Souto	-	<i>Deputado</i>	-
	Custódio dos Santos Alves Brito	-	-	<i>Deputado</i>
	José Bento Leitão	-	-	<i>Deputado</i>
	Damaso Antônio Ribeiro Pereira	-	-	<i>Deputado</i>
	Agostinho Carneiro Sampaio	-	-	<i>Deputado</i>

Unit	Members	Positions		
		First Board	Second Board	Third Board
Direção (Pernambuco)	João de Oliveira Gouvim	<i>Intendente</i>	-	-
	Manoel Correa de Araújo	<i>Deputado</i>	-	-
	José Bento Leitão	<i>Deputado</i>	-	-
	Manoel Gomes dos Santos	<i>Deputado</i>	-	<i>Intendente</i>
	Antônio Pinheiro Salgado	<i>Deputado</i>	-	-
	Antônio José Souto	<i>Deputado</i>	<i>Intendente</i>	-
	Francisco Xavier Fetal	<i>Deputado</i>	-	-
	Luís da Costa Monteiro	<i>Deputado</i>	<i>Deputado</i>	-
	Antônio Francisco Monteiro	<i>Deputado</i>	-	<i>Deputado</i>
	Manoel Afonso Rigueira	-	<i>Deputado</i>	-
	Francisco Carneiro Sampaio	-	<i>Deputado</i>	<i>Deputado</i>
	Henrique Martins	-	<i>Deputado</i>	-
	Manoel de Almeida Ferreira	-	<i>Deputado</i>	-
	José Timóteo Pereira de Bastos	-	<i>Deputado</i>	-
	Luís Pereira Viana	-	<i>Deputado</i>	<i>Deputado</i>
	Patrício José de Oliveira	-	-	<i>Deputado</i>
	João Afonso Rigueira	-	-	<i>Deputado</i>
	Antônio José Brandão	-	-	<i>Deputado</i>
	Luís Moreira de Carvalho	-	-	<i>Deputado</i>
	Domingos da Costa Monteiro			<i>Deputado</i>

Note. Data obtained from different corporate documents (ANTT, 382, 397, 400, 402, 403; AHU_ACL_CU_015, Cx. 125, D. 9490).

^a = indicates that the director was also appointing to the vice chairman (*Vice-provedor*) position during the term.

APPENDIX B

List of shareholders who received interest on capital (*avanços de juros*) in 1761

Payday	Shareholder	Value (in réis)
27/03/1761	Sebastiana Inês de Vilhena	120\$000
15/04/1761	Manoel de Figueiroa Pinto	100\$000
17/06/1761	José da Costa Ribeiro	120\$000
26/06/1761	José Botelho	20\$000
08/07/1761	Damazo Coelho	200\$000
15/07/1761	Simão da Silva Ferraz	40\$000
17/07/1761	Roque Soares	20\$000
29/07/1761	Antônio Pereira de Almeida	20\$000
29/07/1761	Manoel Francisco de Sousa	20\$000
29/07/1761	Manoel de Oliveira Barbosa	20\$000
31/07/1761	Manoel de Sousa de Azevedo	20\$000
05/08/1761	Manoel Francisco Monteiro	80\$000
07/08/1761	João Luís Cardoso Pinheiro	60\$000
07/08/1761	Manoel Fernandes Cruz	200\$000
07/08/1761	José Alves de Mira	240\$000
12/08/1761	Manoel da Silva Ferreira	240\$000
19/08/1761	Domingos Francisco da Silva Guimarães	20\$000
19/08/1761	Manoel Pinto da Silva	20\$000
21/08/1761	Pedro Hoyer	40\$000
21/08/1761	Domingos Martins de Aguiar	20\$000
26/08/1761	Antônio Rodrigues da Silva Praça	120\$000
31/08/1761	Francisco José Lopes	200\$000
02/09/1761	Inácio Ferreira Souto	40\$000
02/09/1761	Alberto Borchers	200\$000
02/09/1761	Domingos Gomes da Costa	200\$000
09/09/1761	José Pinto de Meireles	200\$000
11/09/1761	Manoel da Costa Santiago	200\$000
11/09/1761	Antônio Pereira Pinto de Eça	320\$000
11/09/1761	Geraldo Tavares da Silva	20\$000
11/09/1761	Manoel Rodrigues Leitão	20\$000
11/09/1761	João Rodrigues Caldas	120\$000
11/09/1761	Antônio Lopes Guimarães	20\$000
16/09/1761	Francisco Manoel Correa Lacerda Figueiroa Pinto	100\$000
16/09/1761	Luís Rodrigues Caldas	120\$000
16/09/1761	Luís Gomes Ferreira	40\$000
16/09/1761	Jácome Rodrigues Teixeira	20\$000
16/09/1761	Henrique Martins Ribeiro	20\$000
16/09/1761	João Pereira de Carvalho	20\$000
16/09/1761	Domingos Ribeiro Guimarães	20\$000
16/09/1761	Silvério Luís Serra	100\$000
16/09/1761	José Rodrigues Bandeira	480\$000
16/09/1761	José Rodrigues Esteves	400\$000
16/09/1761	Inácio Pedro Quintela	400\$000
16/09/1761	Manoel Pereira de Faria	400\$000
16/09/1761	João Henriques Martins	400\$000
16/09/1761	Anselmo José da Cruz	400\$000
16/09/1761	Policarpo José Machado	400\$000
16/09/1761	João Xavier Teles	400\$000
16/09/1761	Manoel Antônio Pereira	400\$000
16/09/1761	José da Silva Leque	400\$000
23/09/1761	Jacinto Antônio da Silveira	40\$000
02/10/1761	Tome Ribeiro de Faria	40\$000

02/10/1761	Manoel Pereira Gomes	40\$000
09/10/1761	José Francisco da Cruz	400\$000
09/10/1761	Manoel Lopes da Costa	20\$000
14/10/1761	Miguel Vaz Guedes	20\$000
14/10/1761	Inácio Ribeiro Machado	20\$000
14/10/1761	José Carneiro de Sampaio	240\$000
14/10/1761	Domingos Goncalves Barreiro	40\$000
14/10/1761	José de Sá de Carvalho	20\$000
14/10/1761	Francisco de Sousa Batista	40\$000
16/10/1761	Álvaro de Sousa	120\$000
16/10/1761	Custódio dos Santos Alves Brito	100\$000
16/10/1761	José de Faria Guimarães	20\$000
23/10/1761	Ventura Carvalho dos Santos	200\$000
23/10/1761	Manoel Machado de Almeida	40\$000
30/10/1761	Luís Fernandes Dourado	40\$000
13/11/1761	José Ferreira da Fonseca	240\$000
13/11/1761	João Francisco Marinha	20\$000
20/11/1761	José Pinto Vieira	120\$000
25/11/1761	Luís Vieira Guimarães	40\$000
25/11/1761	Manoel Pereira Guimarães	20\$000
27/11/1761	João Ferreira de Sampaio	20\$000
27/11/1761	Luís José de Faria	20\$000
09/12/1761	Manoel Guedes dos Santos	100\$000
09/12/1761	Manoel Dias de Azevedo	40\$000
09/12/1761	José Alves da Cruz	20\$000
11/12/1761	Elias Perochon e Companhia	240\$000
11/12/1761	João de Araújo Lima	80\$000
11/12/1761	João de Araújo Mota	160\$000
16/12/1761	José Alves Bandeira	240\$000
16/12/1761	Antônio Ribeiro da Costa Guimarães	30\$000
23/12/1761	Antônio Goncalves Serra	100\$000
23/12/1761	Antônio da Silva Pereira	20\$000
30/12/1761	Leandro de Castro	80\$000
30/12/1761	Domingos Pires Martins	40\$000

Note. Data obtained from ANTT (293).

APPENDIX C

The summary of accounting entries (Notas das Parcelas)

Ano 51

Nota das parcelas seguintes de
que se tem debítado, e creditado, a Direcção
de Pernambuco, depois da ultima Carta
que lhe escrevi esta Junta em data de 27
de Agosto pasado.

Debito	A Haber
P frete que venirão das Navios de Angola p Pernambuco	3.540.000
P idem que venirão dos ditos deste Porto p a Paríba	1.827.886
P idem d.º 14 Navios deste Porto, do Porto p Pernambuco	30.374.056
P 30 letras que ad. Pavia sobre esta Junta	22.115.010
P Liquido produzido de hum Caixão de Chapas	257.876
P idem de 30 Barris de Breu	230.538
P idem da Carregação de mollados que se expedia do Porto em 1760	1.085.025
P idem pela Curveta Boa Coruña	22.970.665
P idem de diversas fazendas que se remeterão de Angola, por invendaveis	870.543
P idem de Debito como d.º	258.880
P idem de huma Carregação de 150 Escravos, e 2 fijas	23.760.160
P idem d.º de 64 Paços de Cora	1.612.350
P idem d.º expedida deste Porto pela Naue Guerra	12.330.672
P idem d.º de 350 Escravos, e 2 fijas	19.183.746
P idem d.º de 340 d.º e d.º	14.332.775
P Entrada que fez nesta Mansel fora de Araujo	1.200.000
P Liquido produzido que se fez no Rio de Janeiro de huma Carregação de 35 Escravos	2.302.235
P hum em que houve da Carregação do Navio N.ª Sra de Rozaris e S. Domingos	2.500

Credito	
Por que pagou a Direcção adivinos Cap ^o p ^o a Equipagem...	3:0210630
P. importancia da Camargão pela Curvela N.º da Guia.	2:5624580
P. custeamento da d ^a Curvela p ^a Angola.	2:1018825
P. huma Camargão p ^a Angola pela Curvela N.º da Guia e custeamento da dita.	5:1030480
P. Camargão da Paraíba p ^a esta Cidade.	12:5546307
P. renhuas que fez a esta Junta em 5 Lebras.	31:830162
P. despesas dos custeamentos de 17 Navios.	55:2048720
P. Emisso da Direcção sobre diversos Costes.	2300275
P. idem.	6108723
P. idem sobre diversos expedientes que a dita fez.	601800
P. brez Camargão de Coruaes que a d ^a expedis p ^a Rio	12:1788000
P. hum engano que houve sobre hum Saque que fez a Memm- tração de Angola sobre a Direcção.	0182
P. importancia da Camargão geral de 14 Navios de Foz.	127:210150
P. idem para a Cidade de Foz.	15:3210330
P. varias despesas com a Marinha.	1:7320601
P. d'outros que das a hum Dito.	6300
P. despesas feitas com o Navio que abriu aqua.	1120120

APPENDIX D

Individuals who signed letters submitted to the consultation on the realization of new negotiations for the PPC during the liquidation.

Subscribers	Types of letter	Number of Shares on 10/02/1780
Antônio de Araújo Lima	Collective	9
Antônio de Salema Lobo de Saldanha e Sousa	Collective	5
Antônio Freze Lisboa	Collective	4
Antônio Moreira Lima	Collective	12
Antônio Moreira Pegas	Collective	3
Antônio Pinheiro Salgado	Collective	14
Belchior de Araújo Costa	Collective	10
Benedito José Pedro Inácio Peroveque	Collective	1
Bernardo Freze de Sousa	Collective	4
Diogo Pereira Soares	Collective	1
Diogo Vicente Sunher	Collective	11
Domingos Francisco Pena	Collective	10
Domingos Pires Monteiro Bandeira	Individual	16
Felipe Hockel	Individual	52
Francisca Joaquina Freze de Bessa	Collective	4
Francisco Bruno de Lemos	Collective	0
Francisco Freze Lisboa	Collective	4
Guilherme Ferreira Maciel	Collective	11
Inácio Joaquim de Moura Batista Viçoso	Collective	21
Joana Maria da Conceição Teixeira de Matos	Collective	17
João André Rágio	Collective	3
João de Araújo Mota	Individual	14
João Goncalves da Costa	Collective	10
João Goncalves da Silva	Collective	10
João José da Costa	Collective	0
Joaquina Teresa Antônia Freze	Collective	2
José Aires Ramos da Silva e Eça	Collective	2
José da Silva Moreira	Collective	14
José Dias Parente	Collective	10
José dos Reis	Collective	9
José dos Santos Rocha	Collective	2
José Ferreira da Fonseca	Collective	10
Manoel da Costa Pinto Vieira	Collective	9
Manoel da Fonseca Silva	Collective	10
Manoel Gonçalves de Sá	Collective	10
Mariana Inácio de Moura	Collective	11
Mateus Carret	Collective	11
Miguel Lopes Chaves	Collective	2
Nicolau Connolly	Individual	12
Principal Meneses	Collective	0
Total		360

Note. Data obtained from different corporate documents (ANTT 327-30 e 437-48; AHU_ACL_CU_015, Cx. 139, D. 10311).

APPENDIX E

Business Transactions between 1776 and 1780

Year	Route	Cost (in réis)	Observation
1776	Lisbon-Paraiba	48.628\$818	-
1776	Lisbon-Paraiba	9.685\$977	-
1776	Lisbon-Paraiba	1.671\$299	-
1776	Lisbon-Pernambuco	5.786\$675	-
1776	Lisbon-Pernambuco	52.544\$199	-
1776	Lisbon-Pernambuco	50.247\$310	-
1776	Angola-Pernambuco	21.266\$870	Slaves, 400 adults
1776	Lisbon-Pernambuco	20.274\$439	-
1776	Lisbon-Pernambuco	79.926\$007	-
1776	Oporto-Pernambuco	69.933\$673	-
1776	Lisbon-Pernambuco	32.998\$576	-
1776	Lisbon-Pernambuco	3.675\$795	-
1776	Lisbon-Pernambuco	51.617\$554	-
1776	Lisbon-Pernambuco	51.901\$343	-
1776	Pernambuco-Lisbon	14.684\$439	Ipecacuanha
1776	Lisbon-Pernambuco	54.319\$975	-
1776	Gold Coast-Pernambuco	13.463\$400	Slaves, 423 adults and 10 youngs
1776	Gold Coast-Pernambuco	12.001\$168	Slaves, 305 adults
1776	Angola-Pernambuco	15.150\$800	Slaves, 300 adults and 8 youngs
1776	Angola-Pernambuco	17.115\$525	Slaves, 350 adults and 9 youngs
1776	Angola-Pernambuco	18.517\$840	Slaves, 491 adults
1776	Pernambuco-Rio de Janeiro	5.119\$115	800 Leather (<i>Vaquetas</i>)
1776	Pernambuco-Rio de Janeiro	13.782\$974	Slaves, 165
1777	Angola-Pernambuco	20.019\$115	Slaves, 489 adults
1777	Lisbon-Paraiba	7.625\$038	-
1777	Lisbon-Paraiba	918\$000	-
1777	Lisbon-Pernambuco	72.224\$831	-
1777	Lisbon-Paraiba	10.230\$260	-
1777	Lisbon-Paraiba	33.785\$417	-
1777	Lisbon-Paraiba	11.725\$656	-
1777	Lisbon-Paraiba	3.244\$335	-
1777	Lisbon-Angola	35.061\$390	-
1777	Gold Coast-Pernambuco	12.559\$923	Slaves, 330 adults and 8 youngs

1777	Angola-Pernambuco	19.380\$003	Slaves, 400 adults and 4 youngs
1777	Pernambuco-Gold Coast	12.555\$193	-
1777	Angola-Pernambuco	25.634\$484	Slaves, 500 adults and 5 youngs
1777	Lisbon-Pernambuco	41.323\$708	-
1777	Oporto-Pernambuco	31.898\$806	-
1777	Gold Coast-Pernambuco	12.114\$756	Slaves, 277 adults and 5 youngs
1777	Pernambuco-Rio de Janeiro	10.112\$009	12.048 Leather (<i>Vaquetas</i>)
1777	Pernambuco-Rio de Janeiro	5.359\$194	-
1778	Lisbon-Pernambuco	55.721\$232	-
1778	Lisbon-Pernambuco	13.700\$124	-
1778	Angola-Pernambuco	17.290\$489	Slaves, 350 adults and 13 youngs
1778	Angola-Pernambuco	19.630\$806	Slaves, 400 adults and 14 youngs
1778	Pernambuco-Gold Coast	12.408\$919	-
1778	Lisbon-Pernambuco	23.349\$537	-
1778	Lisbon-Pernambuco	1.679\$534	-
1778	Lisbon-Pernambuco	36.414\$675	-
1778	Lisbon-Paraiba	13.284\$791	-
1778	Lisbon-Paraiba	3.120\$000	-
1778	Lisbon-Pernambuco	6.051\$905	-
1778	Lisbon-Pernambuco	5.210\$975	-
1778	Lisbon-Pernambuco	896\$760	-
1778	Lisbon-Pernambuco	1.136\$764	-
1778	Lisbon-Paraiba	2.548\$046	-
1778	Lisbon-Paraiba	2.714\$752	-
1778	Lisbon-Paraiba	56\$650	-
1778	Angola-Pernambuco	24.025\$277	Slaves, 400 adults and 10 youngs
1778	Angola-Pernambuco	841\$585	-
1778	Lisbon-Pernambuco	753\$193	-
1778	Pernambuco-Gold Coast	18.070\$100	-
1779	Lisbon-Pernambuco	39.298\$783	-
1779	Lisbon-Paraiba	7.210\$514	-
1779	Lisbon-Pernambuco	7.319\$860	-
1779	Lisbon-Pernambuco	2.552\$228	-
1779	Gold Coast-Pernambuco	12.555\$193	Slaves, 279 adults and 12 youngs
1779	Angola-Pernambuco	35.499\$698	Slaves, 560 adults and 7 youngs
1779	Angola-Pernambuco	199\$368	-
1779	Gold Coast-Pernambuco	18.070\$100	Slaves, 310 adults

1779	Lisbon-Paraiba	35.043\$663	-
1779	Lisbon-Paraiba	2.139\$762	-
1779	Lisbon-Paraiba	3.109\$055	-
1779	Lisbon-Paraiba	107\$130	-
1779	Lisbon-Pernambuco	32.189\$562	-
1779	Lisbon-Pernambuco	126\$000	-
1779	Lisbon-Pernambuco	8.605\$990	-
1779	Angola-Pernambuco	23.661\$333	Slaves, 400 adults and 1 young
1779	Angola-Pernambuco	778\$258	-
1779	Lisbon-Pernambuco	5.309\$784	-
1779	Angola-Pernambuco	26.102\$365	Slaves, 405 adults and 2 youngs
1780	Lisbon-Pernambuco	1.641\$407	-
1780	Lisbon-Pernambuco	1.860\$054	-
1780	Lisbon-Paraiba	4.497\$665	-
1780	Angola-Pernambuco	21.871\$684	3 Slaves, 50 adults and 6 youngs
1780	Angola-Pernambuco	935\$668	-
1780	-	9.177\$117	-
1780	-	895\$193	-
1780	-	6.205\$270	-
1780	-	689\$450	-
1780	-	4.497\$665	-
1780	-	5.907\$345	-
1780	Angola-Pernambuco	25.827\$754	Slaves, 400 adults and 2 youngs
1780	Angola-Pernambuco	690\$854	-
1780	Angola-Pernambuco	21.978\$636	Slaves, 350 adults and 7 youngs

Note. Data obtained from different corporate documents (ANTT 383, 471).

APPENDIX F

Economic results published in the PPC's Balance Sheets (1760-1775). Values in réis.

	1760	1761	1762	1763	1764	1765
Profit by activity						
Trade – Estimated	-	132.500\$056	100.682\$179	245.785\$197	254.500\$896	139.701\$448
Trade – Realized	85.698\$204	55.501\$941	66.790\$789	35.242\$122	19.836\$447	3.941\$901
Trade – Prior period adjustment	-	-	-	-	1.761\$448	10.930\$968
Apprehended contraband – Realized	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Extraordinary	1.716\$043	3.264\$096	11.761\$084	4.428\$955	6.600\$444	^a 11.440\$703
Navigation	661\$134	24.586\$591	49.813\$558	27.625\$972	102.137\$231	39.930\$114
Total profit by activity	88.075\$381	215.852\$684	229.047\$610	313.082\$246	384.836\$466	206.316\$209
(-) Total losses by activity	(19.053\$628)	(54.148\$218)	(72.829\$082)	(25.780\$208)	(139.176\$316)	(86.569\$330)
(=) Reported economic result	69.021\$753	161.704\$466	156.218\$528	287.302\$038	245.660\$150	119.746\$879
(-) Profit distribution	(54.400\$000)	(54.984\$870)	(59.253\$653)	(63.132\$248)	(72.099\$040)	(79.044\$484)
(=) Retained profit	14.621\$753	106.719\$596	96.964\$875	224.169\$790	173.561\$110	40.702\$395

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804).

^a = the value includes interest

Cont. Economic results published in the PPC's Balance Sheets (1760-1775). Values in réis.

	1766	1767	1768	1769	1770
Profit by activity					
Trade – Estimated	121.966\$030	158.077\$660	137.063\$521	159.416\$821	99.538\$775
Trade – Realized	23.426\$041	2.108\$514	7.125\$768	16.626\$657	33.008\$925
Trade – Prior period adjustment	18.831\$970	16.593\$857	17.963\$130	15.533\$845	673\$142
Apprehended contraband – Realized	77.297\$571	33.367\$856	9.063\$474	35.135\$582	6.097\$991
Interest	2.560\$348	-	-	-	-
Extraordinary	5.078\$426	^a 18.124\$809	^c 12.709\$945	^a 18.316\$832	^a 6.462\$527
Navigation	50.236\$445	34.111\$002	64.513\$170	32.234\$131	31.931\$721
Total profit by activity	299.396\$831	^b 262.383\$698	248.439\$008	277.263\$868	177.713\$081
(-) Total losses by activity	(89.726\$601)	(119.078\$304)	(104.489\$405)	(181.785\$305)	(84.919\$561)
(=) Reported economic result	209.670\$230	143.305\$394	143.949\$603	95.478\$563	92.793\$520
(-) Profit distribution	(80.669\$580)	(85.829\$607)	(88.128\$638)	(88.400\$000)	(88.400\$000)
(=) Retained profit	129.000\$650	57.475\$787	55.820\$965	7.078\$563	4.393\$520

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804).

^a = the value includes apprehended contraband (*tomadías*)

^b = the value is adjusted. There was a sum error.

^c = the value includes other unspecified items.

Cont. Economic results published in the PPC's Balance Sheets (1760-1775). Values in réis.

	1771	1772	1773	1774	1775	Total
Profit by activity						
Trade – Estimated	132.683\$893	104.596\$651	78.007\$056	115.835\$973	90.184\$587	2.054.074\$912
Trade – Realized	43.586\$386	12.527\$522	21.247\$492	46.413\$701	27.698\$173	504.264\$089
Trade – Prior period adjustment	58.412\$971	36.368\$696	14.117\$727	11.361\$140	3.045\$288	218.947\$582
Apprehended contraband – Realized	30.851\$022	4.521\$058	5.210\$804	15.150\$458	9.918\$449	226.614\$265
Interest	-	2.488\$428	2.584\$528	-	749\$831	8.383\$135
Extraordinary	^a 5.701\$719	14.171\$735	10.524\$530	6.869\$743	10.619\$233	147.790\$824
Navigation	24.708\$385	47.695\$536	38.232\$259	17.446\$300	18.039\$570	603.903\$119
Total profit by activity	295.944\$376	222.369\$626	169.924\$396	213.077\$315	160.255\$131	3.763.977\$926
(-) Total losses by activity	(197.741\$808)	(125.620\$893)	(71.501\$018)	(108.457\$986)	(69.355\$959)	(1.550.233\$622)
(=) Reported economic result	98.202\$568	96.748\$733	98.423\$378	104.619\$329	90.899\$172	2.213.744\$304
(-) Profit distribution	(88.400\$000)	(88.400\$000)	(88.400\$000)	(88.400\$000)	(88.400\$000)	(1.256.342\$120)
(=) Retained profit	9.802\$568	8.348\$733	10.023\$378	16.219\$329	2.499\$172	957.402\$184

Note. Data obtained from different corporate documents (AHU_Cód. 1792-804).

^a = the value includes apprehended contraband (*tomadías*)

APPENDIX G

List of original shareholders, who paid their shares with ships.

Original shareholders	Domicile	Value paid for ship (in réis)	Number of shares
Antônio Cardoso de Saldanha	Lisbon	512\$50	1,3
Antônio Cardoso dos Santos	Bahia	1.200\$00	3,0
Antônio da Costa Cardoso	Oporto	4.400\$00	11,0
Antônio dos Santos Pinto	Lisbon	4.000\$00	10,0
Antônio José Brandão	Pernambuco	4.000\$00	10,0
Antônio Pinheiro Salgado	Pernambuco	1.650\$00	4,1
Antônio Rodrigues da Silva Praça	Oporto	1.350\$00	3,4
Bento José Alves	Lisbon	2.400\$00	6,0
Domingos Dias da Silva	Pernambuco	1.145\$88	2,9
Domingos Francisco Guimarães	Oporto	600\$00	1,5
Domingos Pires Martins	Oporto	400\$00	1,0
Francisco José Lopes	Pernambuco	1.145\$88	2,9
Francisco Xavier Fetal	Lisbon	3.000\$00	7,5
Gaspar Barbosa Carneiro	Oporto	4.000\$00	10,0
Gregório José de Melo	Lisbon	2.000\$00	5,0
Herdeiros de Manoel Peixoto da Silva	Lisbon	4.000\$00	10,0
João da Costa Monteiro	Pernambuco	2.800\$00	7,0
João da Silva Ledo	Lisbon	512\$50	1,3
João de Araújo Lima	Lisbon	750\$00	1,9
João de Matos Berengel	Lisbon	2.000\$00	5,0
João de Oliveira Gouvim	Pernambuco	2.766\$67	6,9
João Rite de Araújo	Oporto	3.600\$00	9,0
João Rodrigues Caldas	Lisbon	2.291\$75	5,7
João Teixeira de Barros	Lisbon	4.200\$00	10,5
Joaquim Inácio da Cruz	Lisbon	3.200\$00	8,0
José Alves Bandeira	Lisbon	2.150\$00	5,4
José Alves da Silva	Lisbon	1.600\$00	4,0
José Correa de Freitas	Oporto	1.600\$00	4,0
José de Abreu Lisboa	Bahia	1.600\$00	4,0
José de Pinho e Sousa	Oporto	1.515\$63	3,8
José Domingues	Lisbon	512\$50	1,3
José Ferreira da Fonseca	Pernambuco	2.150\$00	5,4
José Francisco da Cruz	Lisbon	3.600\$00	9,0
José Gonçalves de Sousa	Lisbon	2.950\$00	7,4
José Pinto Vieira	Oporto	1.200\$00	3,0
José Rodrigues Bandeira	Lisbon	512\$50	1,3
Leandro de Castro	Oporto	800\$00	2,0
Leonardo dos Santos Pinto	Lisbon	2.400\$00	6,0
Luís Coelho do vale	Bahia	800\$00	2,0
Luís da Costa Monteiro	Pernambuco	2.800\$00	7,0
Luís Pereira Viana	Pernambuco	3.600\$00	9,0
Luís Rodrigues Caldas	Lisbon	2.291\$75	5,7
Manoel Afonso Rigueira	Pernambuco	1.500\$00	3,8
Manoel Antônio Pereira	Lisbon	8.000\$00	20,0
Manoel Caetano de Melo	Lisbon	4.000\$00	10,0
Manoel Correa de Araújo	Pernambuco	2.700\$00	6,8
Manoel de Almeida Braga	Lisbon	512\$50	1,3
Manoel Gomes Leitão	Oporto	3.433\$33	8,6
Manoel Lopes da Costa	Oporto	300\$00	0,8
Nicolau Teixeira de Aguiar	Lisbon	2.900\$00	7,3

Patrício da Costa	Pernambuco	512\$50	1,3
Pedro Martins Gonçalves	Oporto	2.800\$00	7,0
Total		116.665,878	291,7

Note. Data obtained from different corporate documents (ANTT, 437-48).

APPENDIX H

Slave trade during the liquidation period

Year	Route	Ship's name	Cargo		Cost Value (in réis)	Observation
			Adult	Young		
1781	Angola-Pernambuco	Natividade	259	-	-	
1781	Angola-Pernambuco	Guia	350	10	22.682\$888	
1781	Angola-Pernambuco	Santíssimo Sacramento	400	4	24.047\$341	
1781	Angola-Pernambuco	Guia	323	5	19.256\$203	Unloaded: 320 adults and 4 youngs
1781	Angola-Pernambuco	Santíssimo Sacramento	300	5	17.017\$372	Unloaded: 274 adults
1781	Angola-Pernambuco	Nossa Senhora da Penha	100	-	3.626\$151	
1781	Gold Coast-Pernambuco	Rosário, Santo Antônio e Almas	210	-	5.707\$742	
1781	Angola-Paraíba	Providência	100	-	-	Unloaded: 97 adults
1781	Gold Coast-Pernambuco	Natividade	259	4	12.408\$919	
1782	Angola-Pernambuco	Divino Espirito Santo	250	4	8.017\$956	
1782	Angola-Pernambuco	Bom Jesus das Portas	100	-	5.853\$940	Unloaded: 97 adults
1782	Angola-Pernambuco	Divino Espirito Santo	250	4	13.371\$565	Unloaded: 224 adults and 3 youngs
1782	Angola-Pernambuco	Natividade	230	-	12.520\$459	Unloaded: 190 adults
1782	Angola-Pernambuco	Guia	220	1	11.894\$280	Unloaded: 214 adults
1782	Angola-Pernambuco	Santíssimo Sacramento	210	-	12.493\$587	Unloaded: 205 adults
1782	Gold Coast-Pernambuco	Rosário, Santo Antônio e Almas	218	-	13.549\$444	
1783	Angola-Pernambuco	Rosário	130	-	7.838\$383	Unloaded: 124 adults
1783	Angola-Pernambuco	Natividade	100	1	5.429\$868	Unloaded: 97 adults
1783	Angola-Pernambuco	Santíssimo Sacramento	150	-	7.778\$347	Unloaded: 147 adults
1784	Angola-Pernambuco	Guia	25	-	1.336\$393	Unloaded: 23 adults
1785	Angola-Pernambuco	Espirito santo	165	-	7.851\$182	Unloaded: 112 adults and 6 youngs
1786	Angola-Pernambuco	Rosário, Santo Antônio e Almas	160	7	8.820\$991	Deaths: 21
1787	Angola-Pernambuco	Natividade	150	20	7.784\$040	Deaths: 23
1787	Angola-Pernambuco	Bom Sucesso	35	-	2.184\$246	
1787	Angola-Pernambuco	Espirito Santo	150	2	9.176\$104	
1787	Angola-Pernambuco	Rosário	25	2	1.749\$577	
1787	Angola-Rio de Janeiro	Remédios	10	-	721\$580	
1789	Angola-Rio de Janeiro	Postilhão	190	-	12.108\$326	
			5.069	69	255.226\$884	

Note. Data obtained from different corporate documents (ANTT 383, 472).

APPENDIX I

The PPC's debtors in 1780 who belonged to the kinship of the *Direção* of Pernambuco's thirteen directors, and their guarantors

Principal debtor	Value (in Réis)	Guarantor
Ana Maria Joaquina do Espirito Santo	1.965\$599	-
Antônio Francisco Monteiro	573\$122	-
Antônio José da Maia Colaço	153\$881	-
Antônio Pinheiro Salgado	229\$649	-
Antônio José Baduen	3.911\$717	José Timóteo Pereira de Bastos (relative)
Constantino Vaz Salgado	561\$041	-
Domingos da Costa Monteiro	2.169\$360	-
Felipe Rodrigues Campelo	543\$122	-
Gregório Pereira Caldas	1.515\$816	-
Herdeiros de José Vaz Salgado	229\$649	-
Inácio Bernardino de Barros	240\$000	-
Inácio de Barros	6.384\$085	-
Jacinto Ferreira Maciel Gouvim	165\$354	-
João Afonso Rigueira	2.443\$030	-
João Batista de Vasconcelos	2.228\$585	-
João da Costa Monteiro	4.976\$004	-
João de Oliveira Gouvim Maciel	1.467\$000	-
João Francisco Carneiro	289\$809	Antônio Francisco Monteiro (uncle)
João Ribeiro da Costa Monteiro	1.027\$080	-
Jorge Eugênio de Lobo Selbis	361\$544	-
José Gomes dos Santos	7.655\$469	-
José Pinheiro Salgado	439\$399	-
José Rodrigues Colaço	459\$329	-
José Timóteo Pereira de Bastos	10.288\$967	-
José Vaz Salgado Junior	2.226\$838	-
Josefa Maria de Jesus	375\$363	-
Josefa Teresa da Costa	1.016\$697	-
Julião da Costa Monteiro	599\$287	-
Luís da Costa Monteiro	7.711\$267	-
Luís Ferreira de Moura	2156\$28	-
Luís Pereira Viana	1.306\$692	-
Luís Pereira Viana Júnior	123\$000	-
Manoel Carneiro Leão	190\$864	Felipe Rodrigues Campelo (father)
Manoel de Carvalho Paes de Andrade	15\$101	-
Manoel Francisco Monteiro	174\$435	-
Manoel José Ferreira	470\$344	-
Manoel Rodrigues Campelo	760\$887	-
Miguel José Ribeiro	1.621\$591	Inácio Ribeiro Leitão (father)
Miguel Rodrigues Colaço	300\$000	-
Nicolau Vaz Salgado	850\$246	-
Patrício José de Oliveira	9.219\$556	-
Simão Ribeiro Ribas Júnior	472\$361	-
Tomé Correia de Araújo	244\$000	-
Total	80.113\$420	

Note. Data obtained from different corporate documents (ANTT 383; AHU_ACL_CU_015, Cx. 136, D. 10187; AHU_ACL_CU_015, Cx. 137, D. 10206; AHU_ACL_CU_015, Cx. 137, D. 10242).

APPENDIX J

List of debtors in 1830

Debtor	Value (in réis)
Afonso de Albuquerque e Melo	46\$066
Álvaro Barbalho Uchoa Cavalcante	12.284\$845
Amara Soares Mariz	563\$300
Anadeto Gomes Barbosa	476\$560
André da Costa Delgado	1.680\$545
André de Barros Rego	2.250\$659
Anna Joaquina Antunes Bandeira	2.204\$526
Antônio de Barros e Sousa	2.850\$134
Antônio Alves Esteves	381\$425
Antônio Alves Pereira	186\$815
Antônio Bezerra Monteiro	522\$781
Antônio Coelho Negromonte	203\$235
Antônio Correa Freire	763\$780
Antônio da Costa Pereira	1.430\$380
Antônio da Rocha Barbosa	318\$292
Antônio da Silva e Sousa	291\$666
Antônio da Silva Tavares Coutinho	432\$619
Antônio Dantas Correa	738\$873
Antônio de Albuquerque Maranhão	81\$191
Antônio de Andrade Bezerra	782\$102
Antônio de Araújo e Vasconcelos	106\$964
Antônio de Melo Falcão	2.271\$127
Antônio de Holanda Cavalcante de Albuquerque	246\$285
Antônio de Sousa Correa	804\$115
Antônio de Sousa Marinha	649\$049
Antônio Dias da Costa	55\$309
Antônio Feijó de Melo Júnior	741\$008
Francisco Falcão Enserrabodes	
Antônio Francisco Lumachi	1.578\$768
Antônio Gomes de Araújo e Vasconcelos	2.496\$049
Antônio Gonçalves Frances	2.551\$859
Antônio Gorjão	33\$401
Antônio Jacinto Luciano da Silveira	3.475\$023
José Antônio dos Santos	
Antônio Jacob Viçozo	4.147\$073
Antônio Joaquim Lisboa	3.495\$416
Antônio José Coelho	100\$178
Antônio José da Costa	2.409\$694
Antônio José Souto	14.275\$436
Antônio José Cavalcante	188\$361
Antônio José da Silva Pedra	100\$075
Antônio José de Barros	38\$389
Antônio José de Faria	184\$234
Antônio José Pereira da Silva	330\$407
Antônio José Pires	690\$050
Antônio José Vitoriano Borges da Fonseca	19.840\$755
Antônio Lourenço	9.340\$029
Antônio Lourenço dos Santos	
Manoel Rodrigues Sete	50\$864
Daniel Eduardo Rodrigues Grijó	
Antônio Lourenço Tavares	26.925\$224
Antônio Lourenço Tavares Júnior	3.175\$328

Antônio Luís Dantas Passos	727\$978
Antônio Machado Freire	73\$045
Antônio Mauricio Vanderlei	481\$063
Antônio Pedro de Barros Cavalcante	1.346\$508
Antônio Pinto	3.034\$997
Antônio Simões Rousado Freire	90\$000
Antônio Teixeira Lima	353\$710
Belchior Alves Camelo	228\$863
Francisco Alves Camelo	
Bento Coelho Ferraz do Vabo	60\$310
Bento Francisco Xavier de Sousa	508\$394
Bento Sebastião de Lacerda	220\$284
Bento Xavier de Almeida	381\$834
Bernadinho Campelo de Albuquerque	378\$630
Carlos José Lins de Paiva	126\$385
Crispim Barbosa de Amorim	394\$060
Cristóvão de Melo e Albuquerque	520\$803
Cristóvão de Holanda Cavalcante	2.390\$239
Convento do Carmo do Recife	4.475\$289
Cosme Bezerra Monteiro	3.775\$996
Cosme Leitão Arnoso	381\$095
Custódio Vieira Machado Aranha	6.179\$870
Daniel Eduardo Rodrigues Grijó	11.221\$315
Diniz Antônio de Moraes e Silva	525\$719
Domingos de Abreu e Vasconcelos	3.892\$397
Domingos de Abreu e Vasconcelos Júnior	737\$551
Domingos Dias Moreira	4.334\$787
Domingos Gomes Maciel	2.691\$915
Domingos Martins Preto	34\$539
Estevão Gil da Costa	1.628\$505
Estevão José Paes Barreto	19.811\$279
Estevão Miguel Paes Barreto	456\$433
Faustino José Garcia de Carvalho	45\$605
Feliciano Batista de Aguiar	3.449\$540
Felipe Paes Barreto	478\$153
Felipe José de Mira	568\$623
Felix Rodrigues dos Santos	421\$327
Francisco Antônio de Almeida	373\$286
Francisco Antônio de Sousa Leão	10.828\$884
Francisco Antônio Vianna	223\$139
Francisco Antunes Ferreira	25\$136
Francisco Camelo Valcacer	939\$743
Francisco Carneiro de Sampaio	7.664\$337
Francisco Carvalho Lima	187\$910
Francisco Cavalcante de Albuquerque	8.894\$331
Francisco Coelho de Albuquerque	364\$646
Francisco Correa dos Santos	129\$484
Francisco da Ressurreição e Araújo	901\$735
Francisco da Rocha e Vasconcelos	2.144\$395
Francisco da Rocha Vanderlei	922\$065
Francisco de Araújo Lopes	2.834\$521
Francisco de Lemos Duarte	541\$243
Francisco de Paula Tavares Coutinho	435\$617
Francisco de Sales da Silva	45\$463
Francisco de Sousa Leal	11.159\$996
Francisco de Sousa Teixeira e Mendonça	3.700\$612
Francisco do Rego Barros	791\$636
Francisco do Rego Barros	19\$337

Francisco do Rego e Melo	286\$856
Francisco do Rego Muniz	2.047\$243
Francisco dos Chagas Cavalcante	760\$340
Francisco Gomes de Araújo	2.352\$046
Francisco Gomes Pereira	212\$247
Francisco Gonçalves Pinto	612\$961
Francisco Inácio de Albuquerque	306\$884
Francisco Machado de Oliveira Barros	1.813\$852
Francisco Nunes da Silva	685\$124
Francisco Nunes de Andrade	363\$582
Francisco Paes Barreto	146\$753
Francisco Rodrigues Ventura	64\$353
Francisco Severino Cavalcante	8.472\$278
Francisco Xavier Cavalcante de Albuquerque	203\$529
Francisco Xavier da Silva	690\$980
Francisco Xavier de Carvalho	76\$979
Francisco Xavier Paes de Mello	375\$000
Gaspar Mauricio Vanderlei	414\$323
Gonçalo Machado da Silva	81\$568
Gregório José da Silva Coutinho	4.851\$809
Henrique da Silva Pontes	2.498\$676
Henrique Martins	9.139\$148
Inácio Barbosa da Silva	2.341\$646
Inácio Luís da Costa e Aguiar	1.745\$837
Inácio Manoel do Ó e Paiva	1.780\$673
Inácio Paulino da Cunha Couto Maior	15.050\$026
Inácia Rosa Tenória	488\$288
Irmandade do Santíssimo Sacramento	4.069\$735
Izabel Pereira Vianna	178\$459
Izidro Francisco de Paula Mesquita e Silva	1.349\$761
Jacinto Ferreira Maciel	198\$265
Jacome Lumachi	3.721\$661
João Afonso Rigueira	18.530\$091
João Alemão de Sisneiros	2.764\$163
João Antônio da Silva	453\$711
João Antônio de Oliveira	52\$694
João Barreto de Menezes	728\$292
João Bezerra de Melo	4.044\$285
João Crisóstomo da Fonseca Silva (Viúva e herdeiros)	2.850\$760
João da Costa Monteiro	11.673\$111
João da Costa Villar	6.525\$000
João da Silva Martins	949\$475
João de Barros Pimentel	1.448\$904
João de Sousa Pontes	406\$479
João do Rego Barros	3.182\$260
João do Rego Barros	296\$261
João Evangelista	175\$936
João Francisco de Albuquerque Maranhão	2.246\$672
João Garcia Velho do Amaral	367\$637
João José Cordeiro	1.203\$513
João Lins Cavalcante	203\$801
João Luís Salgado de Castro Acioli	1.476\$729
João Marinho Falcão e Filho	1.282\$623
João Marinho Falcão Júnior	495\$056
João Marques da Cruz	1.010\$427
João Mauricio Vanderlei	844\$231
João Paes Barreto	417\$535
João Pedro do Amaral Correa	8.826\$424

João Pinto de Araújo	138\$308
João Pires	2.189\$423
João Vieira de Melo	67\$395
Joaquim Canudo de Figueiredo	4.310\$158
Joaquim Fernandes de Sousa Júnior	1.692\$607
Joaquim Ferreira França	11.347\$255
Joaquim João Fernandes de Sousa	1.262\$412
Joaquim José de Oliveira Godim	4.384\$992
Joaquim José Rodrigues Campello	448\$002
Joaquim Nunes Machado	802\$608
Joaquim Rodrigues da Costa	2.859\$165
José Alves de Faria	70\$245
José Antônio de Barros e Melo	214\$910
José Barbosa da Silva	183\$380
José Bezerra de Abreu	3.188\$976
José Caetano de Freitas	1.500\$305
José Carneiro Pessoa	3.071\$489
José Cesário da Silva	201\$000
José Correa de Oliveira e Andrade	4.121\$175
José da Rocha Cruz	50\$586
José da Silva Braga	4.887\$653
José de Araújo Pinheiro	4.125\$945
José de Barros Cavalcante	56\$155
José de Mendonca de Matos Moreira	3.024\$306
José de Sequeira Campello	250\$310
José Delgado Borba	1.273\$014
José dos Santos e Mendonça	69\$841
José Felipe Albuquerque Maranhão	150\$795
José Fernandes da Cunha	494\$194
José Ferreira Figueiredo	2.982\$013
José Gomes de Sa	446\$892
José Inácio da Conceição	481\$216
José Inácio de Lima	129\$927
José Inácio de Moraes	100\$000
José Inácio Gonçalves de Macedo	357\$078
José Inácio da Câmara	1.002\$936
José Joaquim Cardoso Lins	660\$000
José Joaquim da Costa	574\$450
José Joaquim de Almeida	791\$473
José Machado Pimentel e José Francisco Soares	5.501\$790
José Pacheco de Albuquerque Maranhão	4.925\$513
José Pedro dos Reis Carneiro da Cunha	424\$892
José Pereira Bringuel	1.348\$280
José Pereira Cardozo	130\$341
José Pereira de Castro	307\$206
José Pereira dos Santos	820\$627
José Pereira Lima	110\$170
José Pereira Lima	1.089\$595
José Peres Campello	1.834\$265
José Quinhão de Albuquerque	1.940\$390
José Ribeiro Leal	573\$248
José Rodrigues Chaves	850\$629
José Vaz de Pinho	166\$213
José Venceslau Afonso Regueira (por Manoel Germano Pereira dos Santos)	14.552\$915
José Vitoriano Delgado Borba Cavalcante	2.043\$393
Josefa Francisca Xavier de Melo Albuquerque	39\$425
José da Silva e Albuquerque	
Josefa Teresa da Costa	3.930\$007

Julião da Costa Monteiro	460\$732
Leandro Lopes Lima	209\$090
Lourenço Cavalcante de Albuquerque	224\$905
Lourenço Cavalcante de Sá e Albuquerque	288\$196
Lourenço de Sá e Albuquerque	2.510\$067
Lourenço Gomes Pacheco Ferraz	224\$715
Lourenço Gomes Pacheco Ferraz	685\$831
Luís Bernardes Castello Branco	3.570\$298
Luís de Albuquerque e Melo	108\$384
Luís de Andrade Lima Júnior	1.488\$725
Luís de Sá Teixeira Lima	3.232\$021
Luís da Costa Monteiro João da Costa Monteiro	7.711\$267
Luís Francisco de Paula Cavalcante	6.316\$154
Luís José Lins de Caldas	553\$237
Luís Nunes da Silva Uchoa	56\$584
Luís Xavier Bernardes Cavalcante	801\$040
Manoel Alves Correa	372\$979
Manoel Alves Correa	27\$534
Manoel Antônio Duarte	6.847\$341
Manoel Antônio Monteiro	337\$095
Manoel Aranha da Fonseca	536\$258
Manoel Bernadinho Vieira de Melo	593\$347
Manoel Caetano Maia	3.008\$968
Manoel Carneiro de Sampaio	223\$211
Manoel da Rosa de Ávila	535\$143
Manoel da Silva da Fonseca	911\$394
Manoel da Silva Guimarães	4.355\$388
Manoel da Vera de Albuquerque Uchoa	172\$590
Manoel de Barros Franco	935\$307
Manoel de Barros Pimentel	194\$630
Manoel de Chaves Caldas	147\$562
Manoel de Melo e Sousa	687\$200
Manoel de Oliveira Pinto	9.479\$502
Manoel de Santiago Correa	528\$163
Manoel de Sousa Pontes	965\$767
Manoel de Torres Bandeira Júnior	82\$133
Manoel Dias Saraiva	195\$042
Manoel do Nascimento Pereira	900\$000
Manoel dos Santos Nunes de Oliveira	145\$225
Manoel Falcão Enserrabodes	187\$514
Manoel Felix de Paiva Barreto	209\$025
Manoel Ferreira Braga	2.993\$175
Manoel Gomes de Melo	1.906\$480
Manoel Gonçalves de Faria	22\$168
Manoel Gonçalves de Mello	574\$411
Manoel Joaquim Teixeira de Matos	3.558\$565
Manoel José Coutinho	7.815\$241
Manoel José da Silva	445\$626
Manoel José de Gouvêa	241\$400
Manoel Leitão Figueira	91\$452
Manoel Muniz Tavares	2.317\$318
Manoel Pacheco Pimentel	40\$059
Manoel Pereira dos Santos Magalhaes	3.569\$243
Manoel Pinto de Araújo	112\$241
Manoel Paulino de Gouvêa	1.248\$211
Manoel Ribeiro de Melo	671\$317
Manoel Rodrigues Ventura	44\$639

Manoel Soares de Albuquerque	599\$750
Manoel Soares Viegas	1.814\$577
Manoel Tavares da Cunha Pereira	400\$750
Manoel Vicente Calado	2.152\$723
Manoel Zeferino dos Santos	3.021\$875
Marcelino Martins Alpoim	156\$844
Maria da Conceição Pereira	1.604\$037
Maria Luzia de Albuquerque e Mello	1.706\$622
Mathias Cardoso de Mello	172\$ 936
Miguel de Mello Bezerra e Andrade	161\$165
Miguel Ferreira Barros	192\$368
Miguel Francisco Gonçalves	940\$432
Miguel José Ribeiro Leitão	5.896\$158
Miguel Machado Freire	15.113\$341
Paulo Gomes de Moura	1.067\$708
Pedro Ivo Redevivo	
Pedro Ivo José da Silveira	4.014\$580
Pedro José da Costa Barros	1.042\$112
Pedro José Mainarte	577\$900
Pedro Lopes de Veras	418\$650
Pedro Ribeiro da Silva	579\$181
Pedro Velho Barreto	14.746\$538
Raimundo Vieira da Costa Perdigão	8.516\$780
Rodrigo de Barros Pimentel	127\$745
Salvador Coelho Dumont	2.074\$380
Sebastião Antônio de Barros e Melo	547\$868
Sebastião Carvalho de Andrade	2.591\$366
Sebastião Lins Vanderlei	130\$100
Sebastião Mauricio Vanderlei	514\$655
Teodósio Bezerra de Araújo	14\$203
Teodósio de Albuquerque e Mello	9.236\$515
Thomas de Oliveira Góes	1.104\$775
Vasco Marinho Falcão	5.308\$008
Vicente Borges Gorjão	1.225\$830
Vicente Jerônimo de Carvalho	421\$873
Total	677.425\$780

Note. Data obtained from ANTT (381)