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**Principal-Agent Problems in the French
Slave Trade: The Case of
Rochelais *Armateurs* and their
Agents, 1763-1792**

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Abstract

La Rochelle, the fourth largest slaving port in France in the eighteenth-century, is used as a case study in the application of agency theory to long-distance trade. This analysis explores an area not accounted for in the literature on French commercial practices. Being broadly couched in a New Institutional framework, this study explores the formal and informal institutions designed to curb agency problems, and emphasizes the ex-post strategies such as social rewarding, to which little attention is usually paid. It also finds reputation-effect strategies were efficiently combined with a well-oper

this empirical analysis leads to a reappraisal of private ordering as opposed to legal centralism and calls for more theoretical research.

Introduction

Principal-agent problems emerge when the principal has to count on another party, the agent, to perform activities or services on his behalf.¹ When the principal is unable to verify the agent's actions or easily evaluate his performance, the agent has the opportunity to favour his own interest over that of the principal. Although asymmetries of information and of interests characterize all relations of exchange, they particularly concern long-distance trade. Agency problems make it necessary to design strategies that will provide incentives for the agent to conform to the principal's interest. A number of empirical studies have sought to examine the ways in which different societies engaged in long-distance

¹ See Milgrom & Roberts, *Economics, Organization and Management* (Prentice-Hall, 1992).

exchanges have sought to solve problems of agent opportunism through the institutionalisation of contractual relationships.² The study of business structures has traditionally established a dichotomy³ between pre-modern

Louisiana after the Seven Years' War, and the introduction of the bounty system,⁶ encouraged Rochelais *armateurs* to refocus their activities on the opportunities offered by a trade already familiar to them.⁷

Destinations in Africa included Senegal, Guinea, and Angola. Most vessels were then sent to Saint-Domingue: by 1780, three-quarters of the colonial trade was carried out with Saint-Domingue,⁸ which was the largest provider of unrefined sugar and indigo. The Revolution in Saint-Domingue in 1791 marked the end of La Rochelle's slave trade, with the last slaving ship departing in 1792, and thereafter La Rochelle declined as a major port.

This dissertation examines the relevance of the principal-agent theory in this specific context, for, as pointed out by K. Arrow, there is often a strong divergence between principal-agent relationships in reality and economic theories used to analyse them.⁹ He advocated that more research be done on the greater diversity of rewards used in the real world, and particularly social rewards that cannot be easily pinned down by a model of explicit contractual relationships. This dissertation uncovers the different institutional ways in which Rochelais *armateurs* provided their captains and agents with incentives in a search for efficiency.

It is based on the consultation of archives kept in La Rochelle, the Archives of the Médiathèque and the Archives Départementales of Charente-Maritime, containing personal correspondences and papers of

⁶ O. Pétré-Grenouilleau, *Les négoce*

armateur families, the Admiralty registers, and le

by the analytic model, and the last section discusses the relative efficiency of agency structures.

1. Literature Review

1.1 Agency theory

Agency problems arise in the absence of perfect competition, perfect contracting and costless information, and their persistence has led to a reappraisal of neoclassical theories and rational choice approaches. Bounded rationality in economic organizations and in contractual relationships results from unforeseen events, imperfect information, enforcement costs, and inaccuracies.¹¹ This dissertation examines post-contractual (agent opportunism and moral hazard) and pre-contractual (adverse selection) opportunism deriving from asymmetric information. Adverse selection occurs when private information, for instance about competences and productivity, is held by just one party before signing a contract and can obstruct a value-maximizing agreement. Moral hazard and agent opportunism derives from the fact that the agent's and the principal's interests are not aligned and from the behavioural assumption that the agent is inclined to pursue his self-interest, cheat and shirk. In situations of asymmetric information,¹² the principal and the agent possess different types of information, the principal cannot verify the agent's behaviour so that "when those with critical information have interests different from those of the decision maker, they may fail to provide completely and accurately

the principal to monitor his agent's behaviour and ensure his actions are not guided by self-interest only. The monitoring of employee shirking is made more difficult because of uncertainty and externalities: thus, outcomes cannot directly be linked to the agent's behaviour and level of effort.¹⁴

The need for governance arises because in a model derived from the Prisoner's Dilemma, people are better off when they cooperate than when they don't.¹⁵ The New Institutional Economics (NIE) interprets institutions as an answer to the costs of exchange and problems of coordination and cooperation, for "the major role of institutions in a society is to reduce uncertainty by establishing a stable (but not necessarily efficient) structure to interaction."¹⁶ It places transaction costs¹⁷ and the problem of contracting at the core of economic organization.¹⁸ Institutions are defined as rules, embodied in informal constraints understood as social and cultural norms, and formal constraints such as contracts and laws, based on legal and political systems.¹⁹

Although the NIE allows for social and cultural norms to be taken into account, it favours state institutions and contract law and underestimates the potential of social arrangements. Solutions to agency problems in the absence of a formal legal framework are often to be found in dense social relations: "a moral community", repeated interaction and multilateral enforcement mechanisms ensure that the dishonest

¹⁴ McMillan (1992), p. 98.

¹⁵ W. Kasper & M. Streit, *Institutional Economics: Social Order and Public Policy* (Edward Elgar, 1998), p. 94.

¹⁶ D. North, *Institutions, Institutional Change and Economic Performance* (Cambridge, 1990), p. 6.

¹⁷ For the purpose of this study, transaction costs are defined as the association of information costs (the costs of negotiating and enforcing a contract) and compliance costs.

¹⁸ O. Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (The Free Press, 1985), p.20.

¹⁹ *Ibid*, p. 25-37.

agent will be discovered.²⁰ This leads Greif to criticize the NIE theory and devel

contract enforcement mechanisms. It rejects the evolutionary perspective, and offers to analyse the simultaneous presence of two modes of contract enforcement, “self-

Greif²⁸ has concentrated on two types of enforcement mechanisms, bilateral and multilateral reputation mechanisms, used respectively by the Genoese merchants and the Maghribi traders, and shows the importance of cultural, political and social environment in shaping governance institutions. This study is based on his model, but nonetheless challenges his claim that reputation-based strategies prevent the development of third party enforcement.

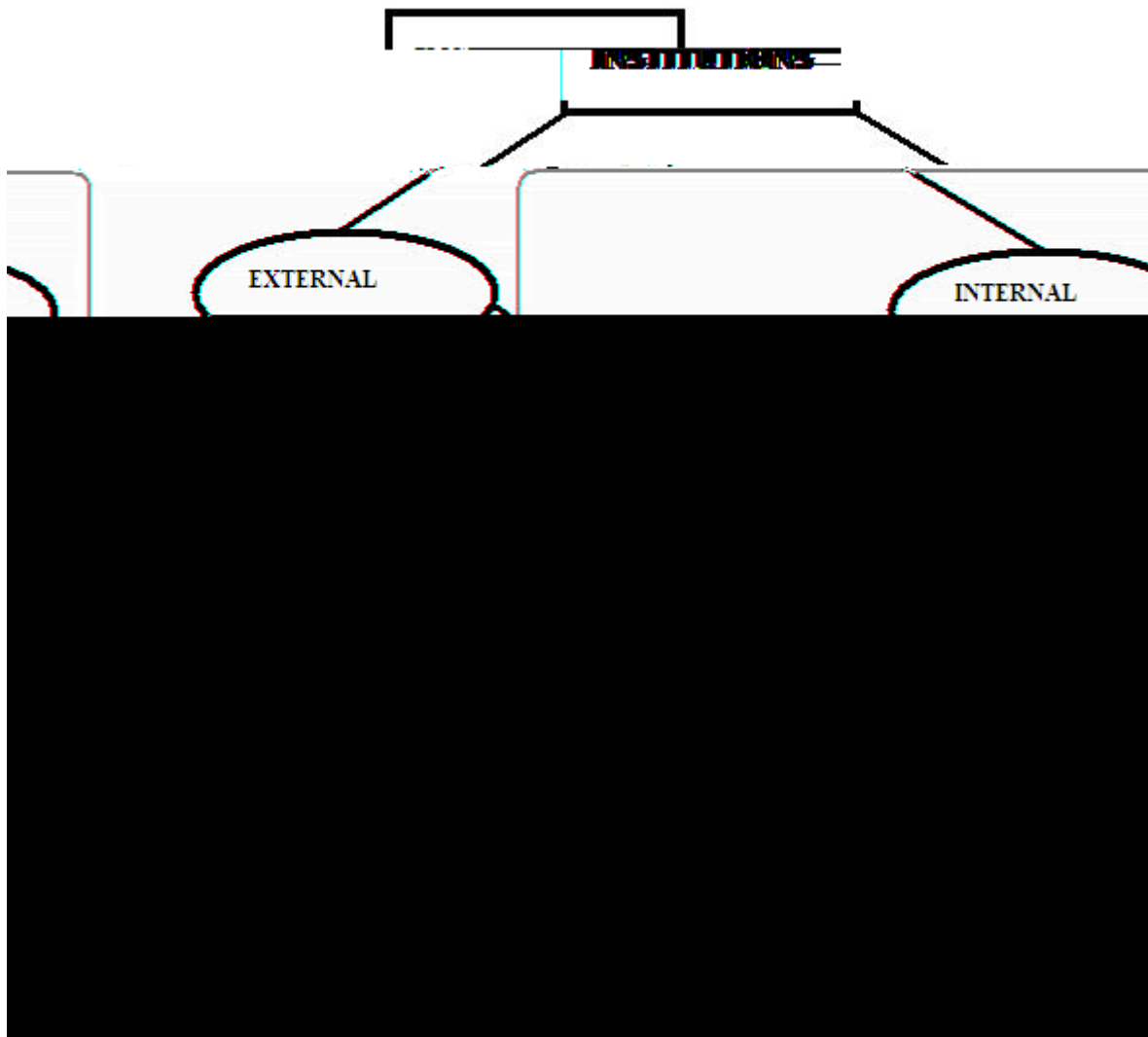
1.3 Agency problems in the case of La Rochelle

Carlos²⁹ regrets that very little work has so far been done on agent opportunism and incentives structures in the West Indies. The literature on agency problems in the French Atlantic slave trade is practically non-existent, because of assumptions that family-based business structures in eighteenth-century France did not generate agency problems. Chartered companies in France did not play a great role in the Atlantic trade, so that A. Smith's early judgment that the managerial structure of the companies led to "negligence, profusion and malversion of their own servants" did not seem to apply to the French case³⁰. By contrast, this study develops a full analysis of the informal enforcement mechanisms and formal institutions, which operated simultaneously in La Rochelle (see 1).

²⁸ See Greif (1997), Greif (1998).

²⁹ A. M. Carlos (1994) p. 315.

³⁰ A. Smith, quoted by Carlos (1992) p. 140.



1. Institutional responses to principal-agent problems in La Rochelle, 1763-1792.

2. **Specificities of the slave trade**

Slave activities entailed geographically extensive trade networks, high entry costs, specific commercial and technological skills, and high potential earnings. Although these things are characteristic of long-

distance trade in general,³¹ they were accentuated by the nature of the slave trade.

2.1 Asymmetric information

In long-distance oceanic trade, captains and agents had an informational advantage over their principals,³² through their exclusive knowledge of first, the permanent characteristics of local markets and colonies, and second fluctuating trade conditions. *Armateurs* were often dependent on their captain in order to gather information on the colonies. For example, when Van Hoogwerff acquired a plantation in Guyana, he repeatedly asked his correspondent Robert about cultivation techniques and the numbers of slaves needed, and admitted his ignorance: “our shi

their ship in order to collect debts from plantation owners in the colonies. Colonial agents' duties, when not performed by the captain, included sending back vessels, dispatching the financial returns and collecting debts.³⁵

2.2 High profits?

Controversy is high as to the profits generated by the slave trade, and here is not the place to discuss it.

2.3 High risks

First, slave expeditions were very risky because of the distance involved and conditions at sea. Shipwrecks were not uncommon and the proportion of irretrievable ships during the period concerned was about 8.5%,³⁹ compared with around 1.5% for direct ventures.⁴⁰ Second, war captures, especially by th

families.⁴⁹ These heavy investments were risky because planters lived on long credit. It took merchants several years to recover their initial capital and the profits made, so that several voyages were needed to realise the product of colonial sales.⁵⁰ Lastly, long sea voyages (usually between 12 and 15 months), meant that captains were dependent on the numbers of slaves available for trade in the trading posts on the African Coast which fluctuated according to wars, diseases and European and Arab competition.⁵¹ *Commissionnaires* similarly competed with other potential sellers in the colonies. Undersupplied and oversupplied markets were a major reason for poor sales or inadequate returns.

2.4 Crew mortality and living conditions

Death was omnipresent in slaving expeditions because of problems of sanitation, the scarcity of food and clean water. Although mortality rates differed significantly from one venture to the other, it is estimated that mortality among the crew, which was around 13 to 14%,⁵² was nearly as high as mortality among slaves and was higher than on non-slaving ships.⁵³ Proa believed that the “slave trade (...) was the field where one could be the most promptly promoted and the most profitable, but this navigation was hard and the officer had to work harder than the sailor”.⁵⁴ The workload was important, especially for officers, who had to supervise the trade, carry the goods to the coast, and then receive the slaves on board, while always ensuring security. Climate was a major cause of disease among the crew: “even the water we drink is very bad and needs to be filtered in clay vases before we can drink it. Waters in the Guinea

⁴⁹ J. Clark, *La Rochelle and the Atlantic Economy during the Eighteenth-Century* (Baltimore, 1981), p. 220.

⁵⁰ J-M Deveau (1994) p. 81.

⁵¹ Ann. M. Carlos (1994) p. 317.

⁵² Jean Meyer, (1999) p.9.

⁵³ Robert , *Les trafics coloniaux du port de La Rochelle au XVIIIe siècle* (Poitiers, 1960), p.79.

⁵⁴ A.C.M., 4J 2318.

Coast are the cause of extremely dangerous diseases, such as fevers, obstructions, dysentery, and so forth, so that some ships have returned some

also a strong incentive to establish kin relations with potential business partners.⁶⁰ Guymet married into the Poupet family in Saint-Domingue before becoming an associate, and his daughter in turn married her uncle, Mi

2. Kinship connections between leading

lowering monitoring costs.⁶⁵ First, there is no evidence that *armateurs* preferably employed captains of the same confession. Second, although it has been argued that cooperation between Protestants and Catholics was limited,⁶⁶ religion never interfered with potential business collaboration, and never represented a screening device in the choice of future partners. Although Catholics, the Poupet brothers in Le Cap did business with Van Hoogwerff, Dumoutier, Carayon and Vivier, « because they have a great reputation. »⁶⁷ Marriage represented another economic strategy, and this superseded religion: Jacques Guibert, a Catholic, was a relative of Pierre Garesché in Le Cap, since his brother Pierre Jean had married Pierre Garesché's sister.⁶⁸ Business relations were established according to merit as much as to religion and social criteria.

⁶⁵ J-P Platteau (2000) p. 302.

⁶⁶ Robert (1960) and Laveau, *Le monde rochelais des Bourbons à Bonaparte* (La Rochelle, 1988) argue that insurances were only one of the rare sectors in which s

3. Religion of the leading Rochelais Families

Rochelais families	Protestants	Catholics
Admyrault	X	
Belin	X	
Carayon	X	
Charuyer	X	
De Beaussay	X	
De Jarnac	X	
De Richemond	X	
Dumoustier de Frédilly	X	r

community”⁷⁰ can enforce an agreement even

far as the vessel and t

4.2.1 Efficiency wages and commissions

The “Principal’s Ideal Payment Scheme”⁸⁸ is one in which the agent’s marginal payment rate is equivalent to no marginal product. In this arrangement, the agent’s and the principal’s interests are perfectly aligned. However, the agent being risk-averse and not in control of output fluctuations, an efficient contract will combine a fixed basic salary with a commission rate that acts as performance incenti

besides his monthly salary of 150 livres, received a 5% commission on the slave sale, a slave and a bonus proportional to the first returns that ranged from 1,000 to 4,000 livres.⁹⁴ Commissions represented the bulk of a captain's revenues: Van Alstein received 2,281.10 livres, a bonus of 1,000 livres, and a commission of 30,199 livres. The rationale behind it, that is the better treatment of slaves whose death represented a loss of assets, is highlighted by Proa:⁹⁵ "The *armateurs'* policy means that the captain's and officers' salaries are not high, but in compensation they receive 12, 10 or 6 livres more or less per slave sold in Saint Domingue. This way, the crew has an interest in the care and the preservation of these Negroes, since the better we treat them, the more of them arrive safe and sound in America, the more money we receive."

These salaries were high and created an incentive for the agent to stay honest, because of the potential threat of termination of a lucrative contract. Although they certainly included a risk premium, salaries also incorporated some non-compensating differential, which increased the cost of losing a job, and can be defined as "efficiency wages". In this model, "the firm pays the worker a premium above the market rate which represents one method of ensuring compliance, although such a premium is a cost to the firm."⁹⁶

4.2.2 Shareholding

By the end of the eighteenth-century, it became the norm to have captains and agents acquire shares in ventures: out of the 211 slave ventures declared at the Admiralty between 1763 and 1792,⁹⁷ captains were shareholders in 45,⁹⁸ that is 21.33%. This trend is accentuated at

⁹⁴ Rinchon (1964) p. 296.

⁹⁵ A.C.M., 4J 2318.

⁹⁶ Carlos (1994) p. 317.

⁹⁷ From J. Mettas (1984) vol.2.

⁹⁸ A.C.M., B 5752-5810.

the end of the eighteenth-century, since most cases are found after 1779. In 1787, André Bégaud, captain of the *Nouvelle-Betsy*, had an interest of 51/ 768 in the venture.

Belille, engaged as first lieutenant on the *Nouvelle Betsy*, received *pacotille* worth 309 livres from Mr Charles Chessé, for which he perceived a commission of 50%, that is 154.50 livres, which amounted to nearly two months' wages. These revenues may have been even greater, since Belille, as most officers, received *pacotille* from more than one donor.¹⁰⁶ Some *armateurs* however forbade it, but the archives showed no evidence that vessels were systematically searched, which means that the threat of detection did not work as a credible deterrent. In most cases, *armateurs* turned a blind eye to minor cheating in which most actors of the trade were involved. De Richemond & Garnault forbade captain David to embark any *pacotille*,¹⁰⁷ while at the same time entrusting 4,365.14 livres worth of *pacotille* to him, from which he received 1455.05 livres.¹⁰⁸

4.2.4 Other incentive devices

The practice of placing bonds upon employment, designed to secure employee's loyalty since the costs of losing one's job became more expensive, was absent in La Rochelle. No evidence of it was found in the archives. This is because the ventures that operated in La Rochelle were short-term and the partnerships renewed for each expedition, although a more stable pattern among shareholders can be identified, since they often remained together throughout several ventures. This also reflects the merchant's limited liability of committing himself to long-term employment, because of the high uncertainty of trade and the need to redeploy his activities. The aftermath of the Seven Years Wars was characterized by a wave of bankruptcies, from Amsterdam to London,¹⁰⁹ which also affected firms in La Rochelle, and which explains the prudence of most *armateurs*.

¹⁰⁶ A.C.M., B 6039.

¹⁰⁷ A.M.L.R., Ms 2290, 5th July 1783.

¹⁰⁸ A.D.C.M., Ms. 2290.

¹⁰⁹ O. Pétré-Grenouilleau (1997) p131.

4.2.5 Competition

Competition, by driving out incompetent or deviant individuals, promotes efficiency, encourages profit-maximizing behaviour and cooperation among agents.¹¹⁰ Agents in the colonies underwent fierce competition from other firms. Although disagreements rarely led to break-up, this threat was however credible: in 1780, B. Giraudeau transferred the ongoing business account he had with Mrs Nau François & Cie concerning the ships *Le Robuste* and *Le François* to Garesché & Billoteau, on the grounds that the former had shown “ a lack of goodwill”¹¹¹ regarding his interests. Faced with Mrs Nau François & Cie’s reluctance to hand over the account, the *armateur* took the case to court. Such break-ups in the absence of criminal charges were rare, because of the high enforcement costs involved: Giraudeau would have had to settle commissions twice, once with Mrs Nau François & Cie, and once with Garesché & Billoteau. By contrast, competition among captains played a more limited role. Allen¹¹² notes that “efficiency wages” created an unemployment pool of officers in the British Navy and this served as a monitoring device, but there is no evidence that there was a surplus of captains in La Rochelle, except during the economic crisis following the Seven Years War. Some Rochelais *armateurs* had difficulties in finding captains with sufficient qualifications who would accept the conditions they offered. When de Richemond and Garnault were looking for a captain for their ship *La Bonne Société*, the former captain, David, offered his services.¹¹³ Although not familiar with the African Coast, he knew the vessel and there was no one else available to replace him so that David made great demands: a 6% commission on the slave sale, 2% on the debts recovery in Saint-Domingue, a slave and a monthly salary of 200

¹¹⁰ Milgrom & Roberts (1992) p. 175.

¹¹¹ A.C.M., 4J 1610, letter of 18th July 1780.

¹¹² D. Allen (2002) pp. 204-231.

¹¹³ A.M.L.R, Ms.1nW5Jetter

livres, which amounted to 40,000 to 50,000 livres in total.¹¹⁴ Garnault wrote to de Richemond:¹¹⁵ “I would like to have a captain at hand, I would give him the ship (...). I can’t resolve what to do in this case.” They regained their bargaining advantage when they found a new potential captain¹¹⁶ and David was compelled to accept their conditions:¹¹⁷ “If he doesn’t want the 5% commission, we will give the command of the *Bonne-Société* to a very informed captain from here, who will accept inferior advantages. This captain will be M. Guenet to whom Giraudeau and others attach great importance.”

4.2.6 Promotion

Several models have stressed the importance of promotional possibilities in increasing employees’ levels of efficiency and productivity¹¹⁸ or in solving problems of moral hazard and private information.¹¹⁹ The fact that the earnings of captains were much larger than that of other officers shows it was more rational for trainees to stay honest than cheat because of long-term benefits. Moreover, the promotion scheme based on performance and productivity encouraged agents to self-select and this self-enforcing device lowered transaction costs. Despite the short-term nature of employment contracts in the slave trade, durability and repeated games could be achieved by recr

lieutenant in the same 1773 venture, served Dumoutier and Fleuriau as captain.¹²¹ Among Garesché's captains, Garlache Corbie and Micheau were promoted from second captain to captain.¹²² Another advantage offered by the promotional structure is that it provided *armateurs* with a cheap monitoring mechanism, by creating incentives for ambitious officers to report their captain's misbehaviour in an attempt to gain their *armateur's* approval and be promoted.¹²³

4.2.7 Monitoring devices

Monitoring devices were not widespread because monitoring and information collecting were costly.¹²⁴ *Armateurs* used to give general instructions to their captains and agents, which amounted to guidelines and requirements for the trade. These instructions often were costly.

offence, and the duties of captains and officers. More generally, *armateurs* encouraged the keeping of records¹²⁶ and of legal reports that could serve as official documents in case of dispute with the insurers.¹²⁷ All incidents on board were recorded in the ship's log, and were reported in a declaration signed by several witnesses, officers and seamen alike.¹²⁸ All commercial activities were recorded in accounting books¹²⁹ later addressed to the *armateur*. These records contain information on the quantity of goods dispatched in Africa, the numbers of slaves sold, general expenses for the maintenance of the crew and the ship, and the exchange rate for the slaves sold in the colonies. Lastly, the presence of relatives of the *armateur* training on board or officers who were likely to report any problem to the Admiralty on their return constituted a powerful check on the captain. The role of officers is not to be neglected, since they had to be consulted in case the captain had to go against the *armateur's* orders.¹³⁰ The captain was liable in case of agreements made against the *armateur's* consent and fees that resulted from disobedience to instructions were borne by him, as explicitly expressed by de Richemont and Garnault to David: "we find it useful to recommend that you not return to any other port than ours on no account; and we inform you that if you acted differently, you would be liable for all the charges and commissions we would have to pay."¹³¹ Similarly, when his captain stayed behind in Saint-Domingue despite his orders, Vivier made a declaration at the Admiralty, stating he refused to be liable for the expenses subsequently incurred and reserved the right to sue his

¹²⁶ A.M.L.R., Ms. 2290. Several ship's logs have survived: see A.M.L.R., Ms. 282, A.M.L.R., Ms. 856.

¹²⁷ A.M.L.R., Ms. 2290.

¹²⁸ J-M. Deveau (1994) p. 102.

¹²⁹ A.M.L.R., Ms. 2291.

¹³⁰ Gaston-Martin, *Nantes au XVIIIe siècle, L'ère des négriers, 1714-1774* (Paris, 1993), p. 39.

¹³¹ A.M.L.R., Ms. 2290, "Ordres et instructions", Article 15.

captain.¹³² Besides, *armateurs* and captains kept a regular correspondence during the expedition, and *armateurs* could adapt their instructions to circumstances in the West Indies.

Frequent letter exchanges were also established between *armateurs* and agents in the colonies: on the one hand, they provided information about ship movements, prices, cargo composition and market conditions; on the other hand, they helped reinforce mutual trust. By conveying information about other agents, they also guaranteed a form of social control. Carayon's captain, Desfossés, informed him that his agents Garesché had taken good care of his cargo, while they, in turn reported the good behaviour of his captain.¹³³ A degree of uncertainty as to the role of the captain in the colonies with regard to sales and debt collections, or the overlapping roles of agents and captains can be interpreted either as an inefficiency or as a way to solve agency problems, competition between agents and captains creating incentives to report improper acts and lowering information costs.

4.3 Adverse selection

The sl

to be pleased of M. David, I will keep silent; his lack of wisdom, or that *je ne sais quoi* prejudiced against us, given the sale he carried out at the Martinique”. Formal training on ships first acted as a guarantee of an agent’s competence. During his first expedition as a *pilotin*, Proa, who aspired to become a captain, had to submit to the daily task of writing a ship’s log, in which activity the captain and other officers supervised him.¹³⁶ To be made captain, an officer had to have sailed on merchant vessels for more than five years, have spent two campaigns of at least three months each in the Navy, and passed the examination at the Admiralty, which involved being questioned by officers of the Admiralty on ocean navigation, and taking a hydrographic test.¹³⁷ Experience and age also served as a selection device. Despite being acquaintances and their knowledge of the ship, the *armateur* Carayon was reluctant to give the command of the *Sénac* to Chouteau and Proa, whom he judged too “young”.¹³⁸ Again, reputation and personal exchanges were the strategy most frequently used by Rochelais *armateurs* to deal with adverse selection. Similarly, although most agents had received formal and vocational training in well-established trading firms before migrating, reputational mechanisms based on kin-centred networks predominated.

5. Social and cultural strategies in the settlement of agency problems

5.1 Reappraisal of the agency theory

Agency theory relies heavily on devices set at the ex-ante contractual stage. Social rewards, understood as non-wage aspects of employment contracts, are not taken into account because of the discretionary nature of these benefits and because of their non-

¹³⁶ A.C.M., 4J 2318.

¹³⁷ Valin (1760) TIT.I, article 1.

¹³⁸ A.C.M., 4J 2318.

verifiability, even when they play an important role in controlling post-contractual opportunism. Implicit relational contracts are mutual understandings of give-and-take between the different players involved. This model includes non-monetary incentives such as sociability, approval, status or power, and expands the concept of self-interested behaviour to include social factors. In order to assess the organizational features of long-distance trade and its economic rationality, the cultural, social and political framework in which it operated should not be underestimated.¹³⁹

5.2 Social rewards

For example, and far from being just a subordinate, a captain enjoyed a high degree of autonomy in his decision-making, and officers and armateurs alike generally respected his view.¹⁴⁰ Crassous, a captain himself, compares a captain to a monarch: “A ship is like a small state to govern. Fortunate is the captain who meets a good second and a honest man, like a King who chooses a good minister and a wise council.”¹⁴¹ Most *armateurs*’ instructions allowed for captains, better informed, to decide where to trade. The orders given by Garesché to Van Alstein stipulated that the latter could settle in the African port that he thought would favour trade the most, to which the *armateur* added, as a sign of trust and respect: “I am inclined like you to favour the ports of Malimbe and Cabinde as the healthiest and the wealthiest.”¹⁴² Similarly, the port of disembarkation in the West Indies was ultimately a function of local market conditions and fell within the competence of the captain.¹⁴³

¹³⁹ See Greif (1997), Greif (1998), O. Pétré-Grenouilleau (2001).

¹⁴⁰ Meyer (1999) pp. 15-18.

¹⁴¹ A.M.L.R., Ms. 283.

¹⁴² Rinchon (1964) p. 297.

¹⁴³ A.C.M., 4J 2318.

It would be wrong to see the different worlds of agents and principals as hermetically bounded. Agents' aspirations become principals and be socially promoted fostered an informal collaboration between the two groups. The possibilities of social mobility was present in the slave trade for those who did not come from a commercially active family and worked as incentives for captains and agents who wished to return to France as *armateurs*. Michel Poupet, who by the 1790's had built the finest mansion in town, started off as a *commissionnaire* in Saint-Domingue.¹⁴⁴ The captains Saint-Pé¹⁴⁵ and Crassous¹⁴⁶ both outfitted vessels. Amable Lesenne bought a plantation worth 100,000 colonial livres in Saint-Domingue, and later retired as the squire of the Tourtillière near La Rochelle and as *Trésorier de France*.¹⁴⁷ It usually took more than one generation to climb up the social ladder. Jacques Rasteau, a captain turned *armateur*, founded the Rasteau dynasty.¹⁴⁸

which moved in *armateurs'* circles and distinguished themselves by their education and their tastes for literature, theatre, philosophy, history and geography.¹⁵⁰ Because they were allowed to wear a sword, captains and officers were often tempted to slip towards aristocratic status.¹⁵¹ Van Alstein tried to prove his aristocratic origins that will have him fully accepted by the society of wealthy *armateurs*.¹⁵²

5.3 A trading community

According to these findings, it is possible to define the Rochelais slaving milieu as a trading community with specific organizational functions. First, distinctiveness was establish13.0h.06 37 to define the RS67108081 677.

shareholders by the community), were effective and credible. The circulation of information, by guaranteeing that fraud was detected, could also reinforce the threat of legal action. Moreover, these networks, by making and unmaking reputations, contributed to the development of a “moral community”, in which mutual trust could flourish and which benefited to commercial activities. The ideology behind these social and cultural norms was that of a nascent trading bourgeoisie fostered by the colonial trade, and whose interest could be differentiated at the national level from other socio-economic groups.¹⁵⁵ This concept of a community can be extended to include other Atlantic ports, to which La Rochelle was linked socially, economically and culturally. The French Atlantic was constituted of a network of locally organized and highly connected communities.

6. Efficiency

As noted by A. Carlos,¹⁵⁶ “the current work on efficient labour contracts and agency theory points out that the conduct of agents or managers is not independent of the actions taken by principals.” Although the efficiency of institutions is usually

Atlantic impeded the development of an efficient organization and prevented merchants, reluctant to work in sectors where they lacked a s wh

in which ways the efficiency of agency structures in La Rochelle was influenced by the political and social environment and questions the facile optimism that formal institutional arrangements are optimal.

Considering the high costs of monitoring induced by the nature of long-distance trade and the difficulties of imposing penalties, wages based on commissions were an efficient way of controlling captains' behaviour.¹⁶³ As for agents, instead of having individual contracting agents working on commission, as was mostly the case in La Rochelle, *armateurs* could either establish partnerships with colonial firms or use their own firm as a way to better control exchange networks.¹⁶⁴ Besides allowing for a congruence of interests, combining diverse sources can diminish the financial and time losses caused by breakdowns in bargaining between agents and *armateurs*. However, these savings would have been offset by the uncertainty of trade and the unpredictable necessity to change agents. Subcontracting allowed for greater flexibility. Moreover, Rochelais *armateurs* refrained from investing in firms because of the restricted size of the merchant's community and the lack of capital at the end of eighteenth-century. Most *armateurs* had a reliable information network and agents' commissions were low enough for the system as such to be efficient. In the Anglo-Saxon model, where the rights of the creditor / *armateur* were better protected, agents received commissions as high as 10%, but in return, they assumed full responsibility for collecting all slave sale debts.¹⁶⁵

Agency problems were thus not at the core of the organizational inefficiencies of the French slave trade. The efforts of French slavers on the African Coas

bargaining power of French captains. Second, the legal system was designed to favour the Royal Navy above private merchants: private ships were seen as a training gr

hire his brother, whom he considered incompetent and unreliable, as his agent.¹⁷² Kinship, in the same way as religion, did not play as important an organizational role as usually thought, and “in circles where all things were more and more defined by economic criteria, the sole obstacle to economic success and social integration were personal skills, reputation and luck.”¹⁷³

Informal enforcement mechanisms allow for relations of trust to develop. It is now acknowledged that levels of trust, especially between superior and subordinates, are positively linked with productivity and efficiency levels.¹⁷⁴ Letters exchanged between *armateurs*, captains and agents include many examples of commendation or praise. Information networks, by adding communication to the Prisoner’s Dilemma model, made cooperation possible. Self-enforcing contracts derived from reputational mechanisms and social norms are rational and efficient as they economize on the transaction costs of protecting contracts.¹⁷⁵ This means that in such cases, limited monitoring is relatively successful

Conclusion

A first point is that a reappraisal of the agency theory seems possible, based on elements that suggest that social incentives played a greater role than often assumed. Ex-ante mechanisms designed to solve agency problems are usually emphasized, with little attention paid to ex-post mechanisms such as social rewards, which, as this study shows, also play an incentive role. Agency theory can benefit from empirical studies and the integration of social, cultural, political and environmental variables into its model, which would make it more adapted to the analysis of cases study such as this one.

Agency structures in La Rochelle rested upon a mixture of social connections and institutional arrangements, which appeared to have functioned well. These findings go against the view that the transition to modern capitalism was accompanied by a shift from personal to impersonal business relations, and that these two types of enforcement mechanisms are incompatible. Rather, an empirical approach is better able than a predetermined model to show that the evolution of institutions and their adequacy depends on historical circumstances. In the Rochelais case, the persistence of reputation-based mechanisms allowed for greater flexibility, which was well adapted to a high risk trade. The decline of the slave trade at the end of the eighteenth-century seems to have been caused by factors other than principal-agent problems. Despite what is usually assumed, the institutions that governed economic exchanges in La Rochelle were modern. It is more and more widely acknowledged that even in capitalist societies reputation-based institutions, by circulating information, facilitate exchange and complement legal contract structures. Further historical research is needed as to provide us with the foundations for a model that accounts for agen

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