

In late-medieval Venice the state regulated the ex-ante operation of trading voyages in a manner that facilitated the ex-post verification of merchants' accounts. Specifically, colonial governors, convoy admirals, ship scribes, tax collectors and various other officials monitored merchants at all times, thereby generating and transmitting (verifiable) information which investors could present as evidence in support of their claims to the court. Formal monitoring thus enhanced the legal protection of investors from expropriation by controlling merchants and fostered the development of equity markets. The Venetian institutional system thus went far beyond the informal relations of trust that facilitated the transition from the debt-like sea-loan to the equity-like commenda contract in other Mediterranean localities at basically the same time. This paper investigates the distinctive nature of the Venetian institutions, their different efficiency and distribution implications and their evolution over time.