

Commercial Diplomacy in the Adobe Empire

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Abstract

From 1833 to 1848, Bent, St. Vrain & Company (BSV) dominated the burgeoning Santa Fe Trail trade among Americans, Mexicans, and the various nomadic Indian tribes inhabiting the southwestern US frontier through superior application of commercial diplomacy. BSV agents adopted Indian customs and other traditional mechanisms of trust and reciprocity, such as intermarriage, gift exchange, and ritual smoking, to reduce the prospect of opportunistic dealing. BSV's successes illustrate how market mechanisms accomplish self-enforcing exchange among heterogeneous agents. The BSV experience is also a demonstration of the catallactic nature of international trade: the notion that exchange involves "turning enemy into friend." BSV's experience gives credence to the *doux commerce* thesis: The pursuit of profits promotes peace between peoples.

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In this vast kingdom the red man ruled. The hunter or trapper who ventured from the settlements did so on the sufferance of the Indians. If he were robbed or killed, there was no law and no army to avenge him. For, although the Indians traded with him, they did so by their own choice, and they could as easily choose to attack him and take his goods without trading at all.

—Remi Nadeau

On the other hand, fur traders needed peace for the best pursuit of their business. Furs were obtained either by Indians or in Indian territory. Peace between them furthered the interests of traders and fur companies. Therefore the traders used every device to keep the peace between hostile tribes.

—Grace Nute

I. The Economics of Trade, Cooperation, and Peace

For roughly three hundred years after the establishment of the colonies that would become the United States, both European settlers and native Indian tribes faced the perennial question of how best to deal with members of the other group. As Anderson and McChesney (1994) indicate, the decision boiled down to an economic “raid or trade” calculus dependent on the relevant cost or benefit of each pursuit to individuals on each side. While both trade and violence are costly, violence is a zero-sum game. Thus, traders who can find a way to minimize the costs of successfully engaging in trade will, in the commercial pursuit of their self-interest, also unintentionally promote the social interest by reducing social deadweight losses associated with warfare, theft, and other forms of noncooperation. Put another way, when entrepreneurs discover and implement ways to reduce the costs of trade, the stakes can involve not just bigger profits, but in some instances the promotion of international peace.

The actual history of European American–Native American interactions involved tremendous opportunities for mutually beneficial exchange between these two disparate groups. While Euro-Americans enjoyed technological advantages and a greater capital stock, Indians always possessed a comparative advantage (if not an absolute advantage) in harvesting native flora and fauna. If white and Indian traders could consistently and credibly present themselves to each other as trustworthy trade partners, the discounted present value of the benefits from ongoing trade would easily exceed the short-term net benefits of expropriation. The fact that Indian-white relations on the American frontier vacillated at various times and places between peace and war suggests that some entrepreneurs, on both sides, were better than others at employing best practices that would lead to durable trade.

Yet establishing the basis of trust necessary for trade to prevail over violence is an immense challenge. Indians and whites were separated by a vast gulf of both geographic and social distance. Reducing this social distance at low cost was the lynchpin of successful trade and therefore peace. Decreasing social distance is a matter of knowing how to ingratiate oneself with an alien culture—to change oneself from an outsider to an insider (Leeson 2008). The experience of the large, successful trading firm Bent, St. Vrain & Company (BSV) on the southwestern American frontier in the mid-nineteenth century is a useful case study of the entrepreneurial quest to reduce social distance and establish intercultural trust as the basis for profitable

international trade. BSV, and many similar trading outfits, succeeded by engaging in commercial diplomacy aimed explicitly at these goals.

This essay examines the operations of BSV in some detail, arguing that successful traders in the Indian trade were entrepreneurs who excelled in the various practices of commercial diplomacy. BSV is a model of entrepreneurs adapting themselves to their trading environment and employing the appropriate mechanism of trust, namely a credible commitment to honest dealing. An essential implication of the BSV case is that the profit motive is a powerful force inducing entrepreneurs toward commercial and diplomatic, rather than predatory and hostile, international relations.

In exploring the mechanisms entrepreneurs use to establish the basis for stable and lasting trade relationships among disparate peoples, this essay builds upon several long-standing themes in the classical liberal tradition in economics, such as the notion of catallaxy popularized by members of the Austrian school, as well as the Enlightenment-era *doux commerce* thesis. The terms capture the idea, long propounded by liberal economists and political philosophers, that trade promotes peace and reconciliation between disparate peoples. More recently, economists in this tradition have explored how trade can be effectuated in the absence of state-based enforcement. Much of the literature in this field focuses on traders' reputation and the prospect of *ex post* punishment of cheaters as mechanisms that allow self-enforcing exchange to flourish among small, homogenous groups whose members exhibit relatively low discount rates. In other words, within a familiar social milieu, the loss of future benefits from continuous trade is sufficient to deter a short-run maximizing strategy of expropriation (Bernstein 1992, 1996, 2001; Clay 1997; Ellickson 1991; Greif 1989, 1993, 2002; Landa 1994; Zerbe and Anderson 2001). Following Leeson (2008), this essay emphasizes that commercial diplomacy methods discussed in detail below extend the efficacy of self-enforcing exchange to nonhomogenous groups—more specifically, to actors in an anarchic setting rife with potential hostility and ample prospects for expropriation. The experience of BSV's trading empire stands as a profound example of the robustness of the market mechanism and entrepreneurial creativity in a stateless and difficult commercial setting.

The remainder of this essay is organized as follows: Section 2 briefly recounts the economic environment on the southwestern frontier of the US in the early 1800s. While there were sizable potential profits for American entrepreneurs from both the Santa Fe trade with New Mexico and the fur trade with the Plains Indians, the trade featured its own

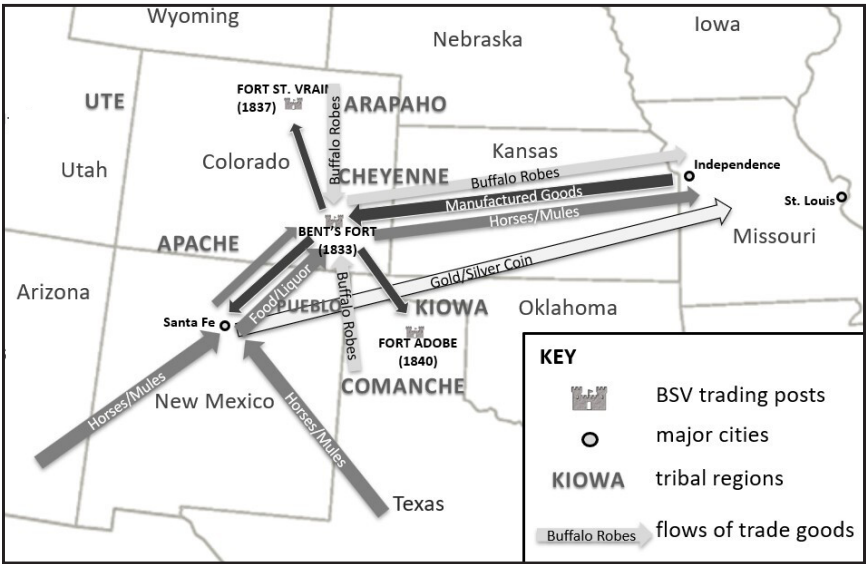
special dangers, arising largely from the social distance and latent antagonism between the disparate groups. Section 3 presents the story of BSV, the trading firm that came to dominate both the Santa Fe and Southern Plains Indian trade in the 1830s and 1840s. Key to the success of BSV was its expertise in commercial diplomacy: the ability of its leaders to employ economic practices that that established trust and reciprocity with their Indian and Mexican trading partners. Section 4 concludes by drawing out some broader social and political implications of international trade in the era of BSV’s “Adobe Empire” of trade.

II. Trade on the Southwestern Frontier

A. Gains from Trade

Despite having been characterized as “the Great American Desert,” the Great Plains, at the opening of the nineteenth century, was set to become a crossroads of a vast international trade. Adventurers would soon open trails to New Mexico (a province of Mexico until 1848), Oregon, and California. These trails became the conduits of a burgeoning commerce. A tripartite trade was established between native Indian tribes, Mexicans, and Americans. Figure 1 shows typical trade patterns on the Southern Plains frontier in the first half of the nineteenth century, along with the locations of BSV’s permanent trading posts.

Figure 1. Southern Plains Trade Routes



Gains from trade within this network were large precisely because of the diversity of natural and human resources that each group brought to the market—a classic case of the Ricardian law of association at work (Mises [1949] 1998, pp. 158–60). For US-based entrepreneurs in particular, the potential monetary profits were immense. As a case in point, William Becknell, a pioneer of the Santa Fe Trail, returned from his initial trading trip in 1821 “heavy with profits, keen to repeat the trip, giving the word that the trade was open” (Paxson 1924, p. 326). The Cooper party, in a trade expedition from Franklin, Missouri, to Santa Fe in 1822, “realized so high a profit on the investment that he ventured again in 1823 and brought back four hundred mules and a large quantity of furs” (Coman 1912, vol. 2, p. 79). Josiah Gregg (1844, vol. 2, p. 161), a Santa Fe Trail veteran and contemporary journalist, gave a more sober assessment of the trade’s profit rates yet still reported higher numbers than what “normal” rates of return might have been in alternative business ventures back east. Table 1 presents trade figures from selected Santa Fe Trail caravans.

Table 1. Commercial statistics of early Santa Fe trade

Year	Trade volume (US \$)	# of wagons	# of men	American casualties	Notes
1822	15,000	(pack ani- mals only)	70	-	
1823	12,000	(pack ani- mals only)	50	-	
1824	35,000	26	100	-	
1825	65,000	37	130	-	
1826	90,000	60	100	-	
1827	85,000	55	90	-	
1828	150,000	100	200	3	
1829	60,000	30	50	1	1st US military escort
1830	120,000	70	140	-	
1831	250,000	130	320	2	
1832	140000	70	150	5	
1833	180,000	105	185	-	
1834	150,000	80	160	-	2nd US escort
1835	140,000	75	140	-	
1836	130,000	70	135	-	
1837	150,000	80	160	-	
1838	90,000	50	100	-	
1839	250,000	130	250	-	
1840	50,000	30	60	-	
1841	150,000	60	100	-	
1842	160,000	70	120	-	
1843	450,000	230	350	-	3rd US escort
-					
1847	?	?	?	47†	(Mexican War)
1858	?	1510	?	-	
1860	3,000,000	?	?	-	

Source: Gregg (1844 vol. 2, 160); Lavender (1954); Walker (1966).

B. Challenges of the Trade

High profits come with high risks, and it was no different on the Santa Fe Trail. Traders faced a harsh climate with eight hundred miles of semiarid wildlands between settlements and with the risk of pillage by ranging Indians, whose lands the trail crossed.

The social distance¹ between these tribes and the white newcomers was obviously large; extreme differences of language, religion, customs, and technology—basically every aspect of social, economic, and political culture—posed barriers to civil interaction between the two peoples. Both parties to a potential transaction faced opportunities for expropriation. Unscrupulous white traders were notorious for plying Indians with alcohol prior to trade talks in order to erode native traders' bargaining power. On the Indian side, opportunism most commonly took the form of stealing white traders' horses or other livestock. All the Great Plains tribes gained widespread notoriety as horse thieves (Coman 1912, vol. 1, p. 344; Lavender 1954, p. 152; Haines 1976, p. 149; Walker 1966, p. 260; Klein 1993, p. 144; Nadeau 1967, p. 21; Gregg 1844, vol. 1, p. 292; Hyde 1959, p. 103). For obvious reasons, the loss of horses or other livestock would be a crippling blow to American entrepreneurs, whether on the Santa Fe Trail or trading with Indians out in the wilderness.²

In addition to the risk of losing merchandise or livestock to thievery, there was the prospect of violent conflict. Although murders, scalplings, and similar outrages on the part of both Indians and whites have become part of the lore of the American West, violence was actually not very common in the context of the Santa Fe and Indian trades, nor of the western frontier in general (Anderson and Hill 2004). Josiah Gregg (1844, vol. 1, p. 85) estimated that in the first twenty years of the Santa Fe Trail trade there were only a dozen deaths, including those caused by disease.³

¹ "Social distance can be defined as the degree of reciprocity that subjects believe exist within a social interaction" (Hoffman, McCabe, and Smith 1996). Naturally, social distance increases with differences in language, religion, and culture. The Santa Fe Trail trade, and particularly trade between Euro-Americans and Native Americans, represents a situation of maximal social distance.

² Lavender (1954) notes, "An acute knowledge of the risks of horse thievery was a key factor in Charles Bent's decision to rely on oxen, as opposed to mules, as the motive power for BSV caravans. While Indians preferred horses to much slower, more stubborn mules, they could make use of the latter; Indians had very little use, however, for cattle, for either meat or burden" (p. 129).

³ Of all the infamous massacres in the history of the Western US, none, to my knowledge, was committed by white trappers or traders in the context of the fur trade. This is not to say there were no instances of murder in the course of the trade, only that the vast majority of instances of organized, large-scale violence committed against Indians in later years were undertaken by various state or federal *military* forces, rather than private business interests. See, for example, McMurtry (2005).

Despite the ever-present possibilities of theft and violence, peaceful trade characterized the “Adobe Empire” era. This brings us to the main task of this essay: to investigate the specific mechanisms that the most successful entrepreneurs used to bridge social distance, establish ongoing trust with their trading partners, and “turn enemy into friend” through mutually beneficial exchange. To that end, I turn now to a detailed portrait of BSV.

III. Bent, St. Vrain & Company: Entrepreneurial Experts in Commercial Diplomacy

Brothers Charles and William Bent grew up in St. Louis in the early years of the nineteenth century, amid the bustling activity of the emerging fur trade and lore of western exploration. Charles Bent began his career as a clerk for the Missouri Fur Company. After that enterprise failed, the brothers turned south to the Santa Fe trade, where Charles captained a Santa Fe-bound caravan in 1829. In New Mexico the Bents met up with shopkeeper Ceran St. Vrain, another trapper-turned-trader that they had known from their days with the Missouri Fur Company.

William Bent, after a trapping expedition from New Mexico to the Arkansas valley in present-day Colorado, took up trading with the local Cheyenne Indians. Charles Bent continued freighting goods between Santa Fe and Missouri. Sometime around 1830, the Bent brothers and St. Vrain launched their partnership, Bent, St. Vrain & Company (Lavender 1954, p. 126). The business plan took advantage of a division of labor: Charles freighted goods over the trail; William traded with Indians north of the Arkansas River; St. Vrain—a Mexican citizen—managed the store in New Mexico (Lavender 1954, pp. 130–44).

Soon after the launch of BSV, Charles Bent struck upon a grandiose plan: The firm would construct a new, massive, impregnable trading post and fortress, from which they would command the trade with the Plains tribes, the mountain men who collected furs high in the Rockies, and the caravans traversing the northern route of the Santa Fe Trail. Cheyenne chief Yellow Wolf convinced the Bents to build their fort close to the buffalo ranges where the Plains tribes preferred to camp on their hunting expeditions and where Santa Fe Trail travelers could stop for supplies and repairs (Lavender 1954, p. 133; Comer 1996, p. 123).

The Bents constructed a massive adobe structure, Bent’s Fort, which opened for business in the fall of 1833 (Lavender 1954, p. 139). Caravans from Missouri and Santa Fe regularly supplied the

fort with trade goods and sent back east the furs and buffalo robes that the company's agents collected from the Indians, as well as silver, horses, and mules obtained in New Mexico. The fort also outfitted mountain men and served as a stopover for travelers on the Santa Fe Trail.

Spurred by early successes, and in an effort to maximize the value of their large capital investment, BSV expanded its reach to the north and south, building Fort St. Vrain (near present-day Denver, Colorado) in 1837, and Fort Adobe (in the present-day Texas panhandle) around 1840. The firm also had permanent stores in Taos and Santa Fe, New Mexico (Lavender 1954; Grinnell 1923).

The prominent position of BSV in both the Indian and Santa Fe trades during its height in the 1830s and 1840s earned it the legitimate title of the "Adobe Empire" (Lavender 1954, p. 166); other historians have noted that BSV gained a "monopoly" (Dary 1986, 86) on the Indian trade and "reigned supreme" (LeCompte 1978, 17) over trade within this region. On the eve of the Mexican War, BSV employed "more than a hundred men, an extraordinary melange of French, Mexicans, Americans, Indians, and all degrees of mixture" (Lavender 1954, p. 185). Among the many specialized employees of the firm were at least seven full-time Indian traders (Grinnell 1923, pp. 56–57).

A. The Economics of Trade Among Strangers

This is the land, where only the brave or the criminal come. This is called, "the Land without Law."

—Santa Fe trader Francis X. Aubrey

With very few exceptions⁴ there was no official law enforcement between Santa Fe and Missouri, and no permanent military presence in the region until the Mexican War began in 1846. Thus during the heyday of the Adobe Empire, from 1833 to 1846, BSV and the Indian tribes with whom it traded were essentially sovereign in their respective realms (Klein 1993, p. 137).

As noted above, this lack of official governance meant that opportunities were ripe for theft, expropriation, and violence. In addition to the prospects for stealing livestock from trail caravans, it was relatively easy for Indians to simply steal goods brought by

⁴ US Army dragoons escorted Santa Fe-bound trade caravans in 1829, 1834, and 1843.

isolated traders: “What they could not achieve through peaceful methods, they were willing to obtain by means of force. Consequently, when they did not have sufficient commodities to purchase the entire stock of a trader’s outfit, they attempted to persuade him to remain among them until they could bring in enough furs to do so; or failing that, they appropriated his goods. This was done either by outright seizure or by compelling him to ‘sell’ his goods at a price so ridiculously cheap that it was tantamount to robbery” (Jablow 1951, p. 36).

The main challenge faced by BSV was that of cultivating a commitment to trade and developing mutual trustworthiness between themselves and their various Indian trading partners. This represents the problem of “actionable” knowledge as discussed in depth by Kirzner (2005); the ability to establish trust and a credible commitment to trading, rather than raiding, is an aspect of what we might call commercial know-how, and an especially acute challenge to traders on the Indian frontier.

B. The Raid-vs.-Trade Problem in the Adobe Empire

While trade within the forts themselves was relatively easy to monitor, and the forts (especially Bent’s Fort) were well defended against raids, much of the trade, especially in buffalo robes, took place far away from the fort, at the Indians’ scattered winter camps. The company would send agents in small groups of two or three men with a wagonload of goods to the separate camps, where the agents would spend weeks or months in the process of trading for the robes as they were brought in by the hunters and finished by the women (Lavender 1954, pp. 146–48; Grinnell 1923, pp. 56–58). In these settings, the Indians held a power advantage and could easily take advantage of the whites’ trust. On the other hand, the company agents could easily take advantage of the Indians by plying them with alcohol during the trading process. Once drunk, the Indians could be easily swindled by conniving white traders, willing to part with ever-greater quantities of robes and horses for ever-smaller and more diluted quantities of whiskey. This practice was especially common in the Northern Plains trade, as discussed by Nadeau (1967, p. 37), Ray (1998, pp. 142–44), and Coman (1912, vol. 1, pp. 346, 352), but also took place in the Southern Plains (Grinnell 1923, p. 59; Lavender 1954, pp. 150–51). Chittenden ([1902] 1954) describes the practice:

It was the policy of the shrewd trader first to get his victim so intoxicated that he could no longer drive a good bargain. The Indian, becoming more and more greedy for liquor, would yield up all he possessed for an additional cup or two. The voracious trader, not satisfied with selling his alcohol at a profit of many thousand per cent, would now begin to cheat in quantity. As he filled the little cup which was the standard of measure, he would thrust in his big thumb and diminish its capacity by one-third. Sometimes he would substitute another cup with the bottom thickened up by running tallow in until it was a third full. He would also dilute the liquor until, as the Indian's senses became more and more befogged, he would treat him to water pure and simple. (p. 24)

Chittenden's description matches that of many other historians, indicating the pervasiveness of this practice. It should be noted here, however, that companies that were interested in long-run returns from the Indian trade were cognizant of the commercial damage wrought by liquor. Firms that excelled in the trade by means of commercial diplomacy carefully regulated their own use of liquor, often in spite of the Indians' staunch demand, in the interests of maintaining the long-run value of the trade. BSV agents would therefore arrange for their trade liquor to be carefully rationed out by the chiefs and not consumed until all trading had been completed (Lavender 1954, p. 151). In mentioning this policy, Grinnell (1923) states the rationale: "No trader wished to have whisky in a camp where he was working. The presence of liquor in the camp not only ended all trade, but often endangered the trader's life" (pp. 58–59).

C. The Economics of Credibility Signaling

Given the ample opportunities for dishonest dealing and cheating on both sides, it was incumbent on white and Indian traders to find satisfactory mechanisms for establishing trust and credibly committing to honest dealing.

A large literature focuses on the economics of self-enforcing exchange and the mechanisms entrepreneurs have adopted to promote trust and punish dishonest dealing. Many scholars have focused on the role of reputation—the "discipline of continuous dealings" (Smith [1766] 1982, p. 538; see also Tullock 1985)—as an effective commitment mechanism, particularly among homogeneous agents (Greif 1989, 1993; Clay 1997; Landa 1994). Surely reputation

played a significant role in the Adobe Empire, especially once BSV had established itself as the premiere trading firm in the region. BSV was interested in maximizing the present value of the cash flows arising from the fur and Santa Fe trades. The Bents were surely aware that any advantage their own agents could gain by cheating their Indian counterparts in any single transaction would be temporary, as the Indians would mark out these dishonest agents and, ultimately, be driven to deal with competing firms.

Reputation mechanisms, however effective, only work *after* trust has been established through experience. Thus the initial challenge for an enterprise such as BSV was to create trust and a commitment to honest dealing *before* strong trading relationships were established. In addressing this kind of ex ante commitment, Peter Leeson (2006, 2008) has extended the trust literature by focusing on mechanisms used by heterogeneous agents to reduce the social distance separating potential trading partners and thereby establish a basis for ongoing peaceful exchange. The main theme in Leeson's work is the ex ante use of "costly signaling mechanisms" by culturally disparate traders to indicate trustworthiness to prospective trading partners. Whereas reputation mechanisms are of no (initial) use to total strangers, if a trader can convince a potential trade partner of his *intention* of honest dealing, the reputation mechanism can eventually be brought to bear. As Leeson (2006) notes, "The evidence suggests that heterogeneous individuals signal credibility to one another by engaging in each other's practices, customs, and traditions. Through these signals heterogeneous individuals are able to convey trustworthiness, enabling peaceful exchange despite the absence of a formal institutional structure" (p. 893).

Much along the lines stipulated in Leeson's analysis, BSV agents adopted the requisite credibility-signaling devices in order to gain the *initial* level of trust necessary for trade. BSV excelled in such commercial diplomacy, and this was the main reason for their outstanding success in the Indian trade and their typically peaceful relationships with the Plains tribes.

The next section details the commercial institutions relied upon not just by agents of BSV but all successful Indian traders. As will be seen, these mechanisms had in common the creation of trust, whether by outright credibility signaling, more subtle means of reducing social distance, or some combination of these.

D. The Mechanisms of Commercial Diplomacy

1. Intermarriage

The practice of intermarriage has been commonly employed among heterogeneous peoples as a means of closing social distance and turning heterogeneity into homogeneity. As Leeson points out, “Heterogeneous individuals . . . commonly used marriage to signal credibility as a means of enabling intergroup exchange. Heterogeneous agents that intermarry create a shared custom between each other. Intermarriage constitutes a sort of mutual engagement in the custom of an outsider by both parties and creates a significant bond between the members of heterogeneous groups that become linked through kinship” (2006, p. 896). Intermarriage between Euro-Americans and Indians was a strikingly common feature of the fur trade, from first contact to the closing of the western frontier. Scholars have amply documented the prevalence of intermarriage in the North American fur trade and its central role in securing and fostering the gains from trade by closing social distance and creating kinship relationships that opened doors for massive gains from exchange between whites and natives.

Sylvia Van Kirk (1977) spells out the largely economic rationale for this practice:

The formation of marital alliances between Indian women and the traders had its advantages. The European traders had both social and economic reasons for taking Indian mates. Not only did they fill the sexual void created by the absence of white women, but they performed . . . valuable economic tasks . . . The traders also realized that these alliances were useful in cementing trade ties; officers in both the Hudson’s Bay and North West companies often married daughters of trading captains or chiefs. From the Indian point of view, the marital alliance created a reciprocal social bond which served to consolidate his economic relationship with the trader. . . . offers of women [for marriage] was their way of drawing the traders into their kinship circle, and in return for giving the traders sexual and domestic rights to their women, the Indians expected equitable privileges such as free access to the posts and provisions. (p. 32).

Jay Nelson (2002) concurs with the economic rationale for the practice, noting that “a unique and relatively egalitarian institution of [inter]marriage, largely mirroring Aboriginal marriage rites and customs, emerged as the primary economic and social foundation of Aboriginal-settler interaction” (p. 23). Mary Wright (1981) further

addresses the commercial-diplomacy aspect of the practice, stating that “among the Native American elite . . . marriages were basically alliances. . . . Good will, trading opportunities, and assistance with hostile tribes came to the Euro-Americans through marriage to Indian women” (p. 528). Wright goes on to document numerous instances of white-native intermarriage, and she chronicles episodes in which Indian women played prominent roles in fur-trade dealings, including diplomatic functions of mediating disputes between traders and hostile tribes. Douglas Deur (2012), writing on the fur trade around Fort Vancouver, Washington, in the early nineteenth century, notes, “Also key to the establishment of the [Hudson’s Bay] Company’s influence among the Indians was a policy of encouraging intermarriage of its employees with Native women, thus giving the Company, in essence, a type of kinship status with the region’s tribes that ensured preferential treatment and eliminated barriers to trade” (p. 40).

Cementing kinship relations with Cheyenne and other Plains tribes through intermarriage was perhaps the main driver of success in the Santa Fe Trail trade for BSV. Many members of BSV found wives among the groups with which they found it desirable to unite their interests and with whose local cultures and customs they wished to assimilate. William Bent was the first to intermarry, wedding the Cheyenne princess Owl Woman, daughter of the prominent southern Cheyenne chief Gray Thunder, in 1835, only two years after the opening of business at the fort (Jablow 1951, p. 64; Lavender 1954, pp. 174–77). In like manner Charles Bent, having taken up residency at the company’s southern outpost in Taos, married a Mexican woman, Maria Jaramillo, around the same time (Lavender 1954, p. 165). Ceran St. Vrain also married into a Mexican family, as did well-known trapper Kit Carson, a longtime employee of BSV (Lavender 1954, p. 216); likewise, BSV trader William Guerrier had a Cheyenne wife and later a Sioux wife, and Charles Autobee, a trapper who also worked for BSV, had a Cheyenne wife (Grinnell 1923, pp. 65–66). Marcellin St. Vrain, Ceran’s brother and the manager of Fort St. Vrain, married a Sioux woman, with whose tribe this northern BSV outpost did business, in 1840 (Lavender 1954, p. 185) and later took a Pawnee wife (Grinnell 1923, p. 49). Lavender (1954) points out the commercial significance of such weddings, especially that of William Bent: “But forts alone were not enough. There also had to be a way to bind the Indians to your establishment. One uncertain and troublemaking tie was alcohol. A sounder method was marrying into the tribe. Such marriages were an old custom. When a

trader took a red wife, he also took, in a sense, all her relatives” (pp. 173–74).

Such economic marriages were documented in other areas of the frontier American West as well. Alexander Culbertson, manager of John Jacob Astor’s Fort Union trading post, married a Blood Indian, Medicine Snake Woman, in 1840. His successor, Edwin Denig, likewise had two Indian wives (Ewers 1968, pp. 61–64). Denig later articulated the economic rationale for such intermarriage: “Men in charge of trading posts like to marry into prominent [Indian] families. . . . by such a connection they increase their adherents, their patronage is extended, and they make correspondingly larger profits. Their Indian relatives remain loyal and trade with no other company. They have the further advantage of being constantly informed through their association with the former as to the demands of the trade and the village or even the tent where they can immediately find buffalo robes stored away” (Ewers 1968, p. 65). Klein (1993, p. 152) also notes the prevalence of this practice among fur traders, adding to the list of Bent, Culbertson, and Denig the names of Kenneth McKenzie, also of the Astor group, and Manuel Lisa, of the Missouri Fur Company. Nadeau (1967) notes that most of the traders at Fort Laramie married Indian women so as to gain “added influence with the tribesmen” (p. 30). Elliot West (1995) lists no fewer than seven High Plains Indian traders who took Indian wives, explaining that “interband marriages created and sustained economic and political alliances among powerful lineages, while sexual unions of native women with white traders and middlemen kept open the lanes of commerce” (pp. 118–19). Chittenden ([1902] 1954) notes that intermarriage was likewise practiced in the far-northern fur trade by agents of the Hudson’s Bay Company, “from the chief officers down to the ranks,” which resulted in the creation of “bonds of mutual interest” (p. 93).

The evidence from BSV and the frontier fur trade in general indicates that intermarriage was a common practice for traders and served the economic function of credibly signaling commitment to peaceful trade. Marriage integrated these merchants into the tribes with whom they traded. This reduced the social distance between themselves and their trading partners and raised the costs of contractual defection and theft; for now, expropriation by either party—Euro-American or Indian—was tantamount to betraying one’s own tribe. In other words, once traders established homogeneity with the tribe, the reputation mechanisms discussed above came into full force.

2. *Gift Exchange*

In addition to intermarriage, another essential mechanism for signaling credibility and reducing social distance among heterogeneous agents is the ancient custom of gift exchange. Gift exchange is the mutual giving of gifts on the part of willing potential trading partners. Because it is costly for a willing trader to give a gift prior to trade, gift exchange can represent an investment in a positive trading outcome; in other words, gift exchange is a form of costly credibility signaling (Leeson 2006, p. 895; 2008, p. 179).

Gift exchange was prevalent in Indian cultures across North America⁵ and therefore was also an essential commercial practice in the Indian trade. As trader Josiah Gregg (1844) noted, “[Presents] are an indispensable earnest of friendship from the whites—the essence, the seal of the treaty, without which negotiation is vain” (vol. 2, p. 281). Jablow (1951, pp. 31, 46–50) and Lavender provide details on the variations of gift exchange that were widely practiced in the Plains Indian trade. Lavender (1954) notes that during the winter trade, in which BSV agents sought out the Indians at their own camping grounds, “Before trade was opened there was a distribution ‘on the prairie’; that is, gifts of trinkets to key men” (pp. 146–47). Tobacco often featured prominently in this gifting, as well as other luxury edibles such as coffee and sugar, which the Indians rated highly. On the Indian side the gifts could entail performances, such as a “begging dance,” for the entertainment of the traders.

Ray (1998, p. 65) emphasizes the importance of gift exchange in the far-northern fur trade in the eighteenth and nineteenth centuries, clearly explaining its economic role:

Thus, although the gift-giving ceremony was initially primarily a socio-political institution, designed to cement alliances and reaffirm friendships, under the competitive conditions of the fur trade, it increasingly served as a device that could be used to win trading loyalties of Indian bands. (p. 68)

This reciprocal gift-giving ceremony was an Indian institution which served to affirm friendship. Had the [Hudson’s Bay] company refused to participate, no trade would have taken place. (p. 142)

⁵ The term *Indian giver*, though now twisted in meaning, originates from the practice of gift exchange, the idea being that when an Indian gave a gift, they expected something in return—that is, reciprocity on the part of the recipient.

Rich (1960, pp. 50–51) also notes the prevalence of gift exchange in the Canadian fur trade from its earliest days and states that the giving of alcohol by the white traders should be interpreted in this context.

Bruce White reiterates the interpretation of gift giving between trader and Indian as a mechanism that created a form of reciprocity between the two parties that bordered on a formal business contract. In his detailed and fascinating account of the specific procedures of the fur trade with the Ojibway tribe in present-day Minnesota, White (1987) discusses the rationale of gift exchange as well as the exact manner in which it occurred: “Fur trade gift giving was a financial investment in the goodwill of the Ojibway—in economic terms an *intangible asset* comparable to a modern company’s investment in advertising and salesmanship. . . . The chief triggering mechanism in this trade protocol was gift giving. Gifts could help establish a business tie in Ojibway terms—a trusting relationship resulting from a metaphorical kinship—through which trader and Indian overcame the potential hostility of strangers” (p. 231).

The ubiquity and importance of gift exchange in the Indian trade underscores its economic function of providing a means by which heterogeneous agents could credibly signal their intention of honest dealing. An item frequently involved in gift exchange was tobacco. The economic importance of this drug for American Indians cannot be overstated. Beyond being an object of gift exchange, the use of tobacco in trade had such deep significance that it forms a third component of commercial diplomacy.

3. *Ritual Smoking*

Bathe now in the stream before you,
 Wash the war-paint from your faces,
 Wash the blood-stains from your fingers,
 Bury your war-clubs and your weapons,
 Break the red stone from this quarry,
 Mould and make it into Peace-Pipes,
 Take the reeds that grow beside you,
 Deck them with your brightest feathers,
 Smoke the calumet together,
 And as brothers live henceforward!

—Henry Wadsworth Longfellow, *The Song of Hiawatha*

The smoking of tobacco carried special significance to indigenous peoples throughout North America. The smoke itself was imbued with spiritual meaning, and the act of smoking was frequently a religious activity. Tobacco was a luxury good, and, though customs varied somewhat by tribe, only certain people could smoke on certain occasions, which bore special, usually religious, meaning (Lowie 1954, pp. 27–31).

The religious significance of Indians' tobacco is indicated by references to the "sacred pipe," which almost all North American tribes employed in smoking rituals. Gregg (1844, vol. 2, p. 278) described this ritual smoking as a religious ceremony, a means of contacting the spirit world. According to Jason Hughes (2003), American Indians viewed the tobacco plant itself as sacred—a dwelling place of spirits—and the act of smoking as communication with the spirit world; tobacco was "a resource that could be exchanged with the spirits" (p. 19). Jordan Paper elaborates on Indians' use of the sacred pipe, the main instrument for this religious function of tobacco:

In North America, the common sacrificial vessel is a pipe in which the tobacco is smoked as an offering that creates a communion between the offerer and the spirits. The sacred pipe is ritually passed among the communicants, which creates a further communion among those participating in the sacrificial ritual. (1988b, p. 648)

The Sacred Pipe . . . is central to all rituals in North America. Crucial to the Sacred Pipe is its function as a means to offer smoke to sacred beings; all other functions are subsidiary. (1988a, p. 35)

For an outsider, whether an Indian from another tribe or white trader, smoking the sacred pipe in the context of tribal religious custom was a means of signaling commitment. In this setting, engaging in the ritual of the sacred pipe, or the *calumet*, constituted participation in Indian religious ceremony that bridged social distance and provided a means for outsiders to gain familiarity with the tribes. Paper (1988a) points out explicitly the economic role of this form of smoking: "Trade requires a way for strangers to become, at least temporarily, members of one's group. Hence, rituals of adoption become a necessity. Among many Native American cultures, an elaborate adoption ritual featuring a pipe with a feathered shaft became widespread . . . The gift exchanges that were features of these

adoption rituals were, in effect, the trade itself” (pp. 34–35). Douglas Comer (1996, pp. 30–31, 204–6) discusses practical use of ritual smoking by BSV agents, pointing out how company participation in such rituals established “fictive kinship relations,” which reduced social distance between these members of different nations by essentially adopting the white men into the tribe.

There also may have been a physiological aspect to smoking as a credibility-signaling device tied to the religious aspect. Hughes (2003) reports that the high nicotine content in the native tobaccos of the far West made them “capable of producing hallucinations” (p. 21). Hughes (2003) elaborates on this potency in the context of tobacco use by the Karuk tribe of California, which he claims is “typical of many Native American peoples” (p. 32): “The Karuk method of smoking required the user to undergo an extensive process of tobacco *habituation*. That is to say, he needed to invest a good deal of time and effort into accustoming his body to the large amounts of nicotine and other active substances that were consumed when using tobacco according to Karuk ritual and practice. More fundamentally, the experience of nicotine poisoning was by no means inherently pleasurable” (p. 27). If tobacco was so poisonous, then smoking it ritually represented a large, easily observed physical cost, especially for nonhabituated outsiders. As Leeson (2008) argues, credibility signals must be costly and easily observed to be effective. If, as Hughes (2003) claims, “Native American peoples cultivated strains of tobacco much stronger than those popularly consumed in the present-day West, requiring an extensive process of habituation” (p. 33), then this physiological aspect of ritual smoking as a credibility signal reinforces the cultural or religious aspect.

Thus, “tobacco . . . played a major role in trade rituals with the Cheyenne, as well as with all other Plains tribes” (Comer 1996, p. 74). Gregg (1844) reports that the calumet was key to the opening of negotiations, both martial and commercial, as it “supplies the place of the flag of truce among civilized nations” (vol. 2, p. 280). Similarly, Nadeau (1967) likens ritual smoking to “swearing an oath to tell nothing but the truth” (p. 74). Iain Gately (2001) summarizes the place of tobacco in the Indian trade: “Some tribes could not function without smoking, as their social rituals had been constructed around it. Few tribes could meet in peace unless a pipe was present. Commerce would have been impossible without tobacco as it was the only widely traded material on the continent” (p. 19).

Examples abound of less formal modes of smoking as an important custom of trade. Lavender (1954) notes that, during trading business at the Indian camps during the winter robe season, “each bargain was generally sealed by the woman’s sharing a few puffs with the trader on his pipe” (p. 148). Lavender makes several other references to deals or agreements being sealed by a ceremonial pipe smoking. Trade accomplished in this manner was variously described as being conducted “under the pipe,” “on the pipe” (Jablow 1951, p. 47), or, in the case of horse trading, “smoking over horses” (Comer 1996, p. 138). Comer (1996) further portrays the importance attached to the smoking ritual: “In fact, almost any article of trade could be obtained by a party in need by the simple expedient of sending a delegation to those possessing the desired items to ‘smoke’ with them. After having shared tobacco with the visitors, the hosts would be committing a serious breach of etiquette if they were to deny any request made by the visitors” (pp. 109–10). In this sense, ritual smoking was closely connected with gift exchange. Klein (1993) describes ritual smoking as “a political act carried on between two groups seeking to make peace and involving the generous bestowal of gifts on each other” (p. 153).

The customary, religious importance of ritual smoking thus ensured that participation by traders in its various manifestations was an effective mechanism of reducing social distance and thereby signaling credibility and trade-worthiness.

4. Peace for Profit

In addition to practicing intermarriage, gift exchange, and ritual smoking, leaders of BSV and other prominent trading outfits actively sought to promote formal peace agreements among the frequently hostile tribes with whom they traded. Whatever their humanitarian impulses, it is no secret that the primary motivation for such diplomacy was the pursuit of profits. Put simply, peace was good for business, and influential traders took whatever steps they deemed economical in its pursuit.

Thus, in the summer of 1840, a great peace council, attended by Cheyenne, Arapaho, Kiowa, Comanche, and Apache, was held just outside of Bent’s Fort. These tribes represented two allied factions—the Cheyenne and Arapaho to the north of the Arkansas river, and the Kiowa-Apache-Comanche to the south—that had been engaged in intermittent hostility over the past twenty or so years (Haines 1976, pp. 149–50; Grinnell 1923, p. 69). The tribes made peace with each

other under the auspices and leadership of BSV (Lavender 1954, pp. 187–89). Comer (1996) explains the economic rationale that motivated the leaders of BSV in this undertaking, what he referred to as “the Bent and St. Vrain Company’s continuing efforts to make peace between the tribes” (p. 94): “Eventually, the Bents encouraged the Cheyenne and Arapaho peoples to make peace with some of their traditional foes. Such peace benefited the Bents because it facilitated trade with the enemies of the Cheyenne and Arapaho, thus expanding their ready source of buffalo robes” (p. 124).

The economic impact of this peace council on BSV and the Indians is made clear by LeCompte (1978): “During the summer of 1840, the Cheyennes and Arapahos made peace with the Comanches and Kiowas. This event, long desired by the Bents, more than doubled the number of Indians the Bents traded with and the number of robes they sent back east” (p. 17).

Naturally, the peace council featured prominently the social-distance-reducing customs of gift exchange and ritual smoking. According to Haines (1976, pp. 150–51), the Cheyenne coalition brought trade goods from the fort and provided ample feasts of buffalo meat, while the Kiowa-Apache-Comanche side gave an awesome number of horses to their newly established northern friends. It was this peace council, moreover, that opened the way for BSV to establish the Fort Adobe post and successfully engage in trade with the tribes south of the Arkansas (Dary 1986, p. 86).

The 1840 council led to a robust, lasting peace between these tribes (Grinnell 1923, p. 71), although it did not eliminate occasional Comanche raids on later Santa Fe caravans (Lavender 1954, pp. 299, 307). Moreover, it was not the only instance of a commercially driven peace treaty in the Indian trade. The Hudson’s Bay Company had likewise encouraged treaties between the far-northern tribes in order to secure the fur trade in their region (Ray 1998, pp. 65–67; Rich 1960, p. 37); leaders of the American Fur Company at Fort Union on the upper Missouri negotiated a peace treaty with the notoriously hostile Blackfeet in 1831 for the sake of establishing trade (Dary 1986, p. 70). Commenting on a later peace council between the Cheyenne and Delaware tribes, initiated by William Bent, though under the auspices of US Army Colonel John C. Fremont, Lavender (1954) further stresses the role of BSV in promoting peace among the Plains Indians: “The army might be the official bearer of the Pax Americana, but, as in the case of the peace between Cheyennes and Comanches five years before, traders like William Bent were the ones

who implemented it” (pp. 245–46). As it turned out, this treaty would be the last great diplomatic effort of BSV before the onset of the Mexican War displaced the forces of commerce with those of a martial nature and sent the Adobe Empire tumbling into decline.

IV. Doux Commerce Through Commercial Diplomacy

The establishment of Bent’s Fort on the Arkansas brought a permanent change to the southern Plains, bringing a period of peace to an area where there had been constant fighting. This peace was important to the white men also, for the Santa Fe Trail, by that time a busy highway, traversed the new peaceful zone.

—Francis Haines

The Adobe Empire experience exemplifies an idea that has a long history in economics: the notion that commerce itself promotes peace and civility between alien cultures. Economist Albert Hirschman labeled this the “doux commerce thesis.” Hirschman (1982, p. 1465) traces the development of the doux commerce thesis from Montesquieu through Condorcet, Thomas Paine, David Hume, and Adam Smith. The idea was revived in the works of classical liberal economists of the twentieth century, such as Ludwig von Mises. Mises ([1949] 1998) recasts the thesis as the “harmony of the ‘rightly understood’ interests,” but infers the same general result: “What makes friendly relations between human beings possible is the higher productivity of the division of labor. It removes the natural conflict of interests. . . . Thanks to the higher productivity of labor performed under the division of tasks, the supply of goods multiplies. A preeminent common interest, the preservation and further intensification of social cooperation, becomes paramount and obliterates all essential collisions. Catallactic competition is substituted for biological competition. It makes for harmony of the interests of all members of society” (p. 669).

This idea of catallaxy was a consistent theme in the work of Mises, Hayek, and other prominent economic liberals. As Peter Boettke (2005) explains, “Realizing cooperation among strangers is one of the core mysteries that economics has sought to explain since the discipline’s founding. In fact, the Greek word meaning exchange—Katallaxy—has another meaning which translates as the bringing of a stranger into friendship” (pp. 212–13). The pursuit of profits in the open market of competitive commerce is the primary economic manifestation of catallaxy. Thus while the generally

peaceful outcomes of the Indian trade belie conventional wisdom regarding Indian-white relations during the frontier era, they are perhaps not so surprising given the catallactic view of trade. Economist Steven Horwitz (2019) emphasized this core aspect of market exchange in an address to the Center for Liberal Studies: “Through this process, exchange brings strangers into each of our communities, and helps transform them from a potential enemy to a friend. We trade across differences all of the time, and there’s no better way of reducing the suspicions and stereotypes about ‘the other’ than to enter into a mutually beneficial exchange relationship with them. Market exchange transforms ‘the other’ into what Paul Seabright calls an ‘honorary friend’ or what I’ve called ‘honorary kin.’”

The history of the fur trade on the American frontier is full of many fascinating lessons. Perhaps the most important one is the idea that profits promote peace. In pursuit of the pure profits of trade, entrepreneurs will naturally discover and adopt the institutional mechanisms or constraints necessary to capture and extend gains from trade across cultures and over time. The predominance of peaceful trade over violence in the Adobe Empire provides evidence for this hypothesis. The incidence of violence in the trade was low in general, notwithstanding the occasional raids of Santa Fe caravans by marginal tribes like the Pawnee and Comanche. In the regular trade relations between BSV and the Plains Tribes it was practically zero.⁶ Moreover, the Bents were bringing the tribes into harmony with each other and began planning to help them achieve a civil, peaceful transition to life within the Anglo-American culture that they realized was set to overrun the plains as white settlement inexorably pushed westward (Lavender 1954, pp. 268, 331–53; Nadeau 1967, p. 140). Thus *doux commerce* flourished, if only for a brief span, on this international frontier—but it did not die a natural death. It was the

⁶ One embarrassing exception to the otherwise stellar record of BSV should be noted: In the summer of 1834, William Bent launched a retaliatory attack against a party of Shoshoni that he suspected of having recently stolen a herd of mules from Charles Bent in New Mexico. Bent’s mountain men killed three of the group of perhaps forty Shoshoni and plundered their chattels. Lavender (1954) summarizes the incident: “The sorry affair . . . constitutes the blackest mark on William Bent’s record. No similar one appears again; and it may be that from the wanton bloodshed came good, that William’s own unhappy conscience, undoubtedly helped by Charles’s angry reaction, swung him into henceforth diligently working, as he did, to remove irresponsible warfare from the plains” (p. 152).

anxious, blood-lusting antics of US military intervention, in the wake of the Mexican and Civil Wars, that halted the strides made by way of commercial relations toward civility and peace between whites and Native Americans on the southwestern frontier.

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