

PART IV:
Conclusion and
Comparison

Chapter 9: Dutch decline and British dominance.

Introduction

The second half of the eighteenth century provided both the VOC and the EIC with new challenges as well as new opportunities. Nevertheless, it would be wrong to put both companies on equal terms with regard to their future possibilities in 1750. The VOC had entered into an irreversible decline even before 1750. Conversely, the solutions the EIC proposed to the new challenges after the middle of the eighteenth century led to an increase in English power and trade, which contributed to the further decline of the Dutch Company. More than in earlier periods, European politics became intertwined with commerce in Asia. The EIC took advantage of the dual benefits accorded it by increasing military involvement of the home state and the mounting income derived from the taxation of its Indian subjects. Deprived of these props, the VOC had, as has been explained earlier, less rosy prospects. Paradoxically, in the end the result for both the VOC and the EIC was the same: both trading empires were replaced by a colonial state. Nevertheless, given the advantages the EIC had over its Dutch competitor, it was able to stave off this change for longer than the VOC, although this entailed State involvement on policy in Asia from an earlier date. It was in the nature of both the Companies that, in contrast to the rules and regulations inherent in their successors, that they were governed as much by informal institutions as by formal institutions. It has to be said that such informal institutions as private trade, fortunes and networking were tolerated only as long as they served the company's 'benefit'. In this chapter, the conclusions we have reached on the main theme of this thesis the role of informal institutions at work in the VOC will be compared with the situation in the EIC. By taking this step, an interesting negotiation process can be distilled from the coincident decline of the VOC and the rise of the EIC. When we focus on the relationship between servants and company by analysing the trilogy of long-term developments in private trade, fortunes and networking, we are able

to acquire an insight into how trade and politics related. The time has come to analyse how such external factors as State-sponsored help and liberalized country trade contributed to the success of the EIC and how these external factors fundamentally changed the relationship between the EIC and its servants.

1. Monopolies and private trade

Too often the difference in development between the VOC and the EIC has been explained on the ground of an assumed opposition between the restrictive VOC policy on trade and the assumed freedom of English country traders. Was there an alternative explanation? On the basis of my research I should state that private trade should not be considered a conflict of interest nor can it be hailed as the dawn of liberalism.⁶⁹⁶ Viewed objectively, the companies simply used the private intra-Asian trade to suit their own needs, because for both it played a not insignificant supplementary role in acquiring goods which would fetch a good price in Europe and its profits provided capital to fuel the company trade. Intra-Asian trade, whether monopolized or liberalized, supplemented the companies' commercial capital either by profit or by taxation. Both companies made careful assessments of whether it was sufficiently profitable to invest their limited amounts of capital in intra-Asian trade. The outcome was that it was judged potentially most profitable to monopolize certain branches of intra-Asian trade, but neither company hesitated to allow private trade in Asia as an option if it happened to serve their needs. Success in the intra-Asian trade depended on the twin factors of political and military power and the availability of capital. Hampered by a shortage of capital, the VOC

⁶⁹⁶ Watson, *Foundation for Empire*, 17, (...) we can see that the Dutch insistence on internal company monopoly, to the exclusion of the private aspirations of their servants in Asian commerce, was costly to police. It was, moreover, a source of constant irritation in relations between the VOC servants and their masters, as well as between the Dutch and Asian merchants. In the long run the insistence on monopoly hindered the development of identification by the Asian merchants with the fortunes of the VOC. The English company, on the other hand, could not control its servants, and the desired monopoly was eroded from within. The most usual way Englishmen could break the monopoly was to join the Company and then trade under its aegis in the East. This process of erosion made the Company internally dynamic as the servants' private aspiration surged against the Company's discipline, discovering new outlets through Indian associates, who, in their turn, came to identify their own interests with those of the Englishmen (...).

commenced transforming and relieving restrictions on private participation in its intra-Asian trade after the shoe began to pinch in the 1740s, while the lack of profitable trading opportunities had prompted the EIC to open up intra-Asian trade to the private initiative of its employees and subjects at a much earlier date. Nevertheless, both companies never lost sight of the principle “For the benefit of the Company”, as even the EIC made no bones about stipulating its employees had at all times to give priority to EIC country trading voyages over their private trade.⁶⁹⁷

As close scrutiny of the development of both companies, leaves no doubt that the extent of the growth in private trade was irrevocably tied to the power of the company. If we examine the regulations laid down to govern the private trade of their servants, we see a strong relationship between this and the development of political power. When relatively speaking a company had plenty of opportunities to offer to its servants in spheres other than trade, it was able to lure its servants away from participating in private trade, while in a weakened state a company had to concede private trade privileges in Asia and was sometimes even obliged to extend these to the European trade.⁶⁹⁸ Both companies were pragmatic and hard headed in their decisions to allow private trade. The better example of this axiom is the VOC whose intra-Asian trade first shrank because of the dual handicap of a lack of capital and increasing competition, and then finally in a debilitated condition succumbed to the pressure of the expansion of English power. Even its fulcrum the Archipelago, the VOC was forced to grant freedom of navigation to English country traders under the terms of the Treaty of 1784. Although, the EIC did not monopolize the intra-Asian trade from Bengal, it did channel capital flows by issuing bills of exchange in China. Such measures provide evidence that the companies were far from powerless in enforcing their terms in private trade and adapting it to their wishes.⁶⁹⁹ Even though private trade was allowed before Plassey both VOC and EIC servants tried

⁶⁹⁷ *Ibidem*, 75 and 101.

⁶⁹⁸ *Ibidem*, 75.

⁶⁹⁹ *Ibidem*, 64, 75, 80, (...) Regulations governing the private trade were imposed, altered and withdrawn, and reimposed, throughout the period under discussion. (...), 81 (...) So long the trade did not prejudice the Company's position, and it could gain some pecuniary benefit through duties and levies it did not interfere, but encouraged its servants to use their own judgment to restrain excesses. (Despatch to Fort William, 3 March 1758, Fort-William-India House Correspondence volume II, p 61.) This attitude even went so far as to recommend encouragement by senior servants of their juniors' enterprises, mainly to prevent any interference in the Company's investments rather than as an expression of a benevolent concern for the junior welfare (...).

to conceal their private dealings making it harder for companies to assess the personal gains of these servants.⁷⁰⁰

There is a clearly established link between disallowing servants their right to private trade and the acquisition of territorial possessions, which entailed the subsequent assumption of governmental responsibilities. In comparing the influence of that Company on the Coromandel Coast to its influence in Ceylon, this thesis has shown that allowing private trade privileges was more likely to occur in trading-posts, whereas conquest led Company servants away from trade and turned them towards local administration. A colony needed more man-hours to manage than did a trading possession perched on the edge of some country or even established within the domain of a foreign ruler. Once they had set foot on the path to an embryo form of colonization the companies no longer wanted their servants to invest their time in private trade, but needed them to organize government and fulfil administration tasks. Consequently, both companies were well aware of how essential it was to regulate private trade by their servants in colonies, if only to avoid conflicts of interests.

As long as there were no territorial possessions to speak of, private trade privileges granted to servants were strongly tied to remuneration and freedom of trade simply did not exist. The foremost reason which prompted companies to allow servants private trade privileges was the absence of any other legitimate ways of making their fortunes. Implicit in many assumptions about the English country trade is the idea that this was the most profitable for an employee of a Company to make money. Paralleling the situation with the VOC employees on the Coast, in actual fact the EIC had to hand out privileges in private trade which did not have detrimental consequences for the profitability of the company to its servants in areas where no or hardly other sources of private income were available. Since the VOC had more to offer and more to lose to its servants, obviously this principle is shown in its regulations. Fully aware of its predicament, the Dutch Company took the plunge and made sure the senior servants obtained strictly stipulated privileges and channelled private trade through them. The decision was taken mainly on the basis of what was considered the most profitable part of

⁷⁰⁰ Both EIC and VOC employees used to destroy their correspondence after it had served its purpose. See Watson, *Foundation for Empire*, 102.

trade in destination and in goods, namely the long-distance trade between India and the Indonesian Archipelago. When it univocally merged that too much freedom of trade was detrimental to the trade of the Company, this freedom was curbed. As recompense, the senior servants obtained privileges for trade on VOC ships and actually continued to trade more lucratively and exclusively than before. None the less, the free trade of VOC servants still depended on imports from Batavia. Never for one moment did the VOC relinquish control as the most privileged parties held a financial interest in keeping trade sanctioned and exclusive. Servants who were too avaricious or too unruly could be punished by having their privileges rescinded if their behaviour displeased the Company. Before the crucial year 1765, although the EIC had less to offer its servants and the same principles seem to have been applied. The regulations the EIC passed on the trade to Europe sound very similar to VOC regulations on permitted trade.⁷⁰¹ The higher-ranking EIC servants were granted private trade capacity on the ships sailing home to Europe, on condition they refrained from sending any monopoly goods. As the English intra-Asian trade grew, these privileges were no longer considered necessary.⁷⁰²

Private trade was dominated by a hierarchy, which was created through the implementation of company institutions. In the private trade from Batavia to the Coromandel Coast, the first priority of the VOC was to make sure its own trade was not hampered. Trade in VOC monopoly goods was forbidden and on those products in which the VOC traded as well, the private traders had to pay a recognition fee. As long as private traders acknowledged these rules, the VOC did not tax the permitted trade of its servants. However, these servants who wanted buy crates which were carried in VOC ships had to pay a tax so high that free-burghers sending over their own ships would be able to compete with them. By devising such an elaborate hierarchy in trade, the VOC made sure it would be able to sell all it wanted first. Then, the persons on whom it had been pleased to bestow privileges were certain they could sell their goods. Once they had concluded their transactions, what remained was for those without privileges. The precedence was buttressed by the unlimited access allowed senior VOC servants to the facilities available in the VOC's intra-Asian trade. As the VOC declined and made cuts in

⁷⁰¹ *Ibidem*, 75.

⁷⁰² *Ibidem*, 105.

costs on facilities, this tool lost its efficacy. Before the onset of Empire, the mechanisms for exerting power in the EIC were only slightly different from the VOC, a disparity attributable to a divergence in organization. There is no dearth of evidence that the EIC officials defrauded their employer by under-assessing the tonnage of their own ships and making competitors pay the full fee, a deception which was probably practiced systematically.⁷⁰³ So again we see how, although official institutions recognized the necessity of taking care of their senior men in order to help them on side, they were in turn also used to create a hierarchy.

The privileges of private trade and the hierarchy in these privileges were implemented as much by the companies as by the servants themselves. The men in the upper echelons considered private trade their prerogative and protected their rights. The senior VOC-servants in the different regions made sure that no private trade was allowed without their having a piece of the pie. Even the free-burghers, who had gradually been granted more freedom in trade, were kept out of the party on moral grounds. In many regions all private trade flowed towards the highest incumbent VOC official and while other servants shared commensurate with their position in the Company hierarchy. In pursuing free trade, VOC officials used taxation to heed unwanted competition at bay. Before 1765, there are strong indications the EIC servants made sure that private trade in India was arranged just as much along hierarchical and regional lines as did the VOC servants. The Governor and the Councillors were the leading European merchants of Calcutta. They regarded country trade as their prerogative and used the power with which they had officially been vested in order to safeguard their income. The EIC servants did all in their power to ward off private trade intrusion by English free traders, just as much as VOC servants guarded against any encroachment by the free-burghers. The EIC officials in Bengal did their utmost to monopolize private trade at the expense of free

⁷⁰³ Marshall, *East Indian Fortune*, 54; Watson, *Foundation for Empire*, 135, (...) allegations that Bombay was over-charging on duties were met with counter-claims that Bengal traders did not pay the full duties and that they also under-rated their tonnages, and so on. Although reference was made to the Company's rights to the duties, wherever levied, the conflicts were essential between the private interests, disputing inequitable and apparently illicit interference in the free flow of trade (...); and *ibidem*, 119,(...) It was clear to all with a mind to inquire that the obvious advantage of position gave the ranking servants a distinct advantage over their subordinates, and that these privileges kept many of them afloat in the maritime commerce of India (...).

merchants.⁷⁰⁴ There were various political tools at their disposal to achieve this. At the will of the senior servants, the English free merchants could be made to pay the ‘full twenty percent’ in Bengal, as they were not officially included in the Farman granted in 1717. EIC officials could stop the issue of ‘passes’ signifying British protection to the ships of free merchants. Just as their VOC colleagues, EIC servants had to battle to reach the top for many weary years. When they were finally in a position to reap the fruits of this investment, it would not have been considered fair that a newcomer could start as a free merchant and receive the same advantages which EIC officials had had to fight for during years of drudgery in service in India.⁷⁰⁵

This system of social inclusion of colleagues and the suppression of competitive advantages offered by the protecting arm of the Company structure has certainly been noted in Bengal in the latter half of the eighteenth century, but somehow has been modified to prove the superiority of the English in Bengal even before Plassey.⁷⁰⁶ Exclusion from trade on social grounds also existed between servants of different regions, as local servants fiercely protected the regional trade as their prerogative. As did their colleagues in the VOC, English Company servants considered trading rights as regional privileges and responded appropriately if outsiders tried to bypass their interests in trade.⁷⁰⁷ The complaints against the exclusion of EIC officials from other regions from the Bengal trade is paralleled in the free trade of VOC servants. But these grievances have often wrongly been interpreted as proof that Bengal had become the centre of country trade in India and that EIC servants outside of Bengal were no longer able to compete with their colleagues in Calcutta.

⁷⁰⁴ Marshall, *East Indian Fortunes*, 74.

⁷⁰⁵ Watson, *Foundation for Empire*, 141, (...) Much of his can only be understood in terms of the fundamental antipathy the covenanted service displayed towards competitors outside the service; *Ibidem*, 170, without any cheating or other aims than the good of their Company, which allows them certain privileges and concessions as a reward for their care and work. They are quite content with these and make use of them with prudence, each according to his rank and employment (...). Also see, *Ibidem*, 117-118.

⁷⁰⁶ Marshall, *East Indian Fortunes*, 37.

⁷⁰⁷ Watson, *Foundation for Empire*, 126, (...) Private traders began to regard their localities as their won peculiar spheres of interest, and all transactions from the regions were at their discretion and disposal (...).

2. Empire and private trade

It is universally accepted that conquest and naval superiority would have enormously enhanced the possibilities for trade. In the areas where the VOC maintained tight control, it was less eager to be liberal in handing out private trading privileges. It had no need to be, as it was able to monopolize trade. By controlling the market in and exports from Ceylon, the VOC was very well equipped to keep out the competition. On the Coromandel Coast, no European company was able to dominate a situation which led to fierce competition. After 1759, the VOC realized that the relations between the Companies had fundamentally changed as from that crucial moment the EIC possessed the power to mould the trade of Bengal to its liking and to reserve more trade for its subjects. The seizure of control over Bengal also entailed a major change in the trading pattern of the country traders. First and foremost, the geographical scope of trade by English country traders from Bengal seemed to have widened, inwards and outwards.⁷⁰⁸ They seized the internal trade of the region by seizing the advantages of the more land and river based trade it now controlled. This meant that they extended their field of operation up one level to the production sites, taking direct control. Sometimes the EIC stepped in and simply monopolized various internal Bengal trades. Secondly, the seaborne trade expanded both in numbers of ships and in the destination of trade, at the expense of the Dutch who had no option against this implacable advance but to open up Batavia to the English country trade. This advantage led to an expansion of trade in the rest of Asia too, although this only really took off after 1770.⁷⁰⁹ Strangely, the increase in trading possibilities passed the EIC servants totally by. Their presence eventually vanished from the country trade, as the free merchants became the dominant force in the new intra-Asian trade.

With conquest and the acquisition of colonies, the position of an employee changed, to the same extent as conquest of Bengal altered the whole nature of English

⁷⁰⁸ Marshall, *East Indian Fortunes*, 44.

⁷⁰⁹ *Ibidem*, 75.

country trade. Although the areas where the VOC did not hold monopoly rights did offer more trading possibilities, the VOC servants preferred working in such regions as Ceylon even without private trade privileges. Unquestionably, this preference was strongly related to a higher level of expected remuneration. In monopoly areas there was more at stake for the VOC and it had to tread carefully, if it were to create the indispensable mutual interest with its servants and maintain the monopolies in trade. When this happened to be combined with government this provided the VOC servants with enough remunerative work, which made investment of time in personal private trade activities detrimental to the function of the Company. After 1771, EIC servants in Bengal had alternative sources of income and private trade privileges were rescinded. Private trade was placed outside the confines of the official EIC hierarchy and no longer served as a source of remuneration for its employees.⁷¹⁰ Now, the EIC servants were provided with new forms of income which far outdistanced what they had earned in private trade. Such new sources of remuneration could also be obtained with a lower investment in money and time. The additional advantage for the companies was that the servants, instead of dabbling in their private ventures, had their hands free to invest their time in serving the companies. Since the EIC had to assume so many new governmental tasks, it was in its interest to discourage, even forbid its employees private trade. Thus it came to pass that the EIC employees relinquished their positions in private trade in order to occupy themselves with their new tasks in government. Now, the EIC officials turned their backs to the sea and resolutely turned their faces towards the land.⁷¹¹

With the exodus of the EIC servants from the country trade, without the EIC instituting a monopoly, English free merchants took their place. The lapse of the tax on private trade after 1760 in Bengal had, is an indication that the whole social exclusion model within the English establishments had collapsed and foreign competition emerged as a new target.⁷¹² As private trade was no longer divided along hierarchical lines, the English free-merchants had a 'fairer' chance in trade. One drawback was the English free merchants did not have direct access to the capital which they were going to need to

⁷¹⁰ H.V. Bowen, *Elites, Enterprise and the Making of the British Overseas Empire 1688-1775*, 183, (...) Most important of all, the involvement of Company servants in private trading activity was prohibited by Lord North's Regulating Act (...).

⁷¹¹ Marshall, *East Indian Fortunes*, 75.

⁷¹² *Ibidem*, 53.

replace the senior officials' investment in trade. Even in earlier times, English country traders had had trouble in financing their trade.⁷¹³ Fortunately, the EIC officials had their own problems, which provided the free merchants with a solution. The officials had their money ready for remittance, but in 1765 the EIC put a limit on the amount of money they could receive on bills of exchange from India to Europe. The problem of remittance probably increased when a new officials poured into Bengal in the 1760s. This led to a situation which found more EIC officials making more money, just as it was becoming an increasing headache for them to be able to send the money home. At first, this problem was at least partly solved by sending money home through other European companies. Since the other Europeans were needed to perform this service and their respective companies needed the money to buy the goods in Bengal, this mutually advantageous situation saved the other Europeans for a while at least from being totally excluded from trade in Bengal and later in India. They used English fortunes to keep their trade going.

The development which required the EIC officials' going into government' changed the whole pattern of interaction between the EIC officials and the free merchants. Under pressure from its employees asking for bills of exchange, the EIC had been sending home more goods than it could sell. Since the possibility of marketing Indian goods in Europe in the short-term had been exhausted, the EIC decided to redirect its attention to purchasing Chinese goods. The only problem was a lack of money in China. By accepting bills of exchange on Europe there, country trade to China was stimulated and the EIC's European trade also swelled satisfactorily as more Chinese goods poured into Europe.⁷¹⁴ The money had to be sent to China for remittance to Europe and the EIC officials no longer had private trade privileges or time on their hands to conduct such a trade. To solve the problem, pragmatically the officials teamed up with the free

⁷¹³ Mentz, *The English Gentleman Merchant at work, Madras and the City of London 1660-1740* (Copenhagen: Museum Tusculanum Press, 2005), 235.

⁷¹⁴ Bowen, *Elites, enterprise*, 38 (...) This trade represented a vital mechanism that allowed the Company to transfer to Britain any surplus accruing from its newly acquired territorial revenues in Bengal. As there was only limited home demand for Bengal goods, the Company chose to focus its commercial energies on a product that was being widely consumed in Britain. However, this was not a straightforward process because the trade between India and China had first to be expanded in order to give the Company's representatives at Canton the resources necessary to enable them to purchase large consignments of tea for shipment home. Thus, during the initial stages of this development of the China trade in the late 1760s, the Company invested as much of the revenue surplus as possible in Indian goods for sale in China and it also pursued the potentially hazardous policy of shipping bullion from Bengal to Canton. (Bowen quantifies this by showing the EIC-trade in tea tripled between 1768 and 1772, red).(...)

merchants, which is illustrated by the emergence of Agency Houses. Around 1770, the end of the first phase of expansion in Bengal, the first Agency Houses were set up. In 1784, after the Fourth Anglo-Dutch Sea War, it has been noted that a fresh explosion of Agency Houses occurred.⁷¹⁵ This was symptomatic of the situation in which the free merchants needed money to invest in trade, and the EIC officials had money to invest and searched for ways to remit their fortunes to Europe.

3. Profits and fortunes

Both the VOC and EIC have been depicted as having been ill-served by their employees. Such a picture is definitely skewed; to some extent at least it was a structural mechanism to ensure the Company functioned and it would be a mistake to define this behaviour solely as corruption. The weight of evidence makes it impossible to deny that there was a structural side to 'corruption', since there are abundant data which show that the Companies used this as a tool to overcome inherent weaknesses in their organizations. There is irrefutable proof the companies had a vested interest in giving their servants freedom in their pursuit of a private fortune, as the prospect of becoming wealthy men is what attracted new personnel. Company servants were expected, and knew that it was expected of them to use their personal capital to help run their company's operations more smoothly. Allowing the freedom to acquire a private fortune freed company capital for trade, as it obviated the need of a large bureaucracy and of hoarding money for salaries. Apart from obtaining a share in a private fortune by subjecting it to taxation, the companies appropriated the fortunes of their employees to finance the trade to Europe. Trading warily, the companies sought the most profitable and most workable balance between the interest of the company and those of its servants. Needless to say the interest of the company and of the servants were susceptible to change, certainly at the volatile end of the eighteenth century.

⁷¹⁵ Marshall, *East Indian Fortunes*, 46.

Just as did private trade, the use of personal initiatives and private fortunes of servants and networking both served a specific goal in the Company. It could not be otherwise the companies were riddled with structural weaknesses, and these were bridged by the private initiatives of their servants. The company headquarters in Europe had to leave considerable power in the hands of their servants in Asia in the organisation of trade. In return for being burdened with this responsibility, the servants pragmatically demanded to be remunerated. Here was the rub as the companies were not willing to pay adequate salaries, which would involve cutting into profit in Europe. Better by far, they thought their servants in Asia to solve this problem locally. In what they could anticipate in salaries, EIC officials were in much the same boat as VOC employees. As they did not earn much official salary until the end of eighteenth century,⁷¹⁶ they also were anxious to make a fortune as quickly as possible. Just as the VOC, the EIC felt obliged as some recompense it had at least to create the circumstances in which it was possible for its servants to fulfil their dreams of riches without harming it as a body. Unfortunately, the EIC did not have a share in monopolies in the intra-Asian trade to offer, nor did it have extensive colonial possessions, limiting any possible hope of remuneration to private trade. Just as the situation we have seen in the VOC, the EIC had an interest in keeping remuneration low for the junior ranks, giving the most prominent privileges to the highest positions in an effort to safeguard knowledge and talent. The resemblances between the two companies meant a comparable interaction between and development of the relationship between the EIC and its employees, just as much as their country trade ventures changed fundamentally with the commencement of colonial expansion after Plassey.

Every possible path open to obtaining income was strictly related to the hierarchy and servants would suffer no exceptions. It was absolutely clear where the money was to be had and the highest authority present always made sure he received his fair proportion. The evidence for this merges most clearly in private trade, but also seems to apply equally to the extortion of money from beholden subjects and even to embezzlement. In private trade the senior servants made sure they were the main beneficiaries of privileges. Those in lower ranks and outsiders were given to understand in no uncertain terms they

⁷¹⁶ *Ibidem*, 18.

came second. In exercises in extortion and embezzlement, the highest in rank wanted a share in everything that was to be had. Their subordinates agreed that the highest in rank should claim their legitimate share. Its victims also acquiesced in extortion as long as it was kept within reasonable bounds and did not deviate too markedly from earlier practices. In the case of the EIC, there is a lack of information about extortion and corruption, although the presence of similar mechanisms shines through. Certainly EIC servants did extort money after a military victory⁷¹⁷ and Clive dismissed two servants who had taken too much for themselves without sharing with him. The military might of the English seems to be the sole explanation of why after 1750 the EIC servants were more successful than their VOC counterparts in acquiring a fortune. The long and short of it is they simply had more means at their disposal. Just at the time the EIC servants were being cut out of the country trade, their VOC colleagues were increasingly being given more freedom over and above their time-honoured privileges. The old privileges were creaking at the seams as they yielded less money as the power of the VOC was declining, prompting the Company to allow more.

Meanwhile the EIC went from strength to strength becoming even more powerful than the VOC had ever been and this presented its servants with unprecedented possibilities of remuneration. If extorting money from their merchants was already a normal state of affairs for Company servants, the military might of the British raised their possibilities for extortion to unprecedented levels. Since they had succeeded in representing themselves as protectors of the highest tier of indigenous rulers, which automatically meant that the English reached the highest levels of extortion. The best known case is of course Robert Clive. Nevertheless on the Coast, the governors also profited from their newly won powers. Governor Pigot received a large part of his £300,000 fortune as a 'gift' for the restoration of the Nawab's realm. When he was succeeded by Palk, this governor unabashedly asked £50,000 from the Nawab, since he could not receive less than his predecessor, again underlining the inflationary nature of such claims, both in the VOC and the EIC. Since the Nawab depended largely on the

⁷¹⁷ Bowen, *Elites, Enterprise*, 73.

governor's favour and military support to keep himself on the throne, he paid up.⁷¹⁸ The VOC never acquired such a position of power in India and although the servants squeezed the indigenous merchants working for the VOC, we have already seen in the first section, the VOC was often also forced to pay similar sums to indigenous rulers.

Networking was not pursued solely to ensure social reproduction, it also served as a system of the redistribution of wealth. Remuneration was linked to hierarchy and consequently networking was essential to making a fortune and forcibly continuing social reproduction of such a profitable position in society. The helping of friends and the sustaining family assumed different manifestations and spanned the globe. The international aspect meant a dichotomy in which in one group social reproduction was aimed at money making to promote social reproduction in Europe; whereas in Asia making money hand over feet not only meant a fortune but also sustaining a position for the family within the VOC hierarchy. Networking also served as a system of redistribution of wealth in Asia. On promotion, it was normal to pay those who had helped a servant to a higher level of authority a substantial part of the future gains. Servants considered they had a personal right to a share in promotions, but when the cold waters of financial difficulties began to lap the VOC, it thought it was entitled to a larger share. In the *Memorie van Ambtsgeld*, the VOC asked its servants to pay a quarter to a half of their expected income in the first year in the newly acquired positions. The knowledge of what a position brought in was public knowledge and printed on lists. At the same time, the VOC became more demanding of its servants which forced people to search larger social networks in order to sustain themselves and profit from the new possibilities. For example, family capital was reinvested in Asia to meet the new demands on servants.

By looking at such informal institutions as remuneration, parallels in the development of both companies can be drawn. Although we weigh up the phenomenon of

⁷¹⁸ Pamela Nightingale, *Fortune and Integrity, A Study of Moral Attitudes in the Indian Diary of George Paterson, 1769-1774* (Delhi Oxford University press 1985), 96, (...) Pigot, who was governor from 1755 to 1763, laid the foundation of his fortune of pound 300,000 on the Nawab's gratitude for the restoration of his country, and when Palk succeeded him he demanded from the Nawab 50,000 pagodas on the ground that 'he understood Mr Pigot had received a Lack, and he could not receive less than his Predecessor. It was sent him: for the Nabob had many favours to ask of the Governor.' (note) (...) (Similar stories on pages 94-96).

private fortunes morally, it is more rewarding to subject this to a more thorough analysis and see this as much as an effect of the shifts in the way servants were remunerated for their work. There were several ways to organize remuneration depending on what a company had to offer. At first, unquestionably the VOC had the best chance to be munificent, although there were marked differences between VOC regions. In the regions where the VOC had colonies, it could offer its servants a share in government, its monopolies, its intra-Asian trade and networking. In the areas where the VOC maintained only trading possessions, in the early years the VOC servants were only allowed a direct share in the VOC monopoly on intra-Asian trade. Later this was replaced by private trade privileges. As the latter option was fraught with risks it is understandable that in many respects freedom of private trade meant a deterioration in the situation of the servants. After they received more freedom, they still had to work for the Company and, in order to make their fortune, they also had to invest their own time and money in private trade, which was always overshadowed by the risk of failure. In the English case, we see an opposite development. At first, the EIC servants did not have many possibilities to acquire a private fortune apart from country trade. They jealously guarded what privileges they had against outsiders. With the coming of Empire, they obtained more possibilities of remuneration similar to those VOC servants held in colonies. Realizing the security these new sources offered, they became less interested in country trade, since it was considered a bothersome way to make money. They stepped aside and allowed English free merchants to fill the gap. This provides supplementary proof against the argument which states English country trade was a continuous period of liberty; the changing of ways of remuneration makes a splitting of the English country trade into two different periods logically. Remuneration in the first period strongly resembled the way the VOC organized private trade privileges in its trading possessions, whereas the period which dawned after the onset of Empire closely imitated the situation in the areas where the VOC held colonies.

It took time for a company structure to adapt to change and the EIC responded on the same terms as the VOC did. If changes occurred the first place these were noticed was in the informal institutions. As long as a stable situation prevailed Company servants were secure in the knowledge of where remuneration was to be had. The moment this

system was challenged, the hierarchy was under threat as a new distributive code had to be found. To some extent, this worked itself out through the informal institutions. Servants adapted their behaviour to suit their needs. Even before Parliament started intervening to bridle self-enrichment after Empire, the increase in networking and the creation of more positions meant that the newly acquired sources of income were divided over a larger group of servants. After this, such extreme examples of self-enrichment as Clive grew more sporadic. It was essential to internalize the new opportunities within the company structure.

In remunerating their servants, the companies then turned to opposite developments, but nevertheless they both used the same methods to bend it to their ever changing interests. In both companies there was a tendency to be more restrictive in the remuneration of their servants in good times, whereas conversely in bad times it was essential to allow more freedom for private initiative. Both companies considered any swift, rich return of a servant to Europe was only possible to the detriment of the company. In the history of both companies there is a moment at which it was felt the servants had surrendered to the perversions of Asia in their acquisition of private fortunes.⁷¹⁹ In both cases, this was in a period in which the servants had initially had obtained wider chances to make a private fortune and in both cases the companies responded to their good fortune by limiting the private trade privileges of their servants. In fact, looked at objectively, the perversions of Asia were related more to changes in the position of the companies than being simply an undesirable side-effect of local circumstances. The EIC servants used the increasing power at their disposal as effectively as they knew how, while VOC servants simply cashed in on the newly established private trade privileges designed to stave off the Company's financial problems.

Company servants had money on their mind and were only prepared to serve as long as such employment benefited their own needs, so there was a minimum to the unofficial remuneration a company was willing to offer. Moreover, if a company was in dire straits, it might consider giving its servants greater freedom in order to extract more

⁷¹⁹Bowen, *Elites, Enterprise*, 144, (...) In 1769 they frowned upon 'Eastern' or 'Asiatic' practices, and declared that 'European simplicity is much more likely to engage the respect of the natives than an imitation of their manners.' (...) They felt that 'luxury' rather than simplicity was becoming the main feature of everyday life during the 1760s (...).

profit from their labour. A healthy, stable company was better able to resist the claims of its servants for fortune and subsequently channel them. Unfortunately, companies did not control all the factors at work in determining remuneration. In a stable situation, the possibilities of self-enrichment were known. It was in periods of instability, decline or rise, that the unknown and unforeseen factors could pose a threat to the natural hierarchy which existed within the company. Caught in such an invidious situation, the VOC struggled to adapt in order to maintain servants' remuneration at a satisfactory level and to obtain a larger amount of cash and the active co-operation of its servants. As the situation of the VOC deteriorated, it was thrown depended more and more heavily back on the private initiative of its servants. Although VOC servants now obtained more possibilities to become rich, they also had to bear a far larger part of the risk. In the end, what has been seen until now as their corrupt behaviour did not more than mirror the power of the company. In the case of the EIC, it struggled resolutely against its servants obtaining too large a share of the new opportunities and returning to England where, as rich nabobs they could challenge the whole existing social order with their newly acquired wealth. People high up the hierarchy in England began to feel they were missing out on their legitimate share. By this time, the Companies were going in opposite directions: the VOC servants were seen as becoming more and more corrupt, while the EIC servants were being pressed into good government.

The VOC laid the blame for the decline on the shoulders of its servants. If we examine the informal institutions we can see how the VOC used the individual initiatives of its servants to serve its own needs. When it allowed its servants more freedom, the VOC was covertly trying to plug the financial hole caused by its lack of capital in a time increasing demands on it were made. In earlier times, VOC servants had simply profited from the work of the Company, but now they were forced by the financial plight of the Company to take on more risk and responsibility to fulfil their dreams of a fortune. The Company increasingly retracted from centre stage and expected its servants to fill the void. In other words, the VOC used its power to present its servants with profitable privileges so as to entice them to do what it wanted them to do. In Ceylon, it simply promised its servants that it would buy any produce the servants supplied from their plantations. In order to capitalize to the greatest advantage on these privileges, the VOC

servants went into a partnership with the local chiefs. Together they invested their time, money and energy in building a plantation system so as to extract the maximum profit from the servants' privileges. The steady decline of the VOC increased the possibilities for VOC servants to make their fortune, but their situation actually deteriorated as they were saddled with responsibility and greater risks. When the British took Ceylon they immediately abolished the partnerships with the indigenous chiefs as they were receiving sufficient capital from Europe and were not willing to share the opportunity with the indigenous chiefs. This offers a clear cut clue to show the lack of capital with which the VOC had to struggle even in colonisation, leading to more creative solutions, whereas the EIC had no such worries with much more capital at its disposal through its European connections.

4. Power and trade

In their operations both companies combined a mixture of trade and political enforcement, but as their attention began to concentrate more on taxation instead of trade, they were left astray from the goal of commerce for which they had both been conceived. In normal times, the military expenditure of a trading company never exceeded its commercial performance. In fact, in the VOC this precept dominated policy until the end of its existence. For more than a century and a half, the VOC had always been the most powerful company, as it had succeeded in securing and expanding a very profitable intra-Asian trade. When the intra-Asian fell to decline, the military might of the VOC waned. The EIC, in contrast, managed to increase its military power without this initially having a direct impact on its commercial performance. It managed this juggling act on the basis of three vital factors. First of all, when the dispute between the old and new Company was resolved in 1705, the outcome was one single combined, better capitalized company. Quite apart from this increase in capital, the repercussions of European wars were now also being brought to Asia, leading to the prioritization of politics over trade. Logically, a structure devised predominantly to promote trade did not have the wherewithal to govern

territorial possessions, but rather than concentrating on making a good adjustment the main problem with which politicians dabbled was how the home-country could earn back its investment and capitalize on its newly acquired power and position.

In normal times to a large extent a company could exercise control over its servants in military conflict, but the intrusion of the repercussions of European wars disrupted the balance between the centre and the periphery. The VOC was intrinsically deeply distrustful of servants who asked for reinforcements, because it realized they had their own interests in pursuing local wars. Profiteering from a war was the easiest and quickest way to make a fortune. Needless to say the VOC itself did not eschew the use of arms if it deemed this essential and it always made sure its trading interests were secured by war. The war on Kandy (1761-1765) removed any doubt that Batavia and the Republic had their own ways to managing the control of a conflict and were quite prepared to use them. They simply kept a check on the number of reinforcements sent to a military zone which gave them the power to manage the level of confrontation. As long as the companies could be independent in their management of wars, this mechanism worked quite well, keeping servants in check and subordinate to company interests. In the wake of the upheaval caused by the reinforcements from Europe and the inescapable participation of the English and French companies in European wars, the servants suddenly had unprecedented power at their disposal, and in their pursuit of fortune they could play out state and company priorities against each other. A great deal of this power ebbed as the ripples from European conflicts set in changes of power and trade in Asia.

The stepping up of State support from England may also be seen as a sort of extra capital which the Company used to increase its commercial strength. Without any hope of State support the VOC remained on a lower level of involvement. Its predicament is best illustrated by the naval battle which precipitated the Battle of Bedara on land, in which its armed merchant vessels proved no match for the professional Royal Navy ships of the line sent down from Calcutta. The waxing English power⁷²⁰ and the upmarch of colonisation enabled the English to enforce a system of trade which was more to their taste. Having launched the colonization process the EIC managed to bring in more tax and also enjoyed a mounting income from the English country trade. In short, during the

⁷²⁰ *Ibidem*, 104.

eighteenth century the capital base of the VOC was gradually eroded, just as the capital strength of the EIC was being solidified, a state of affairs which had consequences for the political, commercial and social organization of both companies.

More military investments inevitably led to more costs for the Company and the State, and when weighed up in its context, also give an alternative explanation for the growth of English country trade before the achievement of Empire. There were social implications too as the system was shaken to its foundation. The VOC was not able to invest more in its colonies; Consequently in its quest for essential funds it was forced to rely more heavily on its servants and indigenous subjects. The investment of the English State in troops overseas proved to be an economic advantage in the colonies even before Empire. Viewing these investments as much in economic as in military terms reveals an alternative explanation for the rise of English country trade before Empire. The presence of large armies served the country traders well, as it created a market for different goods. Under such circumstances, it is understandable that the main beneficiaries of this increase would have been the English country traders. Even the Dutch private traders were not excluded from rise in demand. They joined in by picking up on trades the English country traders could not supply, such as those in sugar and arrack.

Investment in government and war meant that less capital was left for trade, so the EIC had to leave the intra-Asian trade to its servants. The military investment from England offered more opportunities for war, but it forced the Company to redirect its investments away from trade even in times of peace in Europe. When we compare this situation to that of the VOC, it is surprising that under the prevailing conditions the EIC did not simply rescind the private trade privileges and turn them into monopolies, ensuring more trade for the Company. Although the answer is a bit speculative, it is not strange that the EIC did not have the money to invest in new trade initiatives, since it was deeply embroiled in wars and government, demands draining capital away from trade. As the money was tied up there, the easiest and best solution was to leave trade to private traders and turn the tables to the advantage of the EIC by taxing it. Large investments in the intra-Asian trade were not an option, certainly since the potential obtained for private trade surpassed the means of the company anyway. These changes had twofold consequences. First of all, trade became more professionalized and the scale of operations

was enhanced. Secondly, new opportunities opened up and new money was pumped into trade, which broke through the deadlock of an era of stagnation in the Indian trade. In conjunction, the tighter control on trade allied with the possibility to force other traders out by political means produced an explosive competitive mixture which would conquer the Asian market and render the EIC obsolete, leaving it to become solely an instrument of government, detached from trade in Asia and with Europe.

