In the shadow of the company : the VOC (Dutch East India Company) and its servants in the period of its decline (1740-1796)

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Introduction

When Prime Minister Balkenende of the Netherlands recently urged his citizens proudly to follow the example of the VOC mentality (Dutch East India Company, hereafter VOC) and to return to what he assumed were the values of untrammelled entrepreneurship, his remarks were met with anger and disbelief. [1] For many people the VOC mentality simply meant slavery, violent extortion and the beginning of colonialism. With a strong feeling that righteousness was on their side, both parties involved tried to appropriate history to suit their personal agenda. Fascinatingly, the period of decline of the once mighty trading company (1740-1796) offers us a much more subtle and realistic combination of both a commercial utopia and political phantom. At this juncture, no longer the most powerful and dominant European company, the VOC trailed behind its competitors in enforcing its trade. Although the VOC traded on a global scale, the historical debate does not see the VOC as a company acquiescing into freedom of entrepreneurship either: Unlike its European competitors, it never relinquished its monopolies on trade in Asia in favour of its servants and subjects. The second half of the eighteenth century witnessed fundamental changes in Asian politics and trade, and in the whole organization of the European presence. The relationship between the Company and its servants provides us with an excellent tool to understand in some depth the full extent of these changes, instead of simply concluding that the Company was merely a precursor to the colonial state or that trade had made way to colonial exploitation in a day.

[1] On 28 September 2006, Prime Minister Balkenende spoke of VOC-mentality in a debate in parliament. He wanted the opposition to follow that example of an international perspective on trade.

1. The historical debate: the decline of the VOC

The decline of the VOC is strongly linked to the rise of the British Empire in Asia. This is best exemplified by the Fourth Anglo-Dutch Sea War (1780-1784), when superior English naval strength completely halted all Dutch trade between Europe and Asia. Without incoming ships the Company was no longer able to fulfil its financial obligations in Europe and had to ask for postponement of payment. Trade resumed after the war, although on shakier footing. The next time war broke out, in 1796, it sounded the death knell of the Company and it went bankrupt.[2] The English hegemony was simply the ultimate step in a development which had started more than fifty years earlier in Bengal. The wars waged from 1780 only proved that English power had expanded to such an extent it now even reached the regions where the Company traditionally had ruled supreme. In order to study the early stages of the development of the influence of the British expansion on the VOC, we have to look at what happened to the VOC settlements on the Indian Sub-Continent and in Ceylon instead of focusing on the traditionally more studied Indonesian Archipelago.

The commercial decline of the VOC in the eighteenth century was caused by changing political circumstances in Asia, which generated rising costs. This waning of power is best exemplified by the increasing amount of short-term loans, which gradually assumed a structural character before finally topping the VOC. The eighteenth century was a turbulent period which saw different Asian empires collapse and the inevitable resultant unrest depressed trade.[3] The best known cases are the decline and collapse of the Mughal Empire in India and the Safavid Empire in Persia, but insular Asia also witnessed its share of unrest. The Company had to arm itself against this increasing violence, which in turn meant mounting military investments. Political change also led to instability, in which new indigenous traders profited. Out of the erupting violence in Asia,

[2] I. G. Dillo, *De nadagen van de Verenigde Oostindische Compagnie, 1783-1795: schepen en zeevarenden* (Amsterdam: De Bataafsche Leeuw,1992).
[3] C.A. Bayly, *Imperial Meridian: the British Empire and the world, 1780-1830* (Harlow: Longman, 1989).

new groups of traders emerged, whom the Company designated pirates.[4] Indigenous allies grew restless and tried to follow a course more independent of the VOC.[5] The best known example is the ruler of Kandy, who unsuccessfully challenged the power of the Dutch in Ceylon. Irrevocably, the suppression of this rebellion steered Dutch energy and resources away from trade.[6]

While the VOC was busy in its core regions in the Indonesian Archipelago, it had to forfeit influence in trade in India where its rivals pursued a more aggressive course.[7] The rise of the English and the French Companies meant increasing competition for trade. The Europeans competed for the same import goods, causing profit margins to fall. This was noticeable in the prices in Europe, but also meant that competition for goods in India grew fiercer. In order to boost trade with Europe, all available cloth was bought up. For the VOC this increased competition had not only negative consequences on its profitability in the trade with the home country, it also reduced the volume and profitability of its intra-Asian trade. The Company had always traded cloth profitably in the Spice Islands, but when prices rose the interest in cloth in the Spices Islands ebbed. This confronted the Company with a new set of problems in the purchase of its spices.[8] From 1740, the Directors in the Republic realized a change in policy was needed and sent Van Imhoff (Governor-General from 1743-1750) to Asia in order to institute change.[9]

Mindful of its reliance on the spice monopoly, the VOC reacted more conservatively towards change than its competitors. In terms of value in relation to volume, as well as the imperishable nature, spices were the most suitable items for trade with Europe. The spice monopolies in the Moluccas gave the VOC an edge in but also

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[4] O. Atsushi, *Changes of Regime and Social Dynamics in West Java: Society, State and the Outer World of Banten, 1750-1830* (Leiden: Brill, 2006).

[5] See the recent TANAP Phd theses by H.K. Kwee, *The political economy of Java's Northeast Coast, c. 1740-1800: elite synergy* (Leiden: Brill, 2006); M.S. Widjojo, *Cross-cultural alliance-making and local resistance in Maluku during the revolt of Prince Nuku, c. 1780-1810* (Universiteit Leiden, 2007), to be published in 2008; S. Margana, *Java's last frontier: the struggle for hegemony of Blambangan c. 1763-1813*, (Universiteit Leiden), to be published in 2009.

[6] A. van den Belt , *Het VOC-bedrijf op Ceylon: een voorname vestiging van de Oost-Indische Compagnie in de 18de eeuw* (Zutphen: Walburg Pers, 2008); A. Schrikker, *Dutch and British colonial intervention in Sri Lanka, 1780-1815: expansion and reform* (Leiden: Brill, 2007).

[7] G.D. Winius, M. Vink, *The Merchant-Warrior Pacified: the VOC (the Dutch East India Company) and its changing political economy in India* (Delhi: Oxford University Press, 1991).

[8] E.M. Jacobs, *Merchant in Asia: the trade of the Dutch East India Company during the eighteenth century* (Leiden: CNWS Publications, 2006).

[9] Jacob Johan Steur, *Herstel of ondergang: de voorstellen tot redres van de Verenigde Oost-Indische Compagnie, 1740-1795* (Utrecht: Hes, 1984).

obliged it to engage in the intra-Asian trade. The spices were obtained most profitably against cloth from the Indian Sub-Continent, and in turn helped the company to open up markets all over Asia. The advantages the VOC enjoyed in the spice trade gave it a head start in the seventeenth century, but in the eighteenth century such other Asian products as textiles, tea and coffee became more important. [10] The heavy investment by the VOC (encouraged by their continuing profitability) in spices enabled its competitors to take the lead in dealing in the new products, although the VOC never lagged far behind.

The more diversified and growing trade networks meant an increasing demand on the limited capital of the VOC. The different scopes of the various trades were hard to combine and the Company was forced to make choices and set priorities. For example, the emphasis shifted from the intra-Asian trade to the trade with Europe.[11] The VOC did not want to open up the intra-Asian trade to its subjects and was therefore less able to adapt to change than its English rivals. The Company is believed to have kept all trade under its monopoly because of the perceived incompatibility of the exclusive spice monopolies and entrepreneurial private trade. This meant it preserved the sole right to all trade to and within Asia, to the exclusion of the participation of its servants and its subjects. Under these circumstances, private trade was considered illegal and the Company even exacted capital punishment on those who attempted to circumvent these stipulations. Its European competitors had a milder and more permissive view of private trade in Asia and allowed private entrepreneurs consisting of servants, free merchants and indigenous subjects room to develop freely in the changing circumstances of the eighteenth century.

Rising costs and inability to change are generally regarded as having been major contributors to the decline of the VOC. Corruption or the misuse of public power for private profit was endemic throughout the two centuries of the Company's existence, but it is hard to pinpoint their true extent owing to a lack of sources. The explanation for the decline of the Company as a result of the excessive corruption of its employees is found in the pun, Vergaan Onder Corruptie or translated from Dutch, perished under corruption. Corruption is actually a broadly defined term, entailing what we all typically think of as

[10] Femme S. Gaastra, *De geschiedenis van de VOC (*Zutphen: Walburg Pers, 2002).
[11] Jacobs, *Merchant in Asia*, 279-294.

embezzlement, nepotism and illegal private trade, all considered activities militating against the true interests of the Company. The image of the Company servants has perhaps been too easily tarnished by what we nowadays consider reprehensible behaviour. They seem to have been preoccupied with making their own fortunes at the expense of the Company. In their own times, however, the servants thought of themselves as entrepreneurs taking care of the business of the Company as well as their own transactions, bringing their own knowledge and social capital to the service of the Company. In the execution of their tasks they bridged the spatial gap between Europe and Asia, as well as between Europeans and Asians. Because of these talents, the VOC depended heavily on its servants and had to shift part of the responsibility onto their shoulders, making it harder to assess the boundaries of corruption.

1.1 The relationship between Company and servant

The VOC was a chartered trading company and as such it was limited by the initial capital it had at its disposal. In order to establish its trading network in Asia, the Company had to flex its financial and military muscles. Commercially and politically, the 'faits et gestes' of the Company were predetermined by its capital base. The strong position the VOC had built up in the seventeenth century meant it never at any time considered augmenting its initial share capital of 6.5 million guilders. In contrast, its European competitors were forced to augment their capital because of problems in trade or in European politics. The Dutch Company, however, simply financed trade on the Amsterdam stock market by taking on short-term debts with high interest rates. Although these loans were normally paid off quickly, as soon as the return fleet from Batavia had arrived, relatively speaking such a system easily led to financial and cash flow problems, certainly when the number of loans increased in the course of the eighteenth century and assumed a structural character. Consequently, political and economic factors have to be taken into account when studying the decline of the VOC. Every potential rupture in

trade could lead to a halt in the repayment of debts and a failure to meet financial obligations, potentially threatening the survival of the whole Company.

Although the VOC was limited by its relatively small capital base, it had several ways to circumvent these financial limitations. Apart from solving any temporary monetary shortage of funds by taking on short-term loans in order to finance trade, the VOC had several alternatives to increase its capital artificially. The simplest solution to the VOC's occasional cash-flow problems would have been issuing more shares. This option was never considered. A second option would have been to ask the Republic of the Seven Provinces for help in military matters, offsetting military costs onto the Republic. The down side of this measure was the risk of losing its independence because the Republic would certainly seek to exert more influence on the Company's policy. Until 1780 the Company was able to avoid any direct influence on policy by the Republic, although it was the Republic which had not been able to comply with requests for help before.

In Asia, the VOC was also relatively powerful, which is also mirrored in the manner it organised its intra-Asian trade. Thanks to its spice monopolies, the VOC was able to launch several profitable long and regional distance trades in Asia. In this manner the Company profited directly from trade in Asia, and managed to successfully solve its dearth of capital. Its competitors failed to institute a similar intra-Asian monopoly and simply left trade to its servants and benefited from it by taxing private trade. Because all European East India companies held a total monopoly on trade with Europe, in Asia they could locally utilize servants' fortunes by offering them remittance facilities.[12] Officially all money sent home had to be handed in on loan to the VOC, which would invest it in Asian trade and pay out the sum in Europe plus interest. The difference between profit and interest was for the benefit of the shareholders in Europe, so by accepting funds for remittance East Indian Companies augmented their working capital in Asia and consequently also their turnover and profit.

If we dismiss corrupt behaviour à priori on moral grounds, we shall fail to explain and understand why it may actually be quite functional. The Company deliberately used

[12]P.J. Marshall, *East Indian fortunes: the British in Bengal in the eighteenth century* (Oxford: Clarendon Press, 1976) and H. Furber, *Rival empires of trade in the Orient, 1600-1800* (Minneapolis: University of Minnesota Press, 1976).

the social capital of its servants to augment its own financial position and under these circumstances, the definition of corruption needs to be historicized. First of all, corruption in a company structure should be defined differently to the way this is done in a State structure and in our own day and age. The Company was not very strict in defining corruption because its Directors depended on their servants in Asia to arrange matters, if only because of the sheer distance impeding ready communication. The ultimate aim of the Company was to pay out to its shareholders in the Republic a profit from trade. The VOC wanted to invest as much capital as it could in trade and not squander it on working conditions. Therefore, its management opted for a cost-efficient organization admittedly with certain structural weaknesses. In this system, the private initiative of servants was not strictly forbidden, but indeed it was even applauded as long as it also served the Company. There is a grey area between our present-day definition of corruption and the definition the Company accepted for corruption. In the grey sphere, the relationship between Company and servant was determined by negotiating common ground and in the end this co-operation (or non-co-operation) partly determined the strength of the enterprise. A major tenet of the present study is that the definitions of corruption and informal institutions in previous historical analyses have been inadequate and need to be revised. Private trade, corruption and networking will be presented in the following chapters as relatively informal institutions which helped the VOC function. While Company servants tried to bend the political, economic and social power with which they were invested to their own needs, the Company also harnessed their energy to its own advantage and by a variety of measures controlled excess.

2. A new approach to decline

Historicizing the present-day definition of corruption with respect to functional informal institutions in the past provides us with a tool by which to analyse the decline of the VOC. The main question we shall try to answer in this thesis is: What role did informal institutions play in the decline of the VOC and what do they tell us about the decline? By

assessing the changing relationship between Company and servant in the second half of the eighteenth century, we built up an outsider's view of how informal institutions adapted to change. What was the goal of the VOC in allowing such informal institutions to exist? How did the servants view and react to changes in informal institutions? First of all, we have to assess the problems with which the Company was struggling in the period under investigation and how it tried to formulate an answer. A second step is to crystallize the role of informal institutions by asking what purpose they served the Company in meeting the challenges of the age. The interaction with the servants within these institutions will be analysed in two different situations. First of all, in an area where the Company kept strict control over trade and over its territories, namely in Ceylon. Secondly, in an area where the Company exerted no control over trade and territories, namely the Coromandel Coast. After having defined the mechanisms at work in these two areas, we shall compare them to the interaction between the English East India Company and its servants before and after the conquest of Bengal.

2.1 Institutional change

This thesis will pick up the thread where other historians have ended, but nevertheless their previous works will help us understand the problems the VOC faced. Detailed studies of the official trade the Company conducted with and within Asia provide a solid economic foundation for our knowledge of the trade conducted.[13] These studies focus mainly on the official functioning of the company, but already pose a threat to understanding how the VOC was run because they look only at formal institutions. Recently, historians have noticed that the existing trading figures in the books make complete sense for the situation in Europe, but in Asia itself there was a clear divergence

[13] J.R. Bruijn, F.S. Gaastra and I. Schöffer, *Dutch-Asiatic shipping in the 17th and 18th centuries* (The Hague: Nijhoff, 1979-1987); J.P. de Korte, *De jaarlijkse financieĕle verantwoording in de VOC, Verenigde Oostindische Compagnie* (Leiden: Nijhoff, 1984); R. Shimada, *The intra-Asian trade in Japanese copper by the Dutch East India Company during the eighteenth century* (Leiden: Brill, 2006); F. S. Gaastra, *De geschiedenis van de VOC* (Zutphen: Walburg Pers, 2002); E. M. Jacobs, *Merchant in Asia: the trade of the Dutch East India Company during the eighteenth century* (Leiden: CNWS Publications, 2006).

between what was noted down in the books and what was kept in the warehouses.[14] This is underlined even further by the fact that the Directors in the Republic and the High Government in Batavia, in spite of their strenuous efforts and sometimes successful policies, lacked the required accounting skills to assess what was happening financially within the Company.[15] All these studies suggest that relatively speaking corruption was not a larger problem in the eighteenth century than it had been in the seventeenth century.[16]

By combining different VOC archives at different levels, a more complete assessment will be made of the new challenges which had to be met in the eighteenth century. These archives are spread over the whole world and for this thesis several of these archives have been used intensely.[17] In the VOC documents we come across all sorts of information, which can help us understand how the Company adopted to change. They give an insight into how servants on different levels assessed the challenges and sought a solution to political, commercial and social problems. The decision-making process was played out on different levels, from the Directors in the Republic to the High Government in Batavia and from Batavia to the outposts. In the outposts the servants were expected to follow orders, but often these men-on-the-spot had their own agenda. The VOC archives preserved in Asia give more specific information on policy in Asia, so I have made substantial use of them.

The relationship between the VOC and informal institutions was susceptible to change and this can be traced in the official regulations. One historical study finishes by concluding corruption (in this particular case defined as illegal private trade) is hard to assess or condemn as it may have suited the company, while another study simply concludes the Company would have collapsed in Ceylon at an earlier date had it not allowed private trade.[18] Both conclusions concur with our prime assumption. In order to

[14]Van den Belt, *Het VOC-bedrijf op Ceylon,* 277-279.
[15] Steur, *Herstel of ondergang,* 187-196.
[16] Jacobs, *Merchant in Asia*, 290.
[17] The National Archives in The Hague (NA), Jakarta (ANRI), and Colombo (SLNA), all possess VOC archives, which have been extensively used for this study. In these archives can be found the official correspondence between Batavia and the Republic, as well as correspondence from Asia between the outer regions. Plans and directives can also be found in all archives, although such documents are often of a more incidental nature.
[18] Jacobs, *Merchant in Asia,* 8-9 en Van den Belt, *Het VOC-bedrijf op Ceylon,* 221-280.

understand private trade, corruption and networking, it is essential to define these fields anew according to the purpose they may have served. The increasingly large number of regulations issued in the eighteenth century, are already an official acknowledgement that the VOC was struggling internally with change. This extensive number of regulations gives us a first glimpse behind the doors. The VOC tried to regulate these informal institutions which served as lubricants for the Company's adaptation to changing circumstances. The most traceable and concrete regulations are those directed towards private trade, but our other subjects of study can also be found.

2.2 Case studies

Apart from the more structural VOC correspondence, the available archival collections offer us several documents which relate to the investigation of individual cases of corruption. The vast majority of historians limit themselves to using the official correspondence, but these individual cases present us with an insight into the unofficial functioning of the VOC. Although more factors, such as networks, come into play in punishing offenders, at least these cases give us a general idea of the contemporary definition of corruption. In 1765 a large-scale corruption investigation was set up on the Coromandel Coast after Governor Van Teylingen fled to Madras following accusations of fraudulent behaviour. After his flight, the Company launched a large-scale investigation involving all the high-ranking officials on the Coast.[19] In turn, the servants had to account to Batavia for these deeds, giving us some clues about their views on corruption. In Ceylon, several such cases also occurred, which gives us an opportunity to compare similar situations. Caution is advised, however, as these sources give a one-sided and company-based account and view of what corruption really was and are focused on punishment of individual servants.

[19] Documents on the malversations of Haselkamp, Maudave, Van Teylingen, Looman, and Keller, can be found in the archives of the High Government in the NA (349-352). Documents specifically on Van Teylingen can be found in both the official VOC archives (11286) and in the personal archives of Hope (49), who became known as the Director linked to the Stadtholder.

Case studies based on the private correspondence of Company servants help us assess corruption from the perspective of the servants. If the information in the VOC archives is limited, the private correspondence still extant offers a different perspective because individuals were more outspoken among themselves. Company servants have often been accused of keeping their ulterior motives hidden from their superiors, but in private correspondence we can see a more intriguing game between superior and subordinate. Not only were the writers of these letters quite frank about their motives, the mechanisms behind their decision and conduct can also be extracted. Unfortunately, there is a dearth of the private correspondences preserved. The private letters of VOC servant Lubbert Jan van Eck (1719-1765)[20] is the only known virtually complete (for at least eight years) private correspondence (outgoing and incoming) of a employee with Europe as well as within Asia. This lack of similar sources is no coincidence, since all employees wanted to avoid private information becoming public. Consequently, they made sure to destroy incriminating correspondence about their dealings in Asia when it had served its purpose.[21] Therefore, we should be happy to have Van Eck's correspondence at our disposal because it will provide us with new insights into how the VOC struggled with a decline even before 1780. The personal correspondence of other powerful servants has also been used so as to have a comparison with Van Eck's mindset.[22]

[20] NA, archief van Lubbert Jan, Baron van Eck (1719-1765), In order not to hamper the reader with details later, we shall now briefly introduce our primary source of information. The private letters we shall study were written and received by Lubbert Jan van Eck (1719-1765) from about 1756 until 1765. In about 1500 letters, he corresponded with the other servants in Asia, the powerful and famous but also many long-forgotten people. Although Van Eck was definitely a senior employee with an interesting career, he is not part of the best known group of employees. Born into an impoverished noble family from the province of Gelderland, as oldest son, he was forced to take on a great deal of responsibility and seek the restoration of his family's fortune in the East. After spending a couple of years working in Batavia, he made his career on the Coromandel Coast of India. Ultimately, he became VOC Governor there, and later held the same position in the island of Ceylon. He is best remembered as the military commander who led the last major military victory of the VOC. In 1765, he headed the military campaign against the king of Kandy and conquered the Kandyan capital. This victory restored VOC power in the island after a rebellion against VOC authority. Less known is the fact that he was a successful private trader who succeeded in making an impressive fortune.

[21] In Van Eck's letters (NA, Van Eck, 27, 18, 20 January 1760, De Klerk to Van Eck), we find an example of such reasoning. After Van Eck's friend, Diethar van Rheden died (at the time of his death, a member of the High Government in Batavia), his executor Reinier de Klerk, asked Van Eck to destroy all the letters he had ever received or written to Van Rheden, since, should they become public, they might tarnish the good name of Van Rheden and his family.

[22] For example the NA-collections, Alting, Mossel, Hope, Nederburgh and Radermacher.

With service on both the Coromandel Coast and in Ceylon, Van Eck helps us understand the problems the company faced in monopoly and non-monopoly areas, at a time when fundamental changes were taking place in India. By concentrating on three informal institutions, private trade, corruption and networking, parallels can be drawn between all three, each domain reinforcing the other. The most easily traceable subject in Van Eck's private correspondence is once again private trade. This merits taking up this subject first, before drawing parallels with the other two areas.

2.3 Comparisons

The VOC (1602-1799) was a very diverse trading organisation and formal and informal institutions functioned alongside each other according to the regional priorities of the Company. Several factors determined the regional policy of the Company in the matter of the degree of private initiative it allowed its servants. At the extremes of the spectrum we have to distinguish between areas where the company ruled as a territorial lord and those where it did not, and between areas were the company held colonies and areas where it only possessed a trading settlement. In some areas the company faced no European competition in trade, while in others it did: it was challenged by doughty opponents. The question of war and peace should also not be overlooked. In Ceylon for a longish period the VOC ruled a spice-producing colony without European competition, while on the Coromandel Coast it possessed non-spice-producing-trading settlements, where European competition was an inescapable fact. In Ceylon the Company went to war, while on the Coromandel Coast it was determined to remain neutral in factional strife.[23] This presents us with the opportunity to compare the relationship between the Company and its

[23] In Ceylon, for a century at least no European power other than the VOC was present, and the VOC had to deal with only one indigenous ruler, but on the Coromandel Coast fierce competition raged with the other European East India companies and different rulers made different claims. In this region, the VOC first faced the rising influence of the French and English Companies. In Ceylon, the VOC also faced strife and resistance to its presence during Van Eck's tenure (1761-1765), as the indigenous VOC subjects rebelled with the help of the indigenous king. For both regions, we shall assess to what extent the VOC was aware of the threats to its position and in what manner it reacted to these threats.

servants in two contrasting situations and enables us to study the logic of the local situation.

In the historiography on the rise of the English East India Company as a colonial power, we find discussions on the same subjects which recur in the study of the decline of the VOC. The success of the EIC is often attributed to differences in organization in comparison with its Dutch counterpart, but as I hope to show these organizational differences were only relative. In both Companies, servants were accused of having taken too large a share through "corruption". Within the VOC sphere this was seen as reprehensible because at that juncture the Company was struggling to make ends meet. In the case of the EIC, conversely the servants were seen to be taking too large a share in the expansion of the company. The EIC actually used the same mechanisms and informal institutions as the VOC to meet the problems presented by its rise to dominance and empire. Finally, we will analyse how both Companies reacted to changes in power and how the relationship between Company and servants provides an instrument through which to scrutinize all these developments.