

## The VOC, the Dutch East India Company, 1602-1799

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The Dutch East India Company--Verenigde Oost-Indische Compagnie (VOC)--was founded on March 20, 1602 by Dutch merchants with the encouragement of the government of the Dutch Republic. Disbanded during the wars of the French Revolution in 1799, the VOC was the largest multinational corporation during the early modern period. It operated over 1500 ships and provided employment for over a million people in the Netherlands and Asia during its existence. Beginning with spices from the Moluccas, the VOC imported cloth from India, porcelain from China, cinnamon from Ceylon, and a myriad of other Asian products. Given the great distances involved, European trade with Asia had long been confined to very expensive goods, which only the very richest Europeans could afford. Moreover, there was relatively little demand in Asia for European goods. As a result, Europeans had been heavily dependent upon silver and gold to finance their trade with Asia. European conquests in the Americas during the



*Picture 1: Silver bar of nearly 2 kg. with the mark of the Zeeland Chamber of the VOC and silver coins, from East India shipwrecks, Scheepvaart Museum, Amsterdam, Femme S. Gaastra, De Geschiedenis van the VOC (2002.*

sixteenth century made possible an expansion of its trade with Asia. One of the greatest innovations of the VOC was the building of its inter-Asian trade system whose profits helped finance Europe's Asian imports. Initially the VOC was nearly completely dependent upon the cooperation of Asian governments to conduct trade in Asia, but gradually, along with other European trading companies, especially the English East India Company, the EIC, the European trading companies laid the foundation for the building of Europe's colonial empires in Asia. The VOC was not only a profitable corporation but also played a major role in cultural, intellectual and biological exchange, which promoted scientific and cultural innovation. Some historians have argued that what we call globalization should really be traced to the early modern European trade system in which the VOC played a leading role. From the perspective of the history of capitalism, the VOC offers an interesting case study. Historians continue to debate whether this early modern joint-stock company was primarily an innovative and efficient capitalist enterprise for much of its nearly two-hundred year existence that pointed to the development of modern corporations, or that it was a state supported mercantilist enterprise that used political and military power to win monopoly profits and thus constituted a perversion of the competitive and efficient capitalism for which 17<sup>th</sup> century Amsterdam and the Dutch Republic have become famous.

By the late sixteenth century the Dutch Republic was already the largest seaborne trading nation in Europe with its flourishing Baltic, North Sea, Atlantic coastal and Mediterranean trade, as well as its river trade in Western Europe. Although the revolt of the Netherlands during the late 16<sup>th</sup> century against its Spanish sovereign made trade with the Iberian peninsula difficult, especially when Philip II also assumed the Portuguese crown in 1580, the trade was too important for both the Spanish and the Dutch to close it off altogether. For Dutch merchants the spices they bought in Lisbon were critical to their trade with the Baltic and Germany. In 1580 the Portuguese government contracted with merchants in India and Malacca to sell pepper and other spices at a set price to the Portuguese government, which in turn signed contracts with European merchants to distribute spices in northern Europe. In 1585 the war between the Dutch and the Spanish closed the Schelde. Denied direct access to the sea, the Antwerp's role as Europe's most important trading center came to an end. Its spice merchants, along with many others, moved to



Amsterdam and other cities. By the 1590s, English pirates operating in the south Atlantic had severely reduced the amount of spices the Portuguese could deliver to Lisbon. In 1591 an international syndicate, consisting of Portuguese, Spanish and Italian merchants, with financial backing from south German bankers, attempted to create a spice distribution monopoly that threatened to make Hamburg the spice staple market in northern Europe.

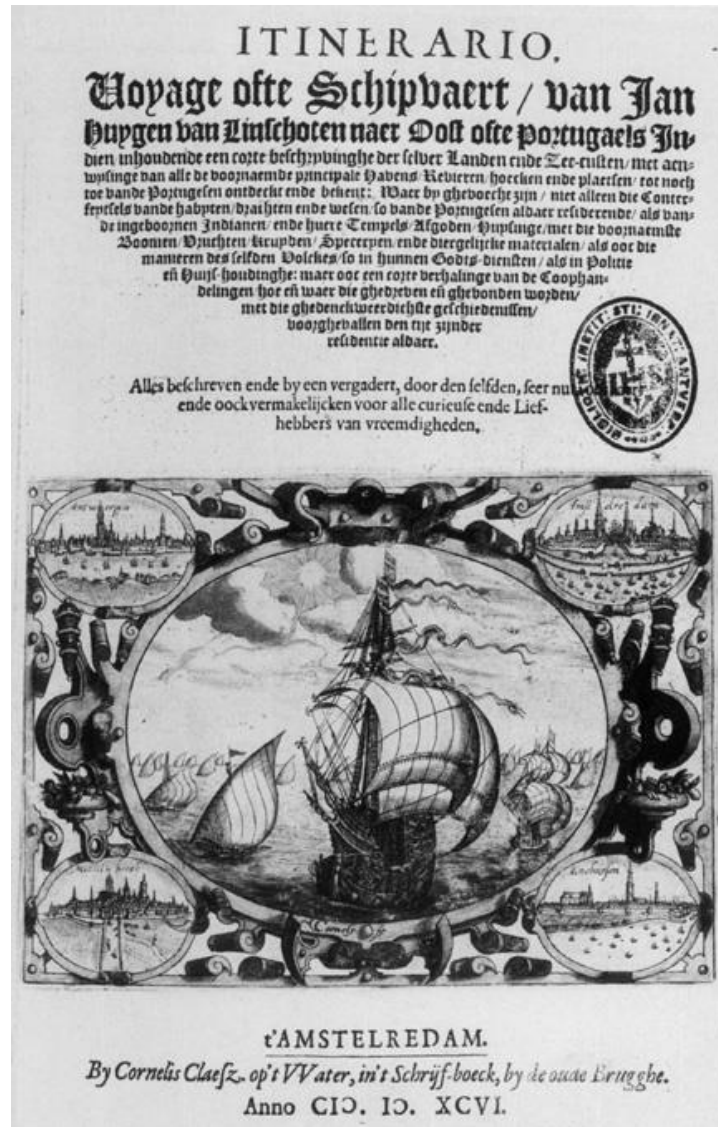
During the second half of the 16<sup>th</sup> c. the Portuguese route to Asia had become known in northern Europe while a great deal of Antwerp capital had moved to Amsterdam as a result of the Spanish army's plundering of Antwerp in 1584. The famous Antwerp humanist and printer, Petrus Plancius of Antwerp, a student of Mercator, shared his knowledge of the Asian trade route with northern merchants.



Picture 2: *Insulae Moluccae...Map of Molucca, the Indonesia Archipelago and the Philippines, Petrus Plancius, 1592, Maritime Museum Rotterdam, Gaastra, between pp. 18-19.*

Reports of those who had served in Asia with the Portuguese were also of great importance in spreading knowledge of the Asian trade. Descriptions of the spice trade in Asia by

Jan Huygen van Linschoten, who had been a trade factor in Asia for Fugger, a German banker, were published in 1596 as *Itinerario* and became widely known. Plancius, however, recommended



Picture 3: Title page of *Itinerario, Voyage of Jan Huygen van Linschoten to the Portuguese East Indies*, 1596, Gaastra, p.17.

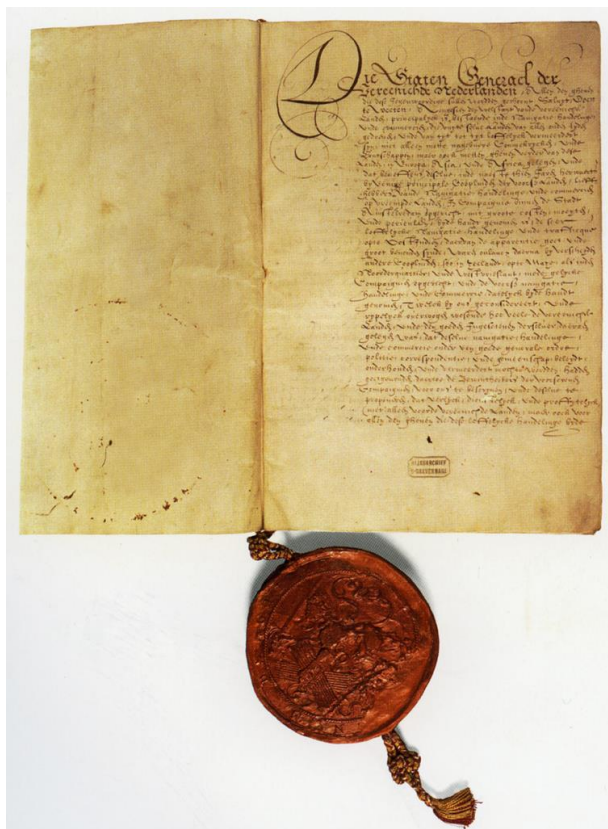
an expedition to reach Asia by seeking a northern route across the top of Russia, which he believed to be shorter and which would avoid the pirates of the Atlantic as well as a direct confrontation with the Portuguese. Linschoten joined a 1594 expedition that reached the Kara Sea above Siberia. Another expedition of seven ships was sent in 1595 and a final expedition took place in 1595-97 led by Willem Barendsz. and Jacob van Heemskerck, which resulted in the

famous overwintering on Nova Zembla. In April of 1595 three purpose built merchants ships and a yacht, heavily armed with over 100 canon, some borrowed from the government of Holland and its cities, and loaded with 100,000 Spanish *reales*, various goods and a letter of safe-passage from Prince Maurits, sailed for Asia. The ships returned to Holland in August of 1597 without the 'Amsterdam' and without 87 of the 240 men who had left Holland. The spices on board just about paid the venture's expenses but it had demonstrated the possibilities of a Dutch direct trade with Asia. The second fleet sent by Amsterdam merchants returned to Holland in 1599 was spectacularly profitable. By 1602 fifteen Dutch expeditions, organized by various voyage specific Dutch partnerships and consisting of a total of 65 ships, were sent to Asia, of which 50 ships returned. This was more than the number of Portuguese East India vessels during the period. The English, who earlier had sent out several merchant expeditions to Asia, established the English East India in 1600 with a royal monopoly to trade in Asia. Competition in the spice trade, especially between Amsterdam and Zealand merchants, increased the supply of spices in Europe and drastically reduced Dutch profits. It was primarily because of the economic needs of merchants that allowed Johan van Oldenbarnevelt, the political leader of Holland and the Dutch Republic, and Maurits, the Prince of Orange, to negotiate the creation of the *Verenigde (United) Oost (East) India Compagnie* in 1602. At the same time, the political leaders recognized that a united company with military and governing powers in Asia would be a political and military asset to the Republic's conflict with Spain.

The VOC received a monopoly on all Dutch trade and shipping with Asia and had the right to make treaties with Asian governments, enlist soldiers and wage war, build and administer forts and trading posts in Asia, and provide law and order for its employees outside of the Netherlands. The Company's governors in Asia had to be approved by the States General and to swear to obey its general instructions. Upon their return they had to provide the States General with a report of their activities. In practice, however, the States General rarely interfered in the Company's activities. Moreover, as a practical matter, it took at least a year and half for an exchange of letters between Asia and Europe. While the bulk of investment was provided by well off merchants, members of all social classes, including ordinary craftsmen, bought VOC shares. Much like the United Provinces, which was a federal state with a great deal of provincial



and city autonomy, the VOC, as its name implied, consisted of seven Chambers, which had considerable trading autonomy. Each Chamber was governed by its *bewindhebbers*, large



Picture 4: *VOC Charter, 1602, National Archives, The Hague.*  
 Leo Akveld and Els M. Jacobs, eds., *The Colourful World of the VOC* (Amsterdam: 2002), p. 12.

shareholders who also brought in capital supplied by others. Each Chamber built, outfitted, and manned their own ships and sold the goods when the ships returned under the general rules set out by the Company as a whole. The *bewindhebbers* of each Chamber chose representatives that served as the Directors of the Company, the *Heeren XVII*, who met three or four times a year to set overall Company policy. Eight of the *Heeren* were sent by Amsterdam so that in theory, although this rarely happened, Amsterdam could be overruled. The business operations of the Company were apportioned to the Chambers with one-half for Amsterdam, a quarter for Middleburg (Zeeland), and one-sixteenth each for Delft, Rotterdam, Hoorn and Enkhuizen.

The fundamental innovation of the Company was limited liability for its directors and shareholders. The directors were not personally responsible for the Company's debts and the shareholders liability extended only to the value of their shares. Unlike the earlier companies that

traded with the East, which were formed for a specific voyage and then disbanded, invested capital in the VOC had to stay with the Company for a minimum of ten years and thus the VOC established a permanent fund of working capital. Shareholders could sell their shares and the VOC played an important part in the development of the Amsterdam *Beurs*, the stock exchange. The company was initially slow in paying dividends, partly because of the cost of operating within the context of war with the Spanish Empire and the need to establish bases in Asia. Between 1602 and 1622, the Company paid dividends of 200% on an irregular schedule, or 10% per year, which was well below the expectations of many early investors. The VOC kept its books closed to the investors and built up its permanent capital by retaining profits and borrowing money. The Company's creation of a permanent capital fund in Asia was one of the key reasons for its later success. By 1650, the accumulated dividends plus the capital gains from increased share prices would have returned thirteen times an original investment or an average total return of 27%. After 1650, investors' returns averaged a more modest 4.0 to 3.5% annually, which was close to the return on government bonds. As de Vries and van der Woude concluded "the VOC was long a profitable enterprise; but the assertion that its profits were fabulous, and that Dutch capital accumulation proceeded chiefly on the broad back of this engine of colonial exploitation, rests on a superficial interpretation of its bookkeeping practices. The profits earned by the Company's *actual* equity were modest after the 1650s, and vanishingly small after 1730."<sup>1</sup> The importance of the VOC to the Republic's economy was not so much its profits as its enormous scale as a payer of dividends and taxes, as a borrower and payer of interest on its bonds, as a direct employer, as a procurer of supplies and export goods, and in providing the Asian commodities, some of which were processed in the Republic, and many of which became export goods to other European countries.

During its first ten years, the VOC concentrated almost entirely on spices, especially cloves, nutmeg, and mace, and on pepper. Initially it acquired these by attacking the Portuguese in Asia so that it could procure these products directly from the Moluccan Islands.

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<sup>1</sup> Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500-1800*, (Cambridge: Cambridge University Press, 1997), p. 463.



Picture 5: *Naval battle between the VOC and Portuguese fleets near Bantam in 1601*, Claes Jansz. Visscher, engraving, Maritiem Museum Prince Hendrick, Rotterdam, Gaastra, p. 38'



In 1619, the VOC named Jan Pieterz. Coen Governor-General of the VOC with both economic and political power in Asia. He established the permanent headquarters of the VOC in Asia at



Picture 6: Ships before the fort of Batavia, Adam Willaerts (1577-1664),  
Scheepvaart Museum, Amsterdam, Gastra, p. 43.

Batavia, in western Java. His effort to control the prices and quantities of spices in the Moluccas produced a native revolt in the Banda islands, he expelled or killed almost the whole local population and established Dutch run clove plantations in the islands worked by slaves. He also hoped to attract large numbers of Dutch colonists to in the East Indies but the Company Directors did not support these plans. They did, however, agree to send him the capital, men and ships that made the VOC a major force in inter-Asian trade and allowed the Company to pay for a good deal of its Asian exports with the profits from its Asian trade. While the VOC never succeeded in creating a monopoly of Asia-European trade, it did succeed in establishing a remarkable trade system from Persia to Japan. It established trade links with the Coromandel Coast of India in order to acquire Indian textiles to trade for spices in the islands. It took Pulicat

from the Portuguese in 1612 and expanded to Bengal in the 1630s. In 1637 it evicted the Portuguese from Ceylon in order to control the cinnamon trade. As early as 1609 the VOC traded with Japan but it needed access to Chinese markets to expand this trade. Denied access to the mainland by Spanish and Portuguese opposition, it attacked coastal Chinese shipping until it received permission to build a fortified post on Taiwan, Fort Zeelandia, where it traded with Chinese junks from the mainland. In 1616 it established a trading post on Surat, which allowed them to trade with the Malabar Coast, Persia, and Mocha at the entrance to the Red Sea. By the mid-seventeenth century, the VOC was a multilateral trading company, centered in Batavia, which sought to manipulate markets by selling goods in both Europe and Asia depending on where they would generate the most profit. For example, by diverting pepper and spices to Surat and Persia, the Company could limit their export to Europe, and raise their price there, while buying Persian silks and species and Gujarati cloth to be sold in Asian markets. On the Coromandel Coast, Bengal and China, it could acquire, silks, cotton textiles and porcelain to sell in Japan for species. Between 1630 and 1680, Batavia received about half of its gold and silver from Asian sources. After the Japanese prohibited their merchants from traveling abroad



Picture 7: *Bird's-eye view of Dejima in Nagasaki Bay, Japan, Kawahara Keiga, circa 1810, Maritime Museum, Rotterdam, Akveld and Jacobs, p. 143.*

in 1635 and expelled the Portuguese in 1637, Japan became the lynchpin of the VOC's trading system during the 17<sup>th</sup> century. At first at Hirado and, after 1641, at Deshima the VOC dominated Japan's trade with China during the exclusion period.

After rapid growth during its first four decades, the VOC reached a period of relative stability at a high level in the 1640s and continued to grow more modestly until the 1670s, when, as has been acknowledged, the VOC was “without question, the paramount European commercial and political force in Asia.”<sup>2</sup> In 1652, in order to consolidate their hold on the spice trade, the Company founded Cape Colony at the southern tip of Africa to resupply its ships and protect its trade routes. By 1686 the Colony had grown to 15,000 European settlers spread over a large area. With the end of its war with Spain and the conclusion of a general peace in Europe in 1648, the Company hired thousands of decommissioned soldiers and used them to complete its conquest of coastal Ceylon and remove Portuguese competition in the cinnamon trade. They also captured Portuguese forts on the Malabar and Coromandel coasts in India. In 1667 the VOC closed the independent trading post of Makassar in the Celebes and subsequently forced the Sultanate of Ternate to submit to the Company's direction. While it now controlled almost the whole spice supply in Asia, this did not mean it could always control its selling price so that it could benefit from the monopoly of supply. In order to regulate the supply, and thus keep profits high, the VOC had to control spice inventories, which often meant incurring the expense of destroying production facilities or moving supplies to different markets, both of which were costly. If the Company pushed up the price of pepper and spices too far, this would encourage competition. If it sold it too cheaply, it would reduce their profit. Thus, it's long-term goal was to manage the supply in such a way as to achieve a stable, medium-term optimum rather than short-term profit maximization. The VOC did not always succeed in this effort and invariably Batavia was directed to take more expensive measures to regulate the supply through greater political and military control in Asia. The cost of this imperial 'overhead' can be seen through the increased percentage of its employees who were soldiers in Asia, which went from 30% in 1625 to 47% in 1688. Some of this increase in Asian costs resulted in the greater and profitable inter-Asian trade but in the long term it reduced Company profits. Despite the expansion of the VOC's political

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<sup>2</sup> De Vries and van der Woude, p. 429.



control in Asia, noncommercial revenues, such as local taxes, tolls or tribute, never amounted to more than 10% of all of its Asian revenues. The Company, in other words, remained a primarily commercial enterprise. However, already in the 1660s some Directors in Amsterdam were skeptical about the Company's growing political and military role in Asia and argued that free-trade Dutch merchant ships could provide inter-Asian transport cheaper than the Company's heavily armored vessels.<sup>3</sup>

The decline in profits after 1670 was in large measure due to developments in England and Japan. The English East India Company, the EIC, had long been a competitor in Asia but it had not been a major threat. However, the combined English-French attack on the Dutch Republic in 1672 provided the EIC with new opportunities in Asia. The war in Europe hurt VOC sales, reduced its shipments of specie to Asia and forced it to return some naval ships to Europe. The EIC took



**Picture 8: Harbor of Surat in northwest India with Dutch and English ships, Anonymous painting, circa 1670, Rijksmuseum, Amsterdam, Akveld and Jacobs, pp.18-19.**

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<sup>3</sup> De Vries and van der Woude, p. 431.

the opportunity to expand its trade with India and increased its percentage of the European pepper trade from about 25% to 44% during the 1670s. Moreover, the French *Compagnie des Indes*, founded in 1664, and the Danish East India Company, founded in 1672, also entered the pepper trade. The competitors flooded Europe with pepper and lowered profits. The VOC responded by forcing the closure of the pepper trade in Bantam to its competitors in 1684 and



Picture 9: VOC troops led by Commander Francois Tack landed troops at Bantam in 1682 to bring its Sultanate under the control of the Company, Algemeen Rijksarchief Den Haag, Gaastra, between pp. 99-100.

from Bantam choked off the independent pepper trade from the west coast of Sumatra. In India, it moved its base from Pulicat on the Coromandel coast to Negapatam so it could more effectively limit the pepper trade of the Danes and the French. By 1689, the Dutch had created the most effective pepper supply monopoly they ever enjoyed in Asia. However, while pepper and spices constituted 57% of the VOC's profits in 1668-70, these traditional products only accounted for 37% in 1698-1700. Historians have pointed out that the VOC's focus on creating a spice and pepper monopoly may not have been worth the cost since it postponed its diversification into lucrative new trades, such as cotton textiles, and tea and coffee after 1700. The VOC also faced a fundamental problem with its crucial trade with Japan. As the Ch'ing dynasty consolidated its power in China, it took over Zeelandia in 1662, the VOC's fort in Taiwan, and forced the Dutch to acquire Chinese silk in mainland ports, which the Chinese also closed to the Dutch in 1666. The VOC then substituted Bengali for Chinese silk for sale in Japan. During the 1660s the Japanese, who largely paid for their imports from the Dutch in gold and silver, forbade the export of specie and instituted a system of controlled and higher prices for its exports that significantly reduced the profitability of the VOC's trade with Japan. In 1685, the Japanese went further and set absolute limits on the total value of its trade with the VOC. Since Japanese specie had been critical to financing its inter-Asian trade, the VOC's entire inter-Asian trade system lost its profitability during the early 18<sup>th</sup> century. By 1700 the Company was dependent upon European silver to finance its trade with Asia.

During the 1680s the Company had become acutely aware of its declining profit margins and began a program of expansion that nearly doubled its labor force. Since the Company's bonds were widely seen as relatively safe investments and enjoyed a wide circulation, beginning in the 1680s it borrowed large amounts of money at low interest rates in both Europe and Asia to expand its trade volume. During the 1660s its fleets had left Europe with about 4,000 men, half of which were Dutch. By the 1720s, it sent out about 7,200 men per year on its fleets, of which about 60% were Dutch. As the Republic's economic growth rate declined, more of its citizens were willing to make the dangerous journeys to Asia. During the 1680s the VOC sent about 20 ships per year to Asia and by 1720s it was sending 38 ships annually, most of which were also larger. Meanwhile the number of ships in the Asian trade declined from 107 ships in the 1670s to



52 in the 1720s. While the returning tonnage had increased by 125% from the 1680s to the 1720s, the sale price of its imported goods in Europe only increased by 78%. Its increase in trade volume reflected the Company's decision to diversify its shipments to Europe from spices and pepper to such goods as textiles, coffee and tea, porcelain, dyestuff, drugs and saltpeter.<sup>4</sup> To compensate the Company for its political and military cost in Asia, it managed to raise its revenue from taxes, tolls, and tribute in Asia from 10% of its revenue to 30% by 1730. Nonetheless, its inter-Asian trade was no longer profitable in the 18<sup>th</sup> century and required subsidies from its operations in Europe. Despite the Company's efforts to improve its profitability by expanding its trade, and thus perhaps increasing its profitability, it failed to find economies of scale and thus its expansion must be judged as "profitless growth." During the VOC's Golden Age between 1630 and 1670, profits averaged 18% of revenue, while during its expansion from 1680 to 1720 they were 10%. The annual return on capital in the earlier period was about 6% and in the latter period it was 3.4%.<sup>5</sup> Nonetheless, in a period when investment earnings were low and declining, the Company's share price rose to record highs in the 1720s and offered a dividend return of 3.4%, which was only slightly lower than government bonds.

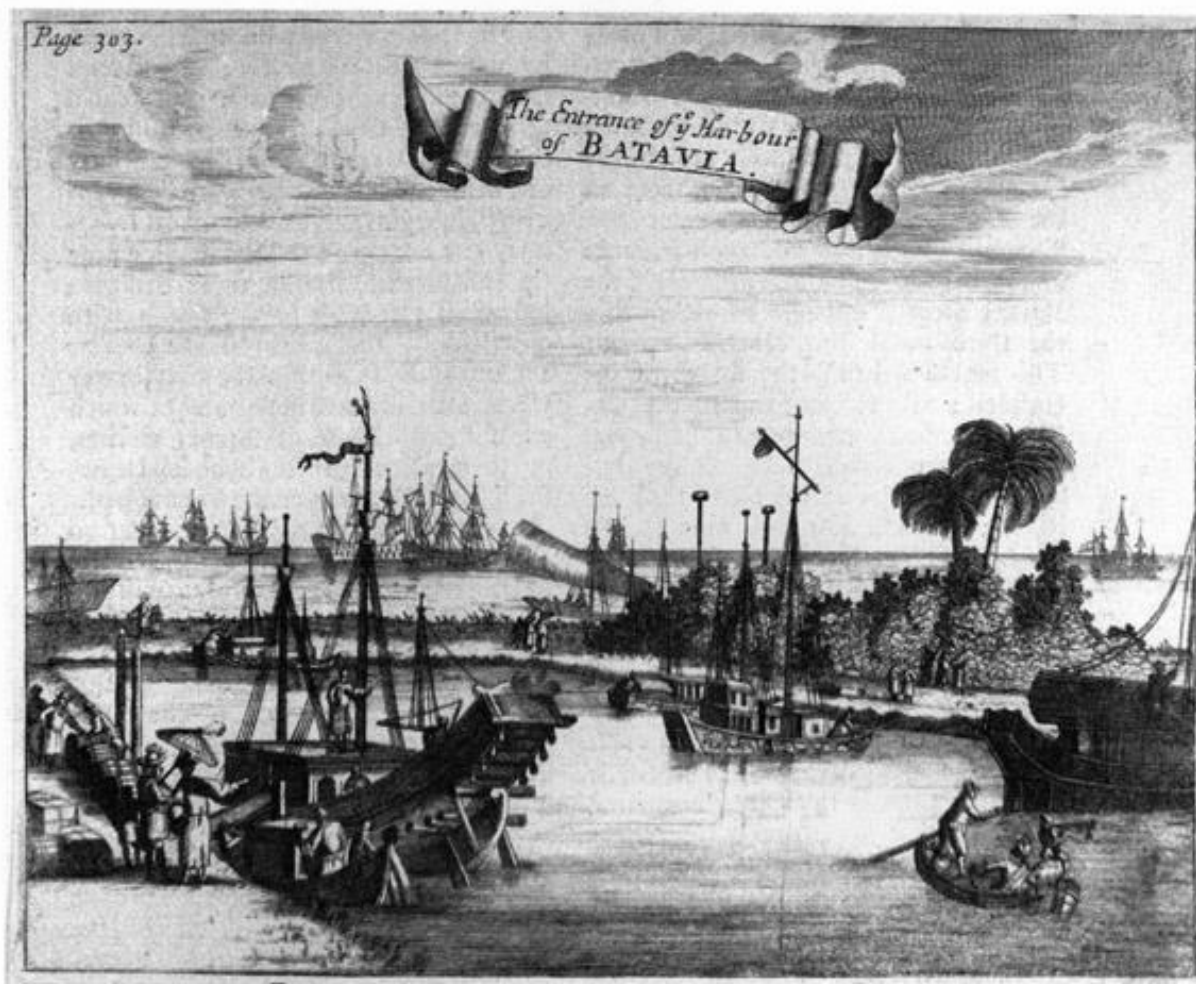
From the 1730s to the 1780s, the cost of the company's overhead in Asia and the decline of its profitability in both Europe and Asia saw its profits drop to 2 to 3% of total revenues. Since its dividends were greater than its profits, the VOC was forced to liquidate much of its trading capital in both Europe and Asia and began to depend on short-term borrowing for its survival. It failed to expand its trade volume after 1730, despite several reform efforts. During the 1760s it enjoyed a period of profitability when it managed to remain neutral while the French and British fought a global war. According to de Vries and van der Woude, by the mid-18<sup>th</sup> century the Company faced fundamental long-term problems. First, dynastic changes in Persia and India increased English and French competition and this squeezed the VOC out of Persia, Surat, the Malabar coast and Bengal, so that the Company's trade became largely confined to the area it controlled directly, from Ceylon through the Indonesian archipelago and in the straits of Malacca and Sunda. To compensate for the loss of inter-Asian trade revenue, it raised its revenue from

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<sup>4</sup> De Vries and van der Woude, p. 437.

<sup>5</sup> De Vries and van der Woude, p. 447.

taxes from about 30% of total Asian revenue to 44 % in the 1760s. Unfortunately, rising military and administrative costs in Asia exceeded the increase in taxes. During the period 1740-80 its European operations had to provide 28 guilders of European subsidy for every 100 gulden of revenue in Asia.<sup>6</sup> Secondly, as tea became more important to its China trade, and the quality of tea depended in part upon its freshness, the Company was slow to allow tea to be shipped directly from Canton to Europe instead of having it shipped first to Batavia in Chinese junks.



Picture 10: A Chinese junk before Batavia, anonymous etching, 1704, National Maritime Museum, Greenwich, Gaastra, p. 63

Third, the Company developed major personnel problems in the 18<sup>th</sup> c. The Company's salaries for sailors were below that of the merchant marine and by 1770 it had to recruit 60% of

<sup>6</sup> De Vries and van der Woude, p. 450.

its sailors from outside the Republic. It also had trouble recruiting well-qualified officers and officials, since unlike the EIC it severely limited private trading. The result was a good deal of corruption, which extended to the highest levels in the Company. The Company allowed its employees in Asia to deposit coins with the Company in Asia in return for *asssignaties*, a company bond that could be redeemed when an employee returned to Europe. These earned a high rate of interest, but it was advantageous to the Company because the deposited coins added to its specie supplies in Asia. In the 1640s these deposits were about a million per year and rose to 4 million by the 1730s. Some of this may have been a result of smuggling coin to Asia by employees to begin with, but much of it was probably a result of illegal trading. During the second half of the 18<sup>th</sup> century, Company traders set up a private opium syndicate that traded opium with China, and earned a total of 12 million gulden in dividends. None of this profited the VOC. There was also a marked decline in the competence of VOC Directors after the 1730s. In the earlier period, the Company's major shareholders, the *bewindhebbers*, who governed the VOC, had been long-term investors and active merchants. While there was generally a good deal of short-term fluctuation and speculation in share options, by the 1730s shares became more like bonds that paid 3 to 4% in dividends with little hope of capital gains. The result was that large shareholders accumulated bonds in order to reap other benefits. Regents in towns that had VOC Chambers, who were also *bewindhebbers*, could use their VOC position for patronage in providing employment or contracts for favorites as well as earning their *honorarium* and social prestige. In 1780 all but six of the 67 *bewindhebbers* were Regents. The Regent families of the late Republic had little direct involvement in business and thus could not provide much expertise to the Company's affairs. Another problem of the VOC was the high death and sickness rate of its employees. Despite the efforts of the Company to reduce health and mortality issues, these were inherent in the environment and time. Two per cent of outbound and 4 percent of inbound voyages ended in wreckage. More serious was the effects of long sea voyages in crowded conditions without fresh food. A quarter of all the men who left on the Company's ships did not survive. For the entire nearly 193-year history of the Company only one in three who went to Asia returned.<sup>7</sup>

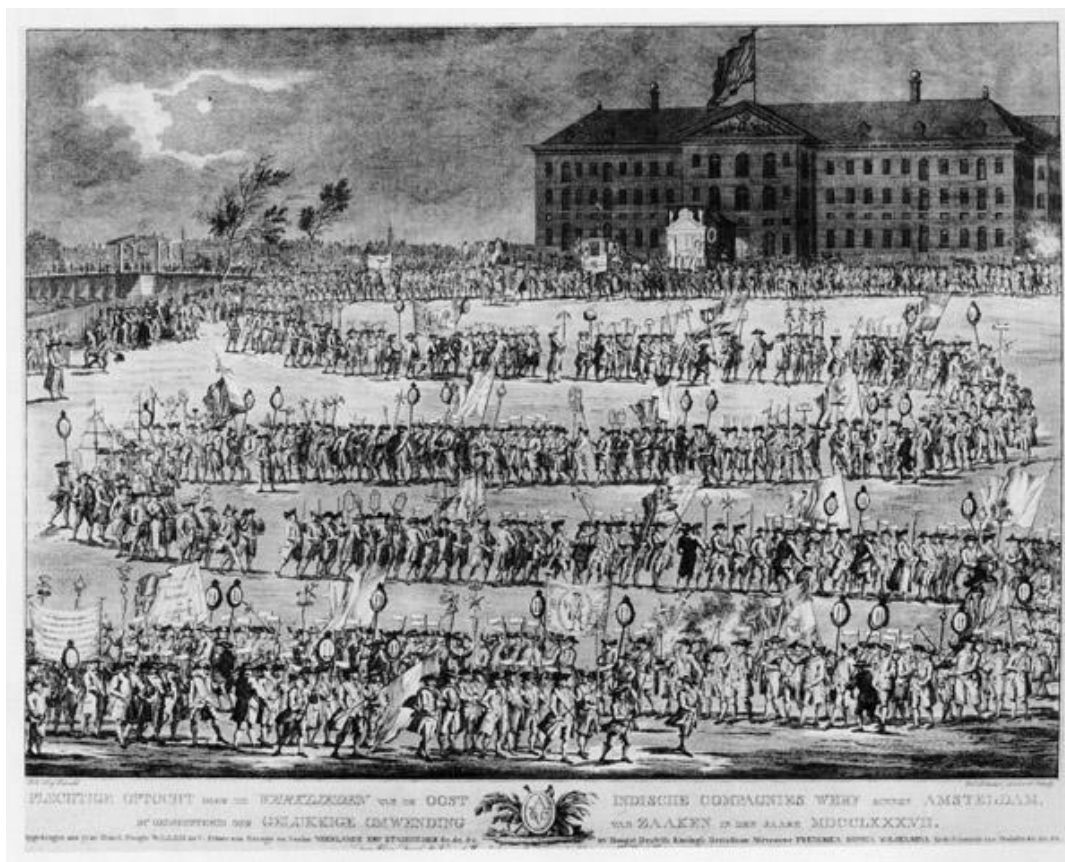
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<sup>7</sup> De Vries and van der Woude, p. 453.



The final major problem encountered by the VOC was that it paid out more in dividends between 1690 and 1760 than it earned as profit. The Company's complexity and its bookkeeping practices hid the true cost of each component of its business so that its Directors did not have good and timely information on its overall fiscal health. Up until 1730 they had shipped capital to Asia to increase its assets there and it had retired a great deal of long term debt. After 1730, however, as profits declined dramatically, the Company distributed dividends in excess of earnings. They were only able to pay these dividends by drawing down the Company's capital in Asia. In order to finance their voyages, they now had to borrow short-term capital in Amsterdam in anticipation of earnings when the fleet returned. By 1760, this short-term debt exceeded anticipated earnings.

While in 1780 the Company was still a very large operation, it was not profitable and no longer functioned efficiently. Nonetheless, it still had a net capital of 62 million guilders in ships, products en route and in warehouses and equipment. Unfortunately, this capital was committed to a now unprofitable business. Strong vested interests within the Company and vigorous competition from its rivals made reform difficult. Since it had become a marginal operator on the Coromandel coast and in Bengal by the English and the French, the VOC could not trade cloth and opium for tea in Canton, as the English did, but were forced to use specie from Europe. Its Japanese trade was severely limited by the Japanese government. Under these circumstances the VOC's coastal possessions in Ceylon and Indonesia were too much of a drain on its profits. At home, the Company's growing liquidity problems prevented it from keeping up the prices for its Asian goods in Europe while cartels of commodity traders gained leverage over the auction prices of its goods. During the fourth Anglo-Dutch war of 1780-84, the English reduced by half the number of VOC ships, took a great deal of its valuable cargo, and reduced its political power in Asia. The conflict's direct cost to the VOC has been calculated at 43 million gulden, a sum that had reduced its assets by 1784 to zero. The Company argued that it still had goods and ships in Batavia and requested a subsidy from the state to resurrect the business. The States General supplied 58 million guilders between 1784 and 1790 and about as much thereafter. With the



**Picture 11: Procession of VOC workers carrying the tools of their trade demonstrating their loyalty in Amsterdam to the Stadholder in 1787, Maritieme Museum Prins Hendrik, Rotterdam, Gastra, p. 169.**

overthrow of the Republic in 1795, the new Batavian Republic nationalized the Company. The VOC debt now stood at 120 million gulden and became part of the State debt.<sup>8</sup> The government formed several new organizations in an attempt to continue the business, but during the Napoleonic wars Britain captured most of its ships and in the end occupied its Asian forts. The government of the Netherlands declared free trade with the Indies, but it was not until 1814 that merchants were willing to risk their ships and goods. At the conclusion of the Napoleonic wars, the British returned the Indonesian forts and colonies to the Netherlands but retained the VOC's former holdings in Ceylon and South Africa.

Historians have long debated the nature of the relationship of the VOC to the domestic economy of the Republic. Some have argued that the creation of the first joint-stock company and its development as the premier European trading enterprise in Asia was the culmination of

<sup>8</sup> De Vries and van der Woude, p. 457.

the Republic's commercial success and the highest achievement of merchant capitalism. Others have held that the creation of a monopoly trade system, in what were essentially luxury goods, and its gradual transformation into an arm of the State, was an aberration from the competitive commercial capitalism that made Amsterdam the entrepôt of Europe. Still others have seen it as an imperial institution that figured out how to exploit Asians. All, however, agree that the VOC was the most successful European trading company during the early modern period. De Vries and van der Woude phrased the question this way: "Was this a substantially autonomous state like entity whose fate was decided largely in Asia, or did it form an integral part of the Dutch economy, even assuming a key role in the development of the Republic's trading system?"<sup>9</sup>

Although the VOC's ships were only a small percentage of the 4,000 vessels that annually sailed from the Republic, when one considers that the distance to Batavia was 13,500 nautical miles, the VOC ships constituted more than a quarter of the ton-miles of the Republic's shipping during the peak of the Company's size in the 1770s. The VOC's contribution to the Republic's foreign trade was greater than the imports from all the Baltic ports in the period 1750-80. Moreover, during the late 18<sup>th</sup> century, at least 60% of the goods imported from Asia were re-exported from the Republic. In terms of value, it has been estimated that the VOC accounted for 13% of the Republic's foreign trade. De Vries and van der Woude believe that this understates the importance of the VOC to the economy of the Republic. Initially, the VOC was a welcome adjunct to the Republic's European trade but, as this trade experienced a relative decline after 1680, the VOC became crucial to its trading system since it provided the foreign trade surpluses that covered the Republic's European trade deficits. While the VOC exported a great deal of gold and silver to Asia it also exported a large amount of commodities, many of which were products of its industries, especially high quality textiles. It not only re-exported many Asian commodities after some packaging and processing, but also used some Asian products, such as raw silk and dyestuffs, as raw materials for its industries. The VOC's net foreign trade always provided a substantial foreign trade surplus. In terms of the domestic economy, as the VOC grew while the Republic's industrial base shrank in the 18<sup>th</sup> century, the relative importance of the Company's activities in the Netherlands increased. It was especially important in shipbuilding and its

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<sup>9</sup> De Vries and van der Woude, pp. 457-64.

associated industries. It was by far the largest employer in the Republic. As late as 1790 it employed over 2,500 men at its wharves while another 2,000 worked in its auction houses, rope works and warehouses. During the mid-18<sup>th</sup> century the Company employed 17,000 soldiers, 13,000 sailors and 6,500 others, such as craftsmen, officials, merchants, medical personnel and clergy, for a total of 36.100. Finally, the VOC was a major force in the accumulation of capital in the Republic. While De Vries and van der Woude are unable to provide a specific percentage of the VOC's contribution to the Dutch Republic's economy over the two centuries of its existence, since the necessary data for the construction of a detailed modern economic model of the Republic's economy can not be built from the surviving records, they nonetheless argue that the VOC was indeed a crucial capitalist enterprise in the Republic that was well integrated in its economy.<sup>10</sup>

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<sup>10</sup> De Vries and van der Woude, p. 457-64.