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Fassotte, Thomas

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BY

Thomas Daniël Fassotte

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Abstract

This thesis analyses the exchange of information within the VOC between Surat, Batavia and Amsterdam in the period 1647 – 1650 in order to understand the ability of principals to control agents in geographically dispersed areas. This thesis demonstrates that that the VOC dedicated significant resources towards the management of information that helped in the conduct of trade. However, it is not immediately evident from the exchange of information that the VOC was able to lower transaction costs through limiting principal-agent problems. Furthermore, the VOC was not necessarily able to lower transaction costs by being able to enforce its contracts in distant theatres. This supports the argument that the VOC institutional set-up was opted for because a permanent capital basis was the best way of appropriating and sharing rent in an environment that required traders to withstand significant competitive pressure, not because it lowered transaction costs. Since information asymmetries were the root cause of the principal-agent problem, agents had an incentive to actively manage the information that they shared and agents shared information in accordance with their own interests where possible. This emphasizes the importance of the management of information in understanding outcomes produced by institutions.

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Thomas Fassotte

Table of Contents

Chapter 1: Introduction

The Dutch East India Company (VOC) is one of the most widely studied companies in the history of capitalism. Not only because its archives are extensive and well maintained, but also because the VOC fits very well with macro-narratives about the origin of the great divergence. Traditional business history has coupled the origin of the great divergence to the presumed origins of western capitalism: the establishment of deposit banks in Italian city-states and the stock exchanges in the Netherlands and Britain.[1] Within this context, the VOC has regularly been treated as the cutting-edge institutional set-up of the time and their success in Asia has been qualified as a mere inevitable result of those institutions.[2]

However, in-depth historical work paints a much more nuanced picture. It shows that the ability of the formal institutional set-up of the VOC to overcome principal-agent issues and information asymmetries was limited. The pre-modern corporation relied on networks, intermediaries – middlemen – private trade, a whole range of informal rules of behaviour and therefore on the free agency of its actors.[3] Add to this internal power struggles and the limited ability of principals in Amsterdam to control what agents in Batavia do, and you see that even the formal framework – or at least the enforcement thereof – is not always clear.[4] Within these rather large parameters of free-agency, employees definitely did not always work towards the aims of the company. The formal institutional arrangements of the VOC did not guarantee, nor did it always boost its success in the dynamic context of powerful Asian rulers, regime changes and competition.[5]

This more nuanced picture becomes evidently clear from the dealings of the VOC in Surat. In 1602, it was first visited, but the visitors were captured by the Portuguese.[6] In 1607, company employee David van Deynsen committed suicide due to the dire circumstances he faced.[7] Finally, only fifteen years after the initial visit of the VOC, the first trading-post was set up in 1617.[8] However, this did not put an end to the struggles in Surat: the factory had to be closed multiple times, was pillaged and there were multiple known instances of company agents being bribed or using company funds for private

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[1] Gelderblom, Oscar, and Francesca Trivellato. "The Business History of the Preindustrial World: Towards a Comparative Historical Analysis." *Business History* 61, no. 2 (2018): 225–59, there 225 – 226.

[2] See for example North, Douglass Cecil. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press, 1990, specifically 118 – 130. See also, Gelderblom, Oscar, Abe de Jong, and Joost Jonker. "The Formative Years of the Modern Corporation: The Dutch East India Company VOC, 1602–1623." *The Journal of Economic History* 73, no. 4 (2013): 1050–76, there 1050. They show how the institutional innovations of the VOC – its limited managerial and shareholder liability and joint-stock structure with a permanent capital basis – were not part of its original design. Instead, they were innovations that were developed in its initial years as remedies for financial and practical issues that the company faced. In order to monopolize markets and compete with the Portuguese it became evident that the VOC needed a permanent capital basis. Limited liability for its directors – and thus also the legal personhood of the VOC - was a prerequisite for the company to take on higher amounts of debt that were in turn required to expand its enterprise in Asia. Thus, the institutional set-up of the VOC "followed economic function, not they other way around."

[3] See Antunes, Catia. "Free agents and formal institutions in the Portuguese Empire: towards a framework of analysis." Portuguese Studies 28, no. 2 (2012): 173 – 185, e.g. there 173. Nierstrasz, Chris. "In the Shadow of the Companies: Empires of Trade in the Orient and Informal Entrepreneurship." In *Beyond Empires*, edited by Antunes, Catia and Polonia, Amelia, 188–211, 2016. Nierstrasz amongst other things shows the reliance of companies like the VOC on private trade and their own employees for maintaining silver stocks in Asia. Also see Grafe, Regina. "On the spatial nature of institutions and the institutional nature of personal networks in the Spanish Atlantic." Culture & History Digital Journal 3, no.1 (2014): 1 – 11, specifically 1 – 2.

[4] Adams, Julia. "Principals and Agents, Colonialists and Company Men: The Decay of Colonial Control in the Dutch East Indies." *American Sociological Review* 61, no. 1 (1996): 12 – 28., there 15. She for example argues that in hierarchies that require principals to give agents military (or political) power, the principal runs the risk of creating another principal that will compete with his or her power by virtue of that gained power.

[5] Clulow, Adam, The Company and the Shogun: The Dutch encounter with Tokugawa Japan, Columbia University Press, 2014, there 6 – 7: he explains how the Dutch were essentially operating in an Asian power dominated world order.

[6] Parthesius, Robert. *Dutch Ships in Tropical Waters*. Amsterdam: Amsterdam UP, 2008, 46.

[7] Gaastra, Femme S. *De Geschiedenis Van De Voc*. Zutphen: Walburg Press, 1991, 50.

[8] Ibid.

interest. Furthermore, there were shifting local power dynamics, there was a reliance on middle men, there were continuously shifting agreements with the Moghuls and varying degrees of competition, local conflicts and wars.[9] More so than in other places like Ceylon or the Spice Islands, the position of the company in Surat was partially at the whim of the Moghul Emperor. What is more, his agents – the governors of Gujarat – did regularly not follow his imperial decrees and pursued to some degree their own distinct set of interests.[10] Furthermore, since Surat was a trade-hub that the VOC was unable to monopolize and located within a region in which the VOC could enforce its will only to a limited degree, the VOC faced competition from not only European traders like the English and Portuguese, but also from local traders with influential ties to the political power structure of the Moghul Empire.[11] In this context, the degree of success of the VOC was not just determined by its institutional rules, but also by the shifts in the context in which they operated.

Within this more nuanced picture of the behaviour of pre-modern companies like the VOC lies the added value of in-depth historical study. In social sciences, the study of institutions with a temporal and spatial macro-lens has led to amongst other things the development institutional economics. According to North, institutions were necessary for long-distance trade in order to overcome two distinct problems: controlling agents and enforcing contracts in distant theatres, and thus lowering transaction costs to an acceptable level.[12] Within this theoretical framework, the cost of information is key to transaction costs – which consists of measuring the valuable attributes of a product/exchange, the cost of monitoring agents and contract fulfilment and an incurred cost penalty for imperfect measurement and enforcement.[13] Institutions – the rules of the game and the enforcement thereof – especially those put in place by third-parties like the state, reduced transaction costs by reducing the costs of monitoring agents and enforcing contracts.[14] Key to the principal – agent problem is the presence of information asymmetries in combination with a potential conflict of interest: a principal cannot always observe the care taken by an agent, which creates room for an agent to pursue personal interest at the cost of the interest of the principal.[15] Principal-agent dynamics and problems were thus a natural aspect of long-distance trade in geographically dispersed areas, because significant responsibility had to be delegated to company agents and the information asymmetries between principal and agent were large due to the distance involved.[16] Carlos and Nicholas wrote that the VOC was indeed able to effectively overcome principal-agent problem to an extent that sufficiently lowered transaction costs by for example creating generous contracts for its managers and establishing several agent-monitoring systems and enforcement mechanisms.[17] However, the aforementioned events in Surat generate the suspicion that the ability of the VOC to lower its transaction costs and control its context and agents was limited.

In order further our understanding of the ability of the VOC to lower transaction costs and deal with the principal-agent problem, this thesis want to look at one of the main drivers of transaction costs: the costs of information and the thereto linked costs of monitoring agents and enforcing contracts. This will be done by analysing the information flow between Surat, Batavia and Amsterdam with the aim of answering the following research question:

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[9] Winius and Vink, *The Merchant-Warrior*, 62 – 65, 94 – 96. Also see Tracy, James D. "Asian Despotism? Mughal Government as Seen from the Dutch East India Company Factory in Surat." *Journal of Early Modern History* 3, no. 3 (1999): 256–80.
[10] Winius and Vink, *The Merchant-Warrior*., 11, 62 – 65.
[11] Ibid.
[12] North, *Institutions*, 120.
[13] Ibid., 27 – 33.
[14] Ibid., 31 – 33.
[15] Grossman, Sanford J., and Oliver D. Hart. "An Analysis of the Principal-Agent Problem." *Econometrica* 51, no. 1 (1983): 7 – 45, 7.
[16] Jones, S. R., and Simon P. Ville. "Efficient Transactors or Rent-Seeking Monopolists? the Rationale for Early Chartered Trading Companies." *The Journal of Economic History* 56, no. 4 (1996): 898–915, 903 – 906.
[17] Carlos, Ann M., and Stephen Nicholas. "'Giants of an Earlier Capitalism': The Chartered Trading Companies as Modern Multinationals." *Business History Review* 62, no. 3 (1988): 398–419, 414 – 419.

What do the letter exchanges between Surat, Batavia and Amsterdam show about the ability of the principals of the VOC to manage their agents in geographically dispersed areas?[18]

By answering this question this thesis contributes to the historiography in several ways. First, by looking at what information was sent between the different locations and centres of power, this paper can show the extent to which information asymmetries were actually limited. Second, analysing the flow of information between different layers of the bureaucratic hierarchy – namely the principals in Amsterdam, the agents in Batavia, whom were in turn principals to the directors of the factory at Surat – will indicate the ability of principals to control agents across these geographical distances. Combining insights about the ability to limit information asymmetries and the ability to control agents in turn provides insight into the extent to which the institutional framework of the VOC was indeed able to lower the transaction costs considered conditional to the expansion of long-distance by authors such North and Carlos and Nicholas.[19]

The following section will elaborate on the historiography of this topic. The historiography will explicate why Surat is a valuable location to study and how this historical study can be placed generally within both the literature about the Indian-Ocean and the debate about the overall value of institutions in resolving the principal-agent problem in long-distance trade. This will be followed by the theoretical point of departure of this thesis. The second-to-last section of this chapter is a methodology section in which the used primary sources and approach to the primary sources are discussed. The final section provides a roadmap to the remainder of the thesis.

Historiography and Relevance

The VOC has been studied from a wide range of different angles. Part of the literature written on the VOC is rather descriptive in nature, with the aim to tell what has happened throughout almost two hundred years of its history.[20] Some of this historiographical work on the VOC has later been qualified as too Eurocentric and written too much from a colonial perspective.[21] The challenge to the perspective of the presumed power of the VOC in Asia started with Van Leur at the beginning of the twentieth century. According to him, colonial historians overestimated the dominance of Europeans.[22] However, he still maintained that Asian trade was in essence peddling trade - without closely linked and stable networks.[23] This perspective was first challenged by Meilink-Roelofsz. She maintained that strong networks that superseded continents existed in Asia well before the arrival of the VOC.[24] In the decades that followed – with authors like Niels Steensgaard in turn challenging Meilink-Roelofsz position – the undecided debate ensued: Asian peddlars or powerful and sophisticated Asian long-distance trade networks?[25] More recently, with authors like Sanjay Subrahmanyam and Leonard Blussé – who looked

[18] The Gentlemen XVII are considered the principals of the Governor General and Council (High Government), whom are in turn the principals of the director of Surat. Hence, the Governor General and Council is a principal or an agent dependent on analysis. The section "Methodology, Primary Sources and Roadmap" further elaborates on what this means.
[19] North, *Institutions*, 120. Carlos and Nicholas, *Giants of an*, 418 – 419.
[20] Terpstra, H. *De opkomst der Westerkwartieren van de Oost-Indische Compagnie : (Suratte, Arabië, Perzië)*. 's-Gravenhage: Nijhoff, 1918.
[21] Andrade, Tonio. "The Dutch East India Company in global history" in The Dutch and English East India Companies: Diplomacy, Trade and Violence in Early Modern Asia. Edited by Mostert, Tristan, and Adam Clulow. Amsterdam University Press, 2018; Seshan, Radhika. "Intersections: Peoples, Ports and Trade in Seventeenth-Century Surat and Madras." *International Journal of Maritime History* 29, no. 1 (2017): 111–22. Clulow, *the Company and*.
[22] Andrade, "The Dutch East", 244.
[23] Ibid., 245.
[24] Roelofsz, M.A.P. *Asian Trade and European Influence in the Indonesian Archipelago Between 1500 and About 1630*. The Hague: Nijhoff, 1969.
[25] Andrade, "The Dutch East", 246.

into Asian sources beyond VOC archives – the balance of the debate has tipped to the latter premise: Asian trade was a dynamic and organised enterprise of considerable size.[26] Neither the Dutch nor the English came, saw and conquered Asia nor did they come, see and by nature of their capitalist institutions dominate its trade in the 17th and 18th centuries.[27]

This historical work has also contributed to the conceptualization of the trade of the VOC in the context of the Indian-Ocean trade networks. The VOC has been classified by several authors as an emporialist rather than an imperialist organization: a joint-stock company that was more occupied with capturing markets than territory.[28] The VOC's expansion was more a result of the underlying expansion of Asian trade and its military abilities were dwarfed by powerful Asian states like the Moghul Empire, the Chinese and Japanese.[29] In light of this, the VOC has been conceptualized as having had four types of markets: those that they monopolized through conquest like the spice islands, those that they dominated through agreement like Malacca, those in which they were in direct competition with other traders and local power and trade structures and finally those in which they had no influence at all and were completely at the whim of local rulers.[30] We can place the Indian Ocean trade with the three great Muslim empires of the time – the Ottomans, Persians and Moghuls - in the third category – with Surat at its centre. Ashin Das Gupta has also elaborately described the relationship between the Dutch, the English and the Indian Ocean merchants.[31] The trade at Surat and Gujarat formed the basis for trade with Persia and Mocha – The Western Quarters – and these were under the territorial control of the Moghuls.[32] The image that the literature so far leaves us with is one in which the Dutch at Surat were confronted with a mix of formal and informal power-structures, were required to engage in diplomacy to achieve their aims, had to accept their own limited ability to enforce agreements and were reliant on and in competition with existing networks of trade and middlemen that facilitated their political needs.[33]

To the backdrop of this historiographic work on the VOC and Europeans in Asia, the meta-narrative versions of this work have been widely used in theory building in both political economics and the social sciences at large, as well as in the field of history itself. Contextualizing the social world with historical insight – whether that is in sociology or political economics – is not a new phenomenon. Karl Marx – who is known for his more deterministic outcome driven interpretation of the history of capitalism – already drew on the VOC's activities in Asia for his theories about the political economy at his time.[34] In his analysis – which relied on little historical work on the VOC – the VOC was just planting its control on existing structures of Asian Despotism.[35] Weber brought the management of information and predictability that is so important in economic theory into his understanding of the VOC's activity in Asia: it brought rational and calculable legal structures into a continent otherwise dominated by patrimonial systems of government.[36] North emphasized the importance of institutions and their role in lowering the costs of information, costs of transaction and the predictability of outcomes into economic

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[26] Ibid. 248.
[27] Seshan, "Intersections: People". Flynn, O Dennis and Giraldez, Arturo. "Silk for Silver: Manila-Macao Trade in the 17th Century." Philippine Studies 44, no. 1 (1996): 52 – 68.
[28] Maloni, Ruby. "Eperience and Environment: The Dutch In 17th Century Gujarat." Proceedings of the Indian History Congress 67 (2006): 275–85, 84;
[29] Andrade, "The Dutch East", 251.
[30] Winius and Vink, *The Merchant-Warrior*.
[31] Das Gupta, Ashin, Umā Dāsagupta and Subrahmanyam, Sanjay. *The World of the Indian Ocean Merchant, 1500-1800 : Collected Essays of Ashin Das Gupta*. New Delhi [etc.]: Oxford University Press, 2001.
[32] Ibid.
[33] Das Gupta, *The World;* Gaastra, *De Geschiedenis*; Maloni, "Experience and Environment"; Jha, Murari Kumar. "The Mughals, Merchants and the European Companies in the 17th Century Surat." *Asia Europe Journal* 3, no. 2 (2005): 269–83; Hasan, Farhat. "The Mughal Fiscal System in Surat and the English East India Company." *Modern Asian Studies* 27, no. 4 (1993): 711–18; Seshan, "Intersections: Peoples"; Nadri, Ghulam. "The Maritime Merchants of Surat: A Long-Term Perspective." *Journal of the Economic and Social History of the Orient* 50, no. 2-3 (2007): 235–58.
[34] Andrade, "The Dutch East", 240 – 241.
[35] Ibid., 241.
[36] Ibid., 243.

theory.[37] As mentioned in the previous section, the two main issues in long-distance trade were the control of agents and the enforcement of contracts in distant theatres.[38] Greif agreed that much was to gain from employing agents abroad, but that doing so indeed required supporting institutions.[39] The problems that arise from the information asymmetries and limited enforcement mechanisms in principal-agent relationships meant that agents could embezzle a merchant's capital abroad.[40] Greif showed how Genoese merchants had institutions and thus formal forms of organisation – especially in the form of third-party legal and political (state) structures – which were successful in limiting cheating to an extent that transaction costs were lowered enough to engage in long-distance trade.[41] However, the supposition that increased court-enforcement – fuelled by increased political control – would come with increased ability of principals to control agents is largely based on Europe and concerns trade across much shorter distances than the type of trade engaged in by the VOC. Research based on more historical empiricism than North's work, has shown that the ability of early modern companies to overcome principal-agent dynamics and information asymmetry issues – especially in far-away theatres like Asia – was limited. Nierstrasz has for example shown that there was a fundamental friction in the East India Companies of both the Netherlands and England that stemmed from the necessity of giving agency to employees for smooth global trade, but the danger that this presented to overall profits due to problems of agency control.[42] Adams for example pointed out that especially those systems in which the capacity to exercise military force devolved down to agents, were liable to agency control issues because that agent can generate the power to act as a principal – especially in far-away theatres.[43] Odegard furthermore showed that family ties were and essential aspect of managing VOC agents and that private trade was in turn an unofficial way of rewarding loyal company employees – although this meant in practice that employees were inclined to further family interest rather than company interest.[44] This fits with the arguments of Grafe, who put forward that hard rules of pre-modern institutions were not very different from the soft ties of network: all pre-modern networks were essentially institutions and the other way around.[45] Jones and Ville pointed out that there was indeed huge gap between what institutions were designed to achieve and what happened in practice.[46] In fact, they also contest the idea that the early chartered companies lowered transaction costs: transaction costs in chartered companies were potentially higher than in the case of individual traders, but this may have been offset by the ability to extract monopoly rents.[47] Meersbergen has furthermore shown that cultural assumptions and the resultant distrust are – aside from economic rationality and political calculation – fundamental for understanding responses of the VOC

[37] North, *Institutions*.
[38] North *Institutions*, 120.
[39] Greif, Avner. *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge: Cambridge University Press, 2006.
[40] Ibid., 273.
[41] Ibid., 289 – 295.
[42] Nierstrasz, "In the Shadow"**,** p.195 – 196. He also points to the fact that private trade was also a way for the VOC to have to avoid paying higher wages. Sgourev, S. V., and W. van Lent. "Balancing Permission and Prohibition: Private Trade and Adaptation at the VOC." *Social Forces* 93, no. 3 (2014): 933–55, there 935. They similarly point out that the loyalty of a workforce that was not paid very much, but nevertheless faced high mortality rates does not solely rely on wages, but also on the opportunity to enrich themselves in other ways. Ditton, Jason, 'Perks, Pilferage, and the Fiddle: The Historical Structure of Invisible Wages', *Theory and society* 4 (1977) 39–71, there 46, 56 – 57. He points out that history is full of hidden wage structures in the form of wage-perks, pilferage and wage-theft. Essentially Nierstrasz and Sgourey and Lent point to these hidden wage-structures – which largely existed outside of the formal institutional structure, even after the formal legalisation of some private trade in the second half of the eighteenth century within the VOC.
[43] Adams, "Principals and Agents", 15.
[44] Odegard, Erik, 'Agentschap Overzee', *Tijdschrift voor geschiedenis* 131 (2018) 453–473, there 472.
[45] Grafe, "On the spatial", 1 – 2.
[46] Jones and Ville, "Efficient Transactors", 900 – 901.
[47] Ibid.

and its agents to the environment within which they operated.[48] All in all, pre-modern companies have been shown to rely on inter-personal ties, intermediaries combined with large amounts of free agency and private trade of its employees.

It is at the intersection of VOC historiography, Indian-Ocean historiography and the debates about principal-agent dynamics, information asymmetry, agency and the ability of networks and institutions to deal with that in both the field of history and the more social scientific institutional economics that this thesis finds its relevance. By exploring the letter exchanges between agents at Surat, Batavia and the Gentlemen XVII in Amsterdam, this analysis tries to tap into insinuation of Weber and later social scientists that information – and the control over its flow – as a critical attribute of long-distance trade, as well as the assertion by North that the cost of information is an essential determinant of the transaction costs. What is more, it contributes to the understanding of how the exchange of information within the VOC relates to the principal-agent problem and the ability of the VOC to limit information asymmetries.

The historiography about Surat points to several reasons for it being an appropriate case study during the period 1647 – 1650. First, Surat was one of the most important trade hubs of the VOC during the seventeenth century and there was thus a significant flow of information between the various trading-posts and settlements of the VOC and Surat.[49] This meant that the interests were large and therefore also the importance of having accurate information, as well as control over that flow of information. Second, Surat was a place over which the VOC had no colonial control. Therefore, it had to actively engage in diplomacy as well as leverage its coercive power to achieve it goals – with mixed results.[50] This meant that its room to trade was regularly contested and they had strong competition from the English, as well as the local Muslim traders. This competition in combination with constrained room for the VOC to enforce its own contracts meant that there was potentially more room for company agents to desert and seek the protection outside of the VOC in cases of misbehaviour.[51] The distance between Surat and Batavia as well as Amsterdam and Surat, combined with the dynamic political and economic environment of Surat, required significant agency of the director of Surat. This should be reflected in the shared (and consciously not shared) information. Finally, it is known that in 1648 the factory of the VOC in Surat was stormed by a local mob and this was followed by a subsequent attempt of the VOC to frustrate local shipping and block the port of Surat.[52] Such moments of crisis inevitably come with questions of accountability and decisions with substantial consequences – such as a decision to go or not go to war. This means that analysing the exchange of information in this period of time is particularly relevant for creating insight into the ability of principals to control agents in cases of inevitable information asymmetries.

The next section will define the theoretical point of departure of this thesis. The second-to-last section will elaborate on the sources that were used for the analysis of the information flow between

[48] Meersbergen, Guido Van, *Ethnography and encounter : the Dutch and English in seventeenth-century South Asia* (2022), there 97 – 98.

[49] Sgourev and van Lent, "Balancing Permission", 936. Nadri, G.A, 'Chapter One. State And Political Power', in: *Eighteenth-Century Gujarat* 11 (2009) 9–22, there 10 – 13. Nierstrasz 2016, "In the Shadow", 190 – 191. He mentions that since it was generally forbidden to send money home from Asia, and it was an aim of the company to export as little silver as possible to Asia, it was essential to get silver proceeds from trade within Asia. Surat was one of the few places were traded goods could be exchanged for silver bullion. See Das Gupta, *The World,* 148 and Winius and Vink, *The Merchant-Warrior,* 63 – 66.

[50] Winius and Vink, *The Merchant-Warrior,* 63 – 66. Nadri, "State And Political", p.10 – 13.

[51] Wezel, Filippo Carlo, and Martin Ruef. "Agents with Principles: The Control of Labor in the Dutch East India Company, 1700 to 1796." *American Sociological Review* 82, no. 5 (2017): 1009–36, there 1009 – 1011. They made the case that private trade and pilfering can decrease moral hazard when it is subject to hierarchy, but also point out that a major problem was the possibility of desertion: in case of excessive behaviour that would be punished, a company employee could desert. Adams, "Principals and Agents",12 – 13. She made the case that desertion was a way of using an alternative network – like a local political structure or the English East India company – to the VOC structure, making it harder for the VOC to enforce its institutions if those alternative networks were present.

[52] Winius and Vink, *The Merchant-Warrior,* 64.

Surat, Batavia and the Gentlemen XVII in Amsterdam. The final section provides a short roadmap for this thesis.

Theoretical Point of Departure

Since this thesis aims to analyse the information-management in light of the ability of the VOC principals to control its distant agents and reduce information asymmetries, it is important to define some relevant theoretical concepts.

Institutions, organisations, enforcement and agent behaviour are linked in an intricate way. Institutions are understood as a system of rules, beliefs, norms, and organisations that create regularities in behaviour.[53] They are taken to be man-made, exogenous to any man and they imply a regularity in behaviour.[54] This means that institutions are both influenced by actor behaviour as well as influence that very actor behaviour. An important condition for institutions is the presence of transactions, because it is a necessary condition for someone's behaviour to be influenced by an exogenous rule that he or she is expecting that "something (such as money, praise, or a penalty) reflecting someone else's [behaviour] was, is, or is expected to be transferred to him or her."[55] Transactions are considered to be "action[s] taken when an entity, such as a commodity, social attitude, emotion, opinion, or information is transferred from one social unit to another."[56] Social units can mean anything ranging from an individual to an entire polity. Transactions have external effects by directly affecting well-being (in case of an exchange of property or goods), knowledge (about for example the price of a commodity), beliefs (like an opinion about Islam) and norms (about for example stealing from company property).[57] So in essence, institutions try to generate (beliefs about) behavioural regularity in transactions between social units (actors). The role of organisations is twofold. On the one hand they are institutions in that they can provide rules for its members – in a way that the VOC for example has a set of rules that determine the hierarchy within the organisation. On the other hand, they also play an important role in the enforcement and effectiveness of institutions by linking a central transaction – such as the purchase of a commodity – to other transactions and by that influence behavioural beliefs of actors or a larger group of people.[58] One way in which this happens is by linking a central transaction – such as an economic exchange – to an auxiliary transaction – such as a law-suit in case of contract breach.[59] An organisation can thus act as a mechanism that motivates behaviour in various transactions in light of a particular institution.[60] The effectiveness of an institution in influencing behaviour within a particular transaction is then determined by the extent to which a central transaction is linked or believed to be linked to other transactions in the mind of an actor.[61] However, a central transaction – such as a company agent reporting on the amount of sold goods – can be linked to various other transactions. This means that institutions – rules, beliefs, internalized norms and organizations – can not only take on many forms but can also outright compete. For example, a company agent might decide to embezzle company funds because he is motivated by the believe that his superiors will tolerate that behaviour if he gets caught (auxiliary transaction), while he is at the same time motivated by the believe that he will be looked down upon in a particular community if he cannot upkeep a standard of living that requires large amounts accrued wealth (auxiliary transaction).[62]

[53] Greif, *Institutions*,30.
[54] Ibid.,40 – 44.
[55] Ibid.
[56] Ibid., 46.
[57] Ibid.
[58] Ibid., 48.
[59] Ibid., 47 – 49.
[60] Ibid., 48 – 52.
[61] Ibid., 40 – 52.
[62] Ibid., 52 – 53.

This theoretical understanding of institutions, transactions and organizations has some implications for the study of information asymmetries and principal-agent dynamics. As mentioned before, key to the principal – agent problem is the presence of information asymmetry in combination with a potential conflict of interest. It arises from a situation where a principal (such as the Gentlemen XVII in Amsterdam) orders an agent (such as the Governor General in Batavia) to undertake an action that cannot be fully observed.[63] This creates an information asymmetry that makes it harder to monitor and thus control the behaviour of the agent, which in turn creates room for the agent to pursue his/her own interest at the cost of the interests of the principal. This is particularly relevant when studying the management of information, because an agent that can derive benefit from information asymmetries also has a clear interest in concealing information.[64] If North is right about the fact that institutions reduced the transaction costs in long-distance trade – by overcoming principal-agent problems and enabling the enforcement of agreements – then we should be able to observe regularities in behaviour that stem from agents that are motivated by the belief that the principals of the VOC have the ability to link transactions central to their tasks to other transactions of value to the agent. Or more specifically in the case of information management within the VOC, we should observe that the expected enforcement of the institutional rules and orders of principals constrain agents from abusing the information asymmetries for their own gain.

The next section elaborates on which sources will be used and how they will be analysed.

Methodology and Primary Sources

In order to answer the research question, this thesis analyses the flow of information between Surat, Batavia and Amsterdam during the period 1647 – 1650. In order to analyse the flow of information and the management of that information flow in the VOC in relation to Surat, three nodes of relevant information flow exist. First, is the node of letters exchanges between Surat and Batavia. Second is the node of letter exchanges between Batavia and Amsterdam. Third is the node of letter exchanges between Surat and Amsterdam. This section will first specify what is meant with terms such as information flow and information management. This is followed by an elaboration on the sources that are used to analyse these nodes of information flow, what analysing this sources will contribute to answering the research question and who are considered to be principals and who are considered agents in the various nodes of information flow. This section ends with some possible blind spots in the source selection and the employed remedies.

This thesis uses several terms to refer to the information exchanges in the VOC. The ‘flow of information’ is used interchangeably with ‘information exchange’ and refers to everything that is written down in the letters under study. This means that this study is limited to the information that is exchanged in written form and does not make allusions to information that may have been exchanged outside of it. The term ‘information management’ refers to the process of selecting the information that goes into the a letter by the writer. This is not meant to pre-empt the explanation of where a motivation of this selection may come from: this selection can be informed by formal or informal expectations and is also limited by time and the cognitive abilities of the writer. However, information can be ‘actively’ managed in relation to a particular goal. The latter alludes to the fact that a writer can have a motivation to omit or include particular information. This specification is important in light of the role of information asymmetries in creating principal-agent problems, because an agent that can derive benefit from such information asymmetries (or lack thereof) also has a clear interest in concealing information or sharing information.[65] In order to answer the research question about the role of information exchange in the ability of principal to manage agents, this thesis will study the flow of information, but is foremostly

[63] Grossman and Hart, “An Analysis”, 8.
[64] North, *Institutions*, 30. Based on the idea that a seller of a second-hand car gains from concealing potential malfunctions of the car.
[65] Ibid.

concerned with those bits of information that seem to have been actively managed by an agent towards a particular goal.

Tracing the three nodes of the letter exchanges between Surat, Batavia and Amsterdam uncovers a different piece of the information flow puzzle in relation to Surat. In the first node of information exchange, the role of the Governor General as a principal of the director in Surat as an agent is analysed. This gives insight into the flow of information, the management of information and information asymmetries at the relatively short-distances within the Asian context. For this purpose, all the letters exchanged between the director of Surat and the Governor General and Council from 1647 – 1650 that can be found in the *Overgekomen Brieven en Papieren* (letters and papers received) and the copies of *Batavia's Uitgaande Brievenboek* (Batavia's outbound letterbook*)* of the Gentlemen XVII and Chamber of Amsterdam are studied.[66] The second exchange has the Governor General as an agent of the principals in Amsterdam. Analysing the information flow between them shows on the one hand how the information that the Governor General has about Surat gets fed back to the principals in Amsterdam. On the other hand, it shows how information gets managed at the much larger distances between Amsterdam and Batavia. For this purpose, all letters that were send from 1647 – 1650 between the Gentlemen XVII and the Governor General and Council in the *Uitgaande Missiven* (outbound letters) by the Gentlemen XVII and the *Generale Missiven* (general missives) by the Governor General and Council are used.[67] Finally, the exchange between the director of Surat has the Gentlemen XVII in Amsterdam as principals and the director at Surat as an agent. This is relevant because shows if there are differences in the information that is shared with the Governor General in Batavia and the Gentlemen XVII in Amsterdam. Furthermore, since the director at Surat technically has two principals: the Governor General and the Gentlemen XVII, this exchange of information can illustrate what that means for the principal-agent dynamics and the thereto linked information asymmetries. For this purpose all the letters that were sent to the Gentlemen XVII by the director of Surat in *Overgekomen Brieven en Papieren* (letters and papers received).[68] No letters were send directly to the director of Surat by the Gentlemen XVII.

The are several considerations that go with this selection of letters. The time period 1647 – 1650 was chosen because in 1648 the factory of the VOC in Surat was stormed by a local mob and this was followed by a subsequent attempt of the VOC to frustrate local shipping and block the port of Surat. Letters from a year earlier are considered in order to get some idea of the build-up and the context of that event. 1650 is taken as an end-date because this gives enough time to see how the aftermath of this crisis is discussed in the letters and it is also the year that Governor General Cornelis van der Lijn resigned, which serves as cut-off point.[69] However, it does inevitably happen that letters written prior to this timeframe or slightly after are relevant for understanding what is written in this timeframe. For example because a reference to such a letter is made. In those cases, letters that fall slightly outside of this timeframe are consulted. Furthermore, in the case of particular information gaps in the letters – or in a case where a letter is not fully legible – alternative relevant sources are consulted to triangulate the

[66] These letters are contained in National Archive of the Netherlands, The Hague (After this: NL-HaNA). The letters sent from the director of Surat to the Governor General and Council are contained in NL-HaNA, 1.04.02, Inv. Nr. 1165, 1166, 1168 and 1174. The letters sent from the Governor General and Council to the director of Surat are contained in NL-HaNA, 1.04.02, Inv. Nr. 871 – 872. The specific page numbers and addresses are mentioned when these letters are specifically referenced.

[67] The letters sent from the Gentlemen XVII to the Governor General and Council are contained in NL-HaNA, 1.04.02, Inv. Nr. 317. The letters sent from the Governor General and Council to the Gentlemen XVII are contained in NL-HaNA, 1.04.02, Inv. Nr. 1159, 1160, 1162, 1163, 1167, 1169 and 1171. The specific page numbers and addresses are mentioned when these letters are specifically referenced.

[68] The letters from the director of Surat to the Gentlemen XVII are contained in NL-HaNA, 1.04.02, Inv. Nr. 1162, 1166 and 1170. The specific page numbers and addresses are mentioned when these letters are specifically referenced.

[69] Winius and Vink, *The Merchant-Warrior*, 64.

information. For example, for the study of the information flow between Surat and Batavia, particular memoirs and instructions were also consulted.[70]

The next and final section of this chapter will provide a roadmap for the remainder of this thesis.

Roadmap

This thesis consists of four more chapters. Chapter two look will look into the information node between Surat and Batavia. Chapter three looks into the information node between Batavia and Amsterdam. Chapter four looks into the information node between Surat and Amsterdam. Finally, chapter five brings all of the insights from these chapter together in a conclusion that will answer the research question.

[70] See for example an instruction given to Arent Barentsz: NL-HaNA, 1.04.02, Inv. Nr. 872, Cornelis van der Lijn and Council to Arent Barentsz, 6 August 1648, fol. 213 – 227. And a memoir left by Arent Barentsz to Joost Diericq: NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Joost Diericq, April 1648, fol. 580 – 588.

Chapter 2: The Tale of Surat and Batavia 1647 – 1650

In this chapter, the letter interactions between Surat and Batavia in the years 1647 – 1650 are analysed. This chapter thus delves into the first node of the overall information stream in the VOC related to Surat. The aim of this chapter is to answer the following question:

What do the letter exchanges between Surat and Batavia show about the principal-agent dynamics in the VOC?

This chapter primarily examines the letter exchanges between the director of Surat and the Governor General and Council in Batavia in order to answer this question. Firstly, because there is a clear principal-agent relationship between the Governor General and the director at the factory. Secondly, because these letter exchanges have survived almost in full. Where appropriate other material like memoirs and instructions will be used to triangulate the letters as well as fill up potential information gaps.

This chapter is divided into several sections that group together the information under study in accordance with the relevant events discussed in these letters. The first section will elaborate on the directors of Surat and the context within which they operate: Gujarat and the Indian Ocean at large. The sections that follow will zoom in on the usual business discussed in the letter exchanges, the issues pertaining to pilfering and weighing goods, deserters, embargoing Malacca and dealing with the local governor of Surat. The chapter will end with a discussion in relation to the theoretical point of departure described in the chapter 1.

The directors of Surat in the larger context of Gujarat and India: Arent Barentsz, Joost Diericq and Johan van Teijlingen

In the period 1647 – 1650, the factory at Surat had three different directors: Arent Barentsz, Joost Diericq and Johan van Teijlingen.[71] The letters in 1647 were all written by Arent Barentsz. The letters in 1648 were mostly written by Joost Diericq, although Arent Barentsz wrote one in November 1648 because he came back to Surat as commander of a fleet. In fact, Joost Diericq was never officially in charge of the factory in Surat, but was put temporarily in charge by Arent Barentsz during his last year as director because he had to go to Batavia.[72] Johan van Teijlingen took charge of the factory in Surat at the start of 1649, right around the time that Arent Barentsz left for Europe after twenty-two years of service for the VOC.[73]

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[71]NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 416;
NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, 26 April, fol.565;
NL-HaNA, 1.04.02, Inv. Nr. 1174, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, 4 June 1649, fol. 745 – 748.

[72] NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Joost Diericq, April 1648, fol. 580 – 588. These are the instructions that Arent Barentsz gave to Joost Diericq. NL-HaNA, 1.04.02, Inv.
Nr. 1174, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 22 November 1648, fol. 723 – 736. This is the last letter that Arent barentsz wrote.

[73] The first letter in the archives by Johan van Teijlingen: NL-HaNA, 1.04.02, Inv. Nr. 1174, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, 4 June 1649, fol. 745 – 748. In a letter to Amsterdam written in January 1648, Arent Barentsz wrote that he was very keen on heading back to Patria after twenty-one years of service to the VOC. This letter: NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to the Gentlemen XVII, 11 January 1648, fol. 805 – 820, there fol. 819. Before he could however, he had to return to Batavia one final time in January 1649 and he returned to Europe on the home-bound fleet that was being prepared there. For this information, see: NL-HaNA, 1.04.02, Inv. Nr. 1170, Johan van Teijlingen to the Gentlemen XVII, 10 February 1649, fol. 897 – 908.

In the roughly four years under study, these men wrote hundreds of pages of letter to the Governor General and his Council. In 1647, Arent Barentsz wrote six letters in total that were sent in February, April, May, June, October and December.[74] Joost Diericq wrote letters in April, May, June and September 1648 and Arent Barentsz wrote another letter in November 1648 when he returned to Surat after his visit to Batavia.[75] Johan van Teijlingen wrote his first letter to Batavia in April 1649, but this was not present in the archive. The only remaining letter to Batavia that survived from his directorship in 1649 is a letter from June. [76] In 1650, he wrote in April, May, June and October.[77] These letters give a thorough indication of the information exchanges not only between the factories and settlements of the VOC and the centre of power – Batavia – but also the information-networks between the various factories and settlements.

The factory at Surat was a hub in the larger trade-network of the VOC. In the decades prior to 1647, the VOC was actively trying to establish its permanent capital basis in Asia and subsequently tried to consolidate its power.[78] In the 1640's, after several decades of relative struggle in Surat, the port city functioned as one of the most important hubs in the trade network of the VOC. The textiles that were bought in Surat were essential in the spice trade and substantial profits could be made by selling spices in Surat.[79] Furthermore, the hinterlands of Surat around the city of Agra produced high-quality indigo and Surat was one of the few trading-posts where the VOC actually received silver bullion – essential for their liquidity and capital in Asia – in exchange for the spices from the Spice Islands and copper bars from Japan.[80] What is more, their position in Surat was essential in managing their trade in the 'Western Quarters'; their trade with the three great Muslim empires of their time: the Ottoman Empire, the Persian Empire and the Moghul Empire.[81] Their position in Surat – their access-point to trade with the Moghul Empire – facilitated the VOC's ability to tap into the trade with Gamron (Current day Bandar Abbas and the VOC's main trading-post in Persia) and Mocha (at that time controlled by the Ottoman empire).[82] Due to the logistically convenient location of Surat in relation to the shipping routes between Europe and Asia, the port was frequently visited and the director of Surat was also in charge of the trade in Mocha and had an essential role in the trade with Persia.[83] Furthermore, the trade in Surat was also linked with the trade in the east. Obviously the VOC operated across the entirety of Asia, but also the local Muslim traders visited places in the east, such as Malacca, Moluccas, Aceh and Batavia. In fact,

[74] For these letters, see: NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to the Gentlemen XVII, 11 January 1648, fol. 805 – 820, there fol. 819; NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 25 April 1647, fol. 435 – 443; NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, May 1647, fol. 452 – 453; NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 8 June 1647, fol. 454 – 458; NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 7 October 1647, fol. 686 – 695; NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 19 December 1647, fol. 667 – 675.

[75] NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April, May, June, September 1648, fol. 723 – 736; NL-HaNA, 1.04.02, Inv. Nr. 1174, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 22 November 1648, fol. 723 – 736.

[76] In his letter written on the 4th of June 1649 Johan van Teijlingen mentions that he has also written to the Governor general in April 1649. See: NL-HaNA, 1.04.02, Inv. Nr. 1174, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, 4 June 1649, fol. 745 – 748, there fol. 745.

[77] NL-HaNA, 1.04.02, Inv. Nr. 1178, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, April, June, October 1650, fol. 560 – 583; NL-HaNA, 1.04.02, Inv. Nr. 1178, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, May 1650, fol. 545.

[78] Parthesius, *Dutch Ships*, 31 – 32.

[79] Gaastra, *De Geschiedenis*, 46.

[80] Das Gupta, *The World*, 148. Winius and Vink, *The Merchant-Warrior*, 63 – 66.

[81] Das Gupta, *The World*, 13.

[82] Ibid., 50.

[83] [83] Parthesius, *Dutch Ships*, 45 – 49.

Surat was a trade-hub that saw its networks of trade spread out across most of west and South-east Asia even before the VOC arrived.[84]

The trade in Surat was also interlinked with the trade in the remainder of India. The economy of India could be described as if it happenined across a quadrilateral axis: the coasts – west with Malabar and Gujarat and east with the Coromandel end Bengal – were connected over land with the hinterland of these coasts. The roads of Surat were connected with the heart of the Moghul Empire and seat of the emperor – Agra – and towns like Delhi. Further in the hinterland, roads even connected with towns as far as Lahore and Kabul. The river Ganges and the roads from Bengal in turn connected the east coast with these places.[85] Surat was part of Gujarat and the Dutch in Surat saw many interactions with this hinterland: they had multiple trading-posts there in order to buy indigo and textiles and they had to make regular visits to the governor in Ahmedabad as well as the Emperor in Agra in order to retain their trade privileges or defend their interests.[86] The emperor did not extensively support the local Muslim traders in a way that for example the government of the Dutch Republic supported the VOC, because the ports represented only a small portion of revenues for the emperor and foreign traders could both be financially and politically interesting.[87] However, the Dutch directors of Surat had regular trouble upholding the trade privileges granted by the emperor because the governor of Gujarat was at times reluctant to enforce them. For example, Arent Barentsz wrote in a letter written in February 1647 that the new governor was planning to increase toll and failed to take action after a plea by Jacob van Kittensteijn (a merchant) to do something about the various unofficial groups that extorted extra toll on the roads to Ahmedabad.[88] Whereas they were used to paying 20 to 30 rupias on the road to Ahmedabad, they paid 206 rupias on this one instance.[89] This is in line with the observation of Hasan, who showed that although percentages of cesses, tolls and taxes were officially sanctioned, their enforcement was at times random.[90] Much of this had to do with the fact that posts such as port-official were given to the highest bidder, who then had to make back his money.[91] The imperial court of the Moghul Empire would usually only intervene when particular issues were specifically brought to its attention and was much less of an active controller itself.[92] This illustrates that the directors of Surat operate in a dynamic context in which the VOC saw lacking compliance with its contracts. It required continues pleas at the imperial court, diplomacy in the forms of gifts and at times also threats – for example of a naval blockade – to enforce contracts. Ashin Das Gupta referred to the interaction of the VOC with the Moghuls as a "balance of blackmail" – alluding to the fact that significant effort was involved in enforcing agreements on both sides.[93] Since diplomacy and military intervention were expensive, this is also a first indication in support of the argument by Jonas and Ville that the VOC was maybe not so good at lowering

[84] The directors of Surat, as well as the Governor General in his letters to the director of Surat makes frequent mention of the Muslim traders visiting various places. For example, in a letter written in February 1647, Arent Barentsz discusses the issue of Muslim traders going to Malacca and Aceh , but also Mocha and Gamron. See NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 422, 432.

[85] Das Gupta, *The World*, 144 – 145.

[86] Winius and Vink, *The Merchant-Warrior*, 60 – 66.

[87] Gaastra, *De Geschiedenis*, 50 – 51. The letter by Barentsz written in February 1647 for example shows how they refer to local traders as 'Moren', with which they refer to Muslim traders.NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 416 – 433.

[88] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 426 – 427.

[89] Ibid.

[90] Hasan, "The Mughal Fiscal", 711 – 15.

[91] Ibid.

[92] Ibid. See als, Meersbergen, *Ethnography*, 102 – 103.

[93] Gupta, Ashin Das. "Indian Merchants and the Western Indian Ocean: The Early Seventeenth Century." *Modern Asian Studies* 19, no. 3 (1985): 481–99, there 494.

transaction costs – but just good at capturing enough rents to offset high-transaction costs.[94] As the following sections will show, this balance of blackmail created various issues for the VOC as well as room for its agents to disobey their principals.

Finally, it is important to realize that the Dutch dealt with substantial competition from both Europeans and local traders in the trade originating from Surat. The English were their most fierce European competitor in Surat itself, but the Portuguese - whom maintained their capital in Asia in nearby Goa – were never far away.[95] The relationship to the Portuguese was one of sheer competition, fuelled by the ongoing war on the European continent between the Dutch Republic and the Habsburg kings. Even though the Dutch and Portuguese in Asia technically maintained a truce in the period under study here, the VOC was actively looking for opportunities to oust the Portuguese from Asia and frustrate their trade. For example, under the supervision of the director of Surat, the VOC established an outpost at Wingurla – close to Goa – in order to gather information on the Portuguese. Barentsz, Diericq and Teijlingen all mentioned the whereabouts of the Portuguese in their letters and in 1650 the Governor General even wrote to the Gentlemen XVII in Amsterdam that he thought that the time was ripe for a war on the Portuguese with the aim of indefinitely ousting them from Asia.[96]

The VOC maintained a more peaceful approach to the English. The English often moved goods on Dutch ships, and vice versa. Quite a few of the letters under study here were sent on English ships on their way to Batavia or to Europe.[97] However, the English were still seen as a competitor that had to be kept at bay and ample attempts were made to frustrate English trade. For example, the Governor General ordered Barentsz to send as many goods as possible, even some goods of Muslim traders, to Persia in order to cut the profits of the English in that region.[98] The local Muslim traders also operated on the same trade routes as the Dutch: the Muslims traders visited Persia, Mocha, but also Malacca, Malabar, Aceh and Batavia.[99] The Muslim traders were seen as an important competitor that had to be dealt with adequately. As the following sections will illustrate, one of the most controversial and also debated policies within the VOC was the banning of Muslim traders from Malacca, Aceh and the undermining of their trade in the Moluccas. It were these policies that caused conflicts between the Dutch and the local population as well as the governor of Gujarat during the directorship of Barentsz, Diericq and Teijlingen.[100]

It is within this dynamic context of Indian and Indian Ocean trade that Arent Barentsz, Joost Diericq and Johan van Teijlingen had to manage the trading post and the information that they would

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[94] Jonas and Ville, "Efficient Transactors", 900 – 901.

[95] Parthesius, *Dutch Ships*, 47. Gaastra, *De Geschiedenis*, 50 – 51.

[96] A letter written by a junior merchant stationed at Wingurla can be found in NL-HaNA, 1.04.02, Inv. Nr. 1166, Pieter Sterthenius to Governor General Cornelis van der Lijn and Council, 12 May 1647, fol. 789 – 793. In October 1647 Barentsz writes that he has received information from Wingurla that four Portuguese warships have arrived because the Portuguese king is not so sure that the truce with the Dutch will hold and he is afraid of Dutch attacks. See NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 7 October 1647, fol. 694. In the General Missives of 10 December 1650, the Governor General and Council plea tot the Gentlemen XVII that it might be interesting to get the Portuguese out of India indefinitely. See NL-HaNA, 1.04.02, Inv. Nr. 1179, Carel Reiniersz and Council to Gentlemen XVII, 10 December 1650, fol. 48.

[97] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 433.

[98] The Governor General and Council for example write this order to Barentsz in a letter written in August 1647. See NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 7 August 1647, fol.386.

[99] As mentioned in the previous paragraph: The directors of Surat, as well as the Governor General in his letters to the director of Surat makes frequent mention of the Muslim traders visiting various places. For example, in a letter written in February 1647, Arent Barentsz discusses the issue of Moor traders going to Malacca and Aceh , but also Mocha and Gamron. NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 416 – 433.

[100] More on this in the section "The issue of Malacca and the interests of Arent Barentsz: diplomacy in Gujarat"

send to Batavia. The next section will deal with the type of information that is typically shared in this letters in order to cater the usual business of the VOC: their trade.

Business as Usual: Managing the Logistics of Trade in a Dynamic World

Although the letters written by the directors at Surat and the Governor General and his council in Batavia deal with all kinds of matters, most of it was clearly aimed at dealing with the business of trade and the management of information in relation to that trade. In fact, for its time, it is quite evident that the VOC had an extensive – although be it imperfect – information management system that allowed it to manage risk, seek opportunities and coordinate trade across otherwise vast distances.

Every letter that the directors of Surat wrote contained information about logistics, prices, earned income, costs and market opportunities. It shows the emphasis and effort put in by the employees of the VOC into optimizing logistics, maximizing profits and managing cash-flow across Asia. The letters show that much of the VOC's added value was its ability to manage information and coordinate across large distances and between different markets. Although the following sections will point out that this management of information was also a tool for agents to disobey principals, it still holds that significant portions of the letter exchanges between the directors of Surat and Batavia uncover a commitment to optimizing trade.

The first pages of most of the letters are dedicated towards basic information about the flow of information and trade. Such as the ships that had arrived and left, the letters that had been received and the letters that had been sent.[101] Barentsz, Diericq and Teijlingen dedicated significant parts of their letters towards listing the commodities on VOC ships and ships of competitors that arrived to and left Surat and the quality and prices of cloth, indigo and saltpetre.[102] The trade in indigo in 1647 illustrates well how the VOC attempted to optimize its profits with the help of exchanging information. In order to source high-quality indigo, company agents established a trading-post in Agra and in surrounding villages.[103] Usually the VOC would make contracts with indigo sellers in these areas in order secure a part (or all) of their harvest in the subsequent year.[104] However, in 1647, the trade in indigo brought with it several complications. In February 1647, Barentsz complained that the prices of indigo were higher than the year before and the quality lower, because drought caused a bad harvest and there was more competition from other traders.[105] He wrote that he could not meet the amounts that were ordered from Europe due to the low supply and in a letter written in June 1647, he mentioned that he was forced to fill the cargo holds of ship Leeuwerick with cotton rather than indigo due to this lack of good price-quality ratio supply.[106] He also commented on the fact that he learned from a ship that came from Europe that the indigo gave a lower return in the fatherland than it used to in the years prior.[107] In August 1647, the Governor General replied that the bad market in the fatherland had much to do with a new supply of

[101] See for example the letters written by Barentsz in February and April 1647: NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 416 – 420; NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 25 April 1647, fol. 437. And the letters written by Diericq in April 1648: NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April 1648, fol. 723 – 736. And by Teylingen: NL-HaNA, 1.04.02, Inv. Nr. 1174, Johan van Teijlingen to Governor General Cornelis van der Lijn and Council, 4 June 1649, fol. 745 – 747.
[102] Ibid.
[103] Winius and Vink, *The Merchant-Warrior,* 62 – 63.
[104] Ibid.
[105] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 419.
[106] Ibid.
[107] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 429;

indigo from the Caribbean, which was of a quality that some even preferred over the indigo from Agra.[108] In order to resolve this issue, the Governor General included a list of goods – including indigo – with the prices that the were able to obtain from them in auctions in Europe held in 1646 so that Barentsz could better estimate which prices for Indigo were still within profitable bounds.[109] In 1648, Joost Diericq wrote that he had decided to not even buy the indigo because the prices were so absurdly high relative to the prices that they were expected to sell at.[110]

This exchange of information about indigo shows the significant attempt of the VOC agents to exchange information across distances. This attempt also indicates that this information about indigo was valuable to them. The reason that it was so valuable to the VOC was on the one hand because Indigo was one the most profitable product traded from Surat: between 1620's and 1640's almost half of the total export value of Surat came form indigo.[111] On the other hand, there were many uncertainties surrounding the supply of indigo from India – which meant that accurate information was necessary to make profitable decisions. From 1630 – 1632 there was famine in Gujarat – and draughts were also a regular fact – and between 1633 – 1634 there was a temporary Imperial Monopoly on indigo.[112] This incentivised the VOC to look for alternative sources of Indigo in Taiwan and Siam – although these efforts failed.[113] Given the saturated indigo market in Europe – demand was relatively stable – new indigo supplies from the Caribbean caused direct competition with the indigo from India, which put further pressure on the profitability of the product. This was especially problematic from 1648 onwards, because with the end of the Eighty and Thirty Years War, indigo supply from across the Atlantic increased significantly.[114] From the mid-1640's onwards, these factors made the indigo traded from India much less profitable and this is reflected in the value of exported Indigo: whereas it was almost fifty percent of total exports from Surat between 1620 and 1640, it represented only 20 percent of total exports from Surat between 1640 and 1650.[115] It are these trends and challenges that are reflected in the letters written by Barentsz and Diericq: they struggled with the high-prices in India and with the information coming from Batavia and Amsterdam they realize that the profitability of indigo in Europe had decreased. This shows that even though the information flow between Batavia and Surat, or even the fatherland, could take months or years, they were able to make relatively informed decisions on what prices were acceptable and which opportunities were arising or disappearing.

This exchange of information about trade illustrates one of the most fundamental aspects of transaction costs. One of the drivers of the cost of information is the measurement of the valuable attributes of the commodity central to the transaction.[116] This does not have to be perfect – as later section will show, the way the VOC managed this information was in fact far from perfect – but we do see a significant attempt – and in many instances a successful one – in at least assessing the necessary attributes of trade.[117] The fact that an agent such as the director of Surat gears a significant proportion of his letters – and therefore time – towards explaining to the Governor General and Council what is going on in terms of the prices of trade also shows that to at least some degree, he is motivated by the belief that sharing that information (central transaction) will be beneficial in other transactions (auxiliary transaction). This means that the VOC as an organisation is indeed able to generate a behavioural

[108] NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 7 August 1647, fol. 392.
[109] Ibid.
[110] NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April 1648, fol. 728.
[111] The Indigo Trade: local and global demand, p.103.
[112] Nadri, Ghulam A, 'The Making of the World Market: Indigo Commodity Chains', in: *The Political Economy of Indigo in India, 1580–1930* 22 (2016) 124–153, there 127.
[113] Ibid.
[114] Nadri, Ghulam A, 'The Indigo Trade: Local and Global Demand', in: *The Political Economy of Indigo in India, 1580–1930* 22 (2016) 85–123, there 105.
[115] Ibid.
[116] North, *Institutions,* 27.
[117] Ibid., 29.

regularity in this respect and therefore – in line with the reasoning of North – create the behavioural regularities necessary to reduce the information asymmetries concerning the value of traded goods to an extent that it is believed to be profitable to engage in this long-distance trade enterprise.

Nevertheless, the information that was shared was not always perfect and was heavily reliant on the company agents actually reporting that information. Although the sharing of information of trade was regularly done in a loyal manner, the next section will illustrate that issues concerning weighing goods, (excessive) pilfering and stealing were common.

Issues of Weighing and Issues of Responsibility: Why the Director is Never at Fault

Although the previous section has argued that the VOC showed ample effort to manage information concerning the commodities of trade, it was definitely not a water-tight system. The letters written by Arent Barentsz, Joost Diericq and Johan van Teijlingen all made mention of mistakes in bookkeeping and problems with the weighing of goods. The directors always had an explanation, but it in those explanation it was never their fault and they managed the information carefully to stay in the clear. As this section will show, they accounted in detail for issues that are pointed out by their superiors. It will also show that they were at times relatively powerless in enforcing VOC rules – even though they were accountable. The result of this is that the directors of Surat dedicated significant effort towards explaining mistakes in bookkeeping and weighing and the excessive pilfering and stealing of goods.

The Governor General tried to maintain an overview of the amount of goods moved on ships and the amount of goods sold, as well as the flow of cash and the management of costs. Letters clearly specified the amount of goods sold, the amount of goods negotiated, prices paid and costs that were made in the process of trade. If anything were to stand out to the Governor General and Council, they would make mention of this and ask the director to explain himself. For example, the Governor General and Council complained to Arent Barentsz about the amount of personnel and people that were sent to Mocha, incurring substantial costs on the Company and they asked if it was really necessary. Barentsz defended himself by saying that the trade there usually happened in small quantities and that this many people were thus required to achieve their aims in terms of trade.[118] This is similar to Robert Stein's description of accountability traditions in the Low Countries. He describes how 'the Wilderness' of Holland was broadly integrated into the financial administration of Burgundian-Habsburg government.[119] This meant that by the tradition of the The Hague Audit Office, accounts were strictly checked. For example, Jan van Beeveren – whom had to report to the Audit Office – saw his books carefully examined: he had claimed to travel ten days to Sassenheim, but the Audit Office pointed out that six was more usual.[120] The point of drawing this similarity is to show that there was a habit – that was potentially based on particular accounting tradition – amongst employees of the VOC to account in detail for things such as made expenditures and the amount of used employees. What is more, as is shown by the demands of the Governor General and Council for clarification, it was also an expectation of the principals of the VOC that they could account for such things.

Barentsz mentioned on several occasions that differences in weight of particular goods could be explained by slaves or employees taking them. For example, a load of tin was found to be incomplete and he said that during the loading of the ships, slaves had an opportunity to steal. He subsequently advised the company to remelt small pieces of tin into bigger chunks, because those were harder to hide.[121] Barentsz also blamed locals that were for example involved in the transport from the beach –

[118] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 420.
[119] Stein, Robert. "The Wilderness of Holland. From Hunting Ground to Well-Administered Part of the Domains." *Communities, Environment and Regulation in the Premodern World: Essays in Honour of Peter Hoppenbrouwers*. 147-176, there 172.
[120] Ibid., p.171.
[121] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 8 June 1647, fol. 456.

where ships would at times dock – to the city. He explained that many of the packs came short of several nickels and he said that in the future they should move them in closed off chests.[122] On another instance, Barentsz mentioned that since the VOC was sending its cloves in closed chests, less of the goods were taken along the way.[123] Since wages in the VOC were low and mortality-rates high, the loyalty of the workforce could not have solely relied on wages. It will also have relied on other opportunities of enrichment.[124] Ditton points out that history is full of hidden wage structures in the form of wage-perks, pilferage and wage-theft.[125] Some of this must have been tolerated if it stayed within reasonable bounds. However, what Baretnsz writing shows, is that the VOC also had to deal with slaves and locals that pilfered – or stole – small amounts of the goods. This does not only show that slaves were apparently widely used, but also that this made it harder for agents like Barentsz to protect and move the property of the company. In turn, this was reflected in the exchange of information, because the principals in Batavia did notice these differences on the books. In fact, the reporting of the missing nickels in the packs even happened on Barentsz' own initiative, which shows that accounting for missing goods was to at least some degree an internalized habit.[126]

However, the main way to get rich in Asia was not through pilfering little amounts of goods but through private trade. Some of this was tolerated and allowed – it was also a way of keeping wages low in otherwise very risky work with high death-rates.[127] Nevertheless, private trade was not tolerated in excessive amounts and this is also where part of the principal-agent problems arose. Although the letter written between Surat and Batavia do not provide evidence for this excessive private trade, it did happen in that period of time. The Gentlemen XVII for example complained in a letter written in 1646 to the Governor General Cornelis van der Lijn that the amount of corruption was getting out of hand, because officers were coming back with more wealth than Governor Generals used to come back with in the prior decades.[128] Pieter Sterthemius, the merchant in Wingurla who reported directly to Arent Barentsz, would later in his career transfer over 50.000 guilders – enough to buy multiple houses in the centre Amsterdam – by bills of exchange.[129] Which is quite the feat for a director who got paid only 200 guilders a month.[130] The fact that we have known records from company agents transferring vast amounts of wealth – well beyond their pay – back to Europe – against the will of the Gentlemen XVII – shows that there was a behavioural regularity amongst company agents that was in direct breach of the official rules – and thus institutions – of the VOC. As Chapter 3 will show, this principal-agent problem was mainly a problem across the larger distance between Asia and Europe – with the Gentlemen XVII as principals and the Governor General and Council as agents.

Yet, not all challenges concerning principal-agent dynamics happened in the shadows of the information exchange system of the VOC. In fact, the directors of Surat have to deal with several

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[122] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 416 – 430.

[123] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 25 April 1647, fol. 438.

[124] Sgourev and van Lent, "Balancing Permission", 935. Another way of enrichment is of course through private trade. This was also allowed to some degree – and as Odegard pointed out, the prospects of private trade could motivate loyalty within the hierarchy. See Odegard, *"Agentschap",* 472.

[125] Ditton, "Perks, Pilferage", 46, 56 – 57.

[126] Ibid.

[127] Sgourev and van Lent, "Balancing Permission", 935. Private trade was allowed to some degree – and as Odegard pointed out, the prospects of private trade could motivate loyalty within the hierarchy. Private-trade was forbidden, but personnel was allowed to carry a chest of personal goods, which were used to trade for extra money. Often, richer officers could buy such chest space of company agents with less capital to invest. See Odegard, *"Agentschap",* 472 and Nierstrasz, "In the Shadow", 195 – 196. Also see Wezel and Ruef, "Agents with",1009 – 1011. They made the similar argument that private trade subject to a hierarchy can limit moral hazard.

[128] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 66.

[129] Gaastra, *De Geschiedenis,* 95

[130] Ibid.

deserters and as the next section will illustrate, the political and cultural environment in the Western Quarters made it challenging for the company to control its agents and enforce its contracts.

Managing Information Concerning Insubordinate Subordinates: Principal-agent Dynamics in Foreign Environments

The director of Surat and the Governor General and Council did put effort in enforcing the rules set-out by the Gentlemen XVII in Amsterdam. If company employees were caught stealing – exceeding the potentially tolerated amounts of pilfering – they would in some cases try to put them to trial in Batavia. This is not consistent and there are definitely instances where company employees got lenient treatment. And given the large amounts of money made on forbidden private trade it is obvious that in many instances no effort was put into enforcing particular formal rules on purpose.[131] However, Barentsz, Diericq and Teijlingen make mention of two deserters: Daniël van Massouw and Dirk Jaarsvelt. Their firm condemnation of these people and their attempts to get them to trial shows on the one hand that they wanted to make very clear to the gentlemen in Batavia that they would not tolerate this kind of behaviour. On the other hand it also shows that the VOC was challenged in its ability to enforce its rules in foreign contexts. However, the strong condemnations by Barentsz of Daniël van Massouw and Dirk Jaarsvelt and his clear efforts to present himself as hard-line enforcers of company rules unintendedly tempted the Governor General and his Council to go to war with the Moghul and Persian empires.

Both Daniël van Massouw and Dirk Jaarsvelt used the limited control of the VOC in the Moghul and Persian empire to their advantage. Dirk Jaarsvelt converted to Islam and sought protection of the governor in Mocha after he was charged with stealing from the company.[132] The governor agreed to hand him over after a combination of threats and diplomacy, but before he resorted to handing over Dirk Jaarsvelt the latter died of illness.[133] Daniël van Massouw was a junior ship medic and he was supposed to be put to trial by the company. However, instead of facing trial, he decided to convert to Islam and seek protection from the governor of Gujarat – which the latter granted.[134] Arent Barentsz was initially unhappy about this, but his superiors in Batavia saw it as a massive problem – much larger than Barentsz initially anticipated. In his letter of February 1647 Arent Barentsz wrote: 'I did not expect the honourable nobles in Batavia to regard this issue so highly.'[135] According to the Governor General it was essential that Daniël Massouw was caught and put to trial. Otherwise it would become evident for any company employee that in case of getting caught with breaking the company rules, he could just simply convert to Islam and seek protection of the local authorities. Therefore, Arent Barentsz wanted to make very clear to the Governor General and Council in Batavia that he condemned Daniël Massouw's actions. However, he also put forward that it was going to be very hard to get their hands on Daniël Massouw. He then writes the following, which would have a much larger impact than he had initially anticipated:

'[It is impossible to get our hands on this god renouncer unless we will use violence and our weapons]'[136]

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[131] As mentioned in the previous section, many officers, merchants and directors came home with vast amounts of wealth that far exceeded their salaries that could not have been transferred home without the consent of the Governor General. Chapter 3 will elaborate further on this matter.

[132] NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 7 October 1647, fol. 690.

[133] NL-HaNA, 1.04.02, Inv. Nr. 1179, Carel Reiniersz and Council to Gentlemen XVII, 10 December 1650, fol. 85.

[134] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 421 – 422.

[135] Ibid.

[136] Ibid. Furthermore, this strong condemnation of the Muslim faith and generally at times the 'Moor' nature of the local population supports the argument made by Meersbergen that trust was generally low and that this distrust partially informed decision-making on the end of the VOC to for example decide to use force, because there lived a perception that locals could not be trusted anyway. See Meersbergen, *Ethnography*, 113 – 114.

He followed-up that statement by explaining that it is unwise to take up arms against the governor in Gujarat and the Moghul empire at large if they wanted to still visit the place. However, since the governor refused to return Daniël van Massouw, the only option may be to leave Gujarat completely and block all Muslim trade in the entire region if they wanted to get him back. Nevertheless, he concluded that the company would suffer much more damage than the income that the emperor would miss out on – especially since the tolls only presented a fraction of his overall income.[137] To this, the Governor General and council replied that he should try again to get Daniël van Massouw back and should use everything within his power to do so. It is clear from this response that they expected the governor of Gujarat to listen to their pleas.[138] However, for Barentsz it was evidently clear that the governor was not going to listen and he wrote this to the Governor General and council in December 1647. He added that it was also impossible to get to his majesty the king (the emperor) in Agra and ask for his opinion on the matter, because he was off fighting a war with the Persian empire. Probably regretting the initial fervour in his earlier letter, but also knowing the hawkish nature of Cornelis van der Lijn and the men in Batavia, he re-emphasized that it would be a very bad idea to go to war with the Moghul empire over just a simple god renouncer and that the company would benefit much more from sustained and peaceful trade.[139] However, as the next section will show, the Governor General and his Council did decide in favour of war a few months later and decided that Arent Barentsz was going to be the commander of the fleet that was equipped for that purpose.[140] Not in order to get back Daniël Massouw – he died in battle while fighting on the side of the Moghul emperor against the Persians – but in order to among other things make clear to the Moghul authorities that any deserter should be returned to the VOC.[141]

The letter interaction concerning the deserters Daniël van Massouw and Dirck Jaarsvelt show that the VOC sometimes had a hard time enforcing their rules in foreign environments. In theatres like Persia and Gujarat, the VOC was a force to be reckoned with at sea, but they did not dominate the political landscape – especially further inland. This scenario shows an important condition for the effectiveness of institutions: it depends on the ability of principals as well as agents to control the environment that they operate in.[142] Problematic for the VOC was that it operated in many environments in which it did not have an ability to (fully) control it. This was clearly abused by company employees trying to for example escape trial. This is in line with Adams's argument that an alternative network structure – that would provide protection – to the network structure provided by the VOC made desertion a serious option for those who want to break company rules to an extent that may have been followed with prosecution.[143] Although she makes the argument that this mainly happened in the eighteenth century when the English became more powerful and a more serious alternative to the VOC for reaching Europe, the cases of Daniël van Massouw and Dirk Jaarsvelt do show that the alternative protection of local governors or emperors was enough for some employees to engage in illicit behaviour.

The letter exchanges mentioned above show that the principals in Batavia were also aware of this problem. Serious effort was put into enforcing VOC rules: Barentsz and the Governor General and council were clearly motivated by the believe that it is important to catch Daniël van Massouw in order to avoid instilling in its agents the for the VOC unproductive believe that their enforcement can be

[137] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 421 – 422.
[138] NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 3 September 1647, fol. 462 – 463.
[139] NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 19 December 1647, fol. 668.
[140] This refers to the section "The issue of Malacca and the interests of Arent Barentsz: diplomacy in Gujarat" it discusses amongst other things why the Governor Generals decide in favour of going to war.
[141] NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April 1648, fol. 724.
[142] North, *Institutions*, 31.
[143] Adams, "Principals And Agents", 13.

escaped as easily as converting to Islam. Furthermore, it indicates that directors were carefully managing their information to show on the one hand that they were obedient in enforcing company rules, but on the other hand tried to prevent the situation from escalating on the ground. Arent Barentsz was set on convincing the gentlemen in Batavia that he indeed treated the issues concerning Daniël with Massouw in high regard, but he did not want it to escalate into a war. This is an important observation because it shows the degree of information asymmetry that was present and the ability this gave to agents to control outcomes. The Governor General was reliant on the reports of Barentsz to understand what was happening in Surat, which gave Barentsz some room to share the information that would produce the outcomes that he believed to be productive. At least, he tried. As the next section will show, he failed to prevent the Governor General and Council from deciding to go to war.

The issue of Malacca, Aceh and the interests of Arent Barentsz: Diplomacy in Gujarat

The desertion of Daniël van Massouw was not the only source of conflict and friction with the governor of Gujarat. In 1647, the governor in Gujarat was changed and the new governor was clearly not too keen to upkeep imperial decrees that gave particular trading rights to the VOC. This inevitably caused the relationship with the VOC employees in Surat to sour. The relationship deteriorated so much, that in April 1648, the factory of the VOC was violently stormed and the Governor General and Council later resorted to ordering an attack on all Muslim shipping as well as a blockade of the harbour of Surat. Altogether this crisis and the way that Barentsz wrote about the crisis show that he put active effort to create a situation that was workable for himself and that he managed the information that he shared with the Governor General and Council accordingly. However, this crisis mainly shows the limited control that the VOC had over its environment and generally supports the 'balance of blackmail' that Ashin Das Gupta used to describe the relationship of the VOC with the Moghul Empire.[144]

The most contested and controversial topic was the trade with Malacca and Aceh. In 1641, the VOC captured Malacca from the Portuguese and after concluding monopolistic treaties with Kedah, Ujangsalang and Bangaray, the Governor General decided that they were going ban other traders from the area in June 1647.[145] Already before June 1647, they were trying to frustrate Muslim shipping on Malacca and Aceh by forcing them to carry a pass that they received upon payment of toll. Barentsz knew that any attempt to frustrate Muslim shipping would cause trouble with the local governor, so he was quite reluctant to enforce the policy and he made it consistently clear that he thought it was an unproductive measure. In his letter of February 1647, he wrote that he was forced by the governor to give an equipage of some ships bound for Malacca their passes – he did so because he did not want the situation to escalate.[146] He also noted that some Muslim ships had decided to not pay passage and just skipped Malacca all together and just directly sailed on Aceh in order to avoid payment.[147] In a letter written in April 1647, he added that the governor had threatened to go to the emperor about this issue and that some Muslim traders had objected that the Portuguese were much more lenient when they controlled Malacca.[148] The matter was really on his mind because in May 1647 he wrote again again with the sole purpose of saying that he did not think that the little bit of toll income and the few Muslim ships were worth the trouble and that the local traders seemed to get increasingly upset.[149] However, the Governor General and his council did not seem to be impressed by this multitude of warnings. In August

[144] Das Gupta, "Indian Merchants", 494.
[145] Gaastra, *De Geschiedenis*, 46, Winius and Vink, *The Merchant-Warrior*, 63 – 64.
[146] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 16 February 1647, fol. 423.
[147] Ibid., p.432.
[148] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 25 April 1647, fol. 439.
[149] NL-HaNA, 1.04.02, Inv. Nr. 1165, Arent Barentsz to Governor General Cornelis van der Lijn and Council, May 1647, fol. 452 – 453.

1647, they wrote back that frustrating Muslim trade was essential for the profitability of the company and that they were not only going to just charge toll, but plan to keep out Muslim traders all together.[150] They subsequently forbade him to hand out passes to any Muslim ship and they hoped that the toll would bankrupt Muslims trying to go into the area any way.[151] The letters sent in August arrived to Arent Barentsz quickly and in October he wrote that he was afraid this order was going to cause severe problems. Barentsz sent a quick messenger to a more friendly and influential figure that they knew at the emperor's court and he hoped that he could help with preventing escalation. Barentsz also proposed that it may be good to give Muslim traders their passes as long as they would not move pepper or tin – the two most important goods for the VOC on that trade-route.[152] That Barentsz used messengers and a friendly figure at court shows that indeed as Meersbergen has suggested, middlemen were an important aspect of cross-cultural trade.[153] He also argued that these middlemen were essential, because in essence cross-cultural confidence was lacking – and it required long-term relationships on the basis of shared benefits to overcome some of that.[154] Furthermore, this case of Malacca also speaks to the argument of Jones and Ville that the VOC was maybe not so good at lowering transaction costs, but was just able to bear high transactions costs due to its ability – or attempt – to extract high rents.[155] In the case of Malacca, the Governor General and Council make it very clear that it essential to them to ban Muslim traders for the profitability of the company. However, as the next paragraph will show, Barentsz also had a personal interest in avoiding war with the Moghul empire.

In 1647, Arent Barentsz was already serving the VOC for twenty-one years and he desperately wanted to go home. A conflict in Surat would not help that endeavour and it is also evident that Batavia would have prefered for him to stay on longer. Arent Barentsz complained to Joost Diericq – whom he would install as his replacement in April 1648 – that although he was supposed to be relieved from duty, the Governor General and Council did not come back to the matter in their letters in spite of the fact he mentioned the issue multiple times.[156] As the next chapter will show, this is a tested method of the Governor General and Council: to not talk at all about matters that do not serve their interest so that with time on their side they might get what they actually want. However, instead of sitting by idle, Arent Barentsz used a crisis in Surat to take matters in his own hands. In April 1648, the friction with local traders and the governor came to a boiling point and the Dutch lodge in Surat was stormed by 150 men.[157] Joost Diericq – who had already taken over from Arent Barentsz – vividly described the events in a letter that he sends to the Governor General and council.[158] Arent Barentsz was still in Surat when

[150] NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 7 August 1647, fol. 387.

[151] NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 7 August 1647, fol. 388; NL-HaNA, 1.04.02, Inv. Nr. 871, Cornelis van der Lijn and Council to Arent Barentsz, 12 September 1647, fol. 471.

[152] NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to Governor General Cornelis van der Lijn and Council, 7 October 1647, fol. 691.

[153] Meersbergen, *Ethnography*, 113 – 119.

[154] Ibid.

[155] Jones and Ville, "Efficient Transactors", 900 – 901. As will be elaborated upon in the next chapter, as well as the following paragraphs in this section, the Governor General and Council do indeed decide to go to war. This is a highly costly endeavour that would completely kill the profitable trade for several years. In other words, transaction costs to the 'balance of blackmail' were high.

[156] NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Joost Diericq, April 1648, fol. 580.

[157] NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April 1648, fol. 570 – 572.

[158] NL-HaNA, 1.04.02, Inv. Nr. 1168, Joost Diericq to Governor General Cornelis van der Lijn and Council, April 1648, fol. 570 – 572. In this letter, he describes that 150 or so men brought ladders after which six of them climbed the walls of the lodge, beat up the guard and stormed inside. A few of the people inside of the lodge ran, others locked themselves into rooms and tried to bar the doors. The 150 men quickly overtook the lodge and took everything they wanted to take. Joost Diericq was sleeping inside the lodge together with his mother-in-law so he decided to run. As he emphasizes multiple times, he wanted to secure as much of the property of the company as

this happened, but he decided to leave with a ship headed for Batavia a few days after.[159] Since he did not hear anything from the Governor Generals about his relief he decided he would just head to Batavia and leave Joost Diericq in charge. And, so he argued, this would only be convenient because then he could explain in person what had just happened at the factory in Surat. In other words, Arent Barentsz decided to take initiative to get what he wanted and did not await further orders from Batavia – probably also because he was afraid what those would entail.[160]

However, shortly after Barentsz arrived to Batavia he was sent on another mission in service of the VOC. The Gentlemen XVII in Amsterdam had demanded the Governor General and Council to appoint a commissioner that would visit several of the trading-posts in Asia, among which Surat, Mocha and Ceylon.[161] This task was given to Arent Barentsz and with his instructions to act as a commissioner he was given instructions on how to deal with Surat and Persia: he was to frustrate their shipping and block their ports.[162] The Governor General and Council were also very clear about their motivations to go to war: the fact that the governor of Gujarat protected a god renouncer Daniël van Massouw and the storming of the lodge were unacceptable and retaliation thus required.[163] Arent Barentsz, in spite of all his efforts to convince the Governor General that war was not worth while and besides having mentioning explicitly that he really wanted to go home, The Governor General and Council decided otherwise. However, Barentsz did not execute his orders to go to war with the Moghuls. When he got to Surat he learned that he was too late to intercept some of the Muslim ships that came from Persia and decided that it was better to leave this war for another day. Johan van Teijlingen wrote that Barentsz left on a ship to Batavia in January 1649 – where he even sat on the council for one meeting – and then returned to Europe as commander of the home-bound fleet in November 1649.[164]

These events illustrate several important things about the principal-agent dynamics in the VOC. It shows that the lines of communication between Surat and Batavia were relatively quick and that communication was frequent: Barentsz and the Governor General and Council succeeded in exchanging multiple letters in the course of year – which allowed for somewhat close management of the events on the ground in Surat by the Governor General and Council in Batavia. However, it is also clear that the distance between Batavia and Surat was still large enough for its employees to enjoy room for agency and pursuit of self-interest. What is more, above mentioned events show that agents of the VOC actively managed their information in a way that served their own interest and opinions – as Barentsz tried to do in his attempt to convince the Governor General not to got war. It also shows that even very clear and explicit orders are at times ignored: Barentsz decided against blocking the port of Surat in spite of clear orders to so. The next section will bring all of these insights as well as the insights from previous sections together in a discussion about the value of institutions, principal agent dynamics and the management of information.

possible so in his run out of the lodge he grabbed as many diamonds as he could. He then sat himself on a fence safely away from the lodge to overlook how the scenario further unfolded. He recounted that the whole scene took about three hours, after which most of the company goods were taken away, a slave and two assistants were heavily wounded. Andries van Deutecom – a company employee – later died from his injuries.

[159] NL-HaNA, 1.04.02, Inv. Nr. 1170, Arent Barentsz to the Gentlemen XVII, 22 November 1648, fol. 890.

[160] NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Joost Diericq, April 1648, fol. 580.

[161] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 81.

[162] NL-HaNA, 1.04.02, Inv. Nr. 872, Cornelis van der Lijn and Council to Arent Barentsz, 6 August 1648, fol. 213 – 219.

[163] Ibid., fol. 214.

[164] NL-HaNA, 1.04.02, Inv. Nr. 1170, Johan van Teijlingen to the Gentlemen XVII, 10 February 1649, fol. 898, 903.

Discussion

The previous sections provide several insights about the principal-agent dynamics in the VOC in the seventeenth century, but also about the effect of institutions on principal-agent dynamics more generally. From a perspective where the Governor-General and Council were the principals and the director at Surat was the agent, we see that the information asymmetries are somewhat limited by the flow of information between these two locations, but still remained present. According to North, the cost of information is determined by the resources dedicated to assessing the value of a commodity subject to trade, the cost of monitoring agents and the enforcement of contracts.[165] This is in turn reflected in the transaction costs and a transaction will then take place if the transaction costs are at minimum earned back at a profit in case the trade is made. In the previous sections we have seen that a significant part of the information flow within the VOC was dedicated towards assessing the value of commodities and optimizing the logistics as well as profits across the various markets within which they operated. Given the amount of information exchanged concerning trade by various agents and principals - for example the efforts of Barentsz to account for missing cargoes – it is fair to assume that the organisation of the VOC succeeded in stimulating behavioural regularities in sharing this information.

However, it remains questionable whether the organisation of the VOC was successful in eliminating information asymmetries to an extent that principal-agent problems were overcome. The principals in Batavia were very dependent on agents such as Arent Barentsz for understanding what was going on in for example Surat. This information asymmetry gave room for pursuing personal interest to agents of the company and this was reflected in the way that they managed the information flow leaving Surat. Barentsz wanted to show that he did not tolerate the behaviour of Daniël Massouw and the local governor of Surat, but he did not want war – for one because he wanted to go home. Although he seemed initially unsuccessful in achieving his goals, he used the fact that in the end the Governor General could not control what he did to his advantage: he simply did not block the ports of Surat when he got there. And although none of the weight differences in transported cargo were his fault and even though private trade was something not allowed at the time, fact also remains that many directors and employees of the VOC accrued large amounts of wealth – such as is know from Pieter Sterthemius, someone who worked underneath Arent Barentsz.

What is more, the VOC seemed to not only fail to eliminate information asymmetries, it also ran into trouble enforcing its institutions due to a lack of control over the environments in which it operated. Greif (2006) showed that the Genoese were able to engage in long-distance trade because they enjoyed institutions in the form of legal and political enforcement organisations – a third party state – that was willing to facilitate long-distance exchange.[166] However, the VOC did not only operate at much larger distances, it also operated in an environment that they did not control and that did not always enforce the rules that reflected its trade interests. This allowed its agents to be motivated by auxiliary transactions other than those supporting the VOC's institutional framework. As the case of Daniël van Massouw illustrates, he could rely on the protection of the governor of Gujarat against the VOC's enforcement of its rules. Hence, this conflicted with the effectiveness of VOC institutions in managing its agents, in lowering its transactions costs and in producing behavioural regularities that matched the intention of those very institutions. This supports the idea that the relationship between the VOC and the Moghuls was one of a (costly) balance of blackmail.[167] This is in turn a support for the argument that the VOC was not able to lower transactions costs, but just able to capture enough monopoly or oligopoly rents to cover those costs: it was in essence more a colonial enterprise that extracted rents.[168]

Nevertheless, the truly challenging degree of distance across which the VOC operated has not been analysed in this chapter. This chapter has looked at letter exchanges between Batavia and Surat from a perspective in which the Governor General is the principal and he director of Surat the agent.

[165] North, *Institutions*, 31.
[166] Greif, *Institutions*, 294.
[167] Das Gupta, "Indian Merchants", 494.
[168] Jones and Ville, p.900 – 901. Odegard 2018, p.457.

The next chapter will look at letter exchanges across the much larger distance between Batavia and Amsterdam. In that perspective, the 'managers' in Batavia are the agents of the principles in Amsterdam: the Gentlemen XVII – representing the owners of the VOC. As the next chapter will show, with this increase in distance, the information asymmetries and principal-agent problems also increase.

Chapter 3: Information Exchange between Batavia and Amsterdam

This chapter will analyse the letter interactions between the Governor General and Council in Batavia and the Gentlemen XVII in Amsterdam in the years 1647 – 1650. This chapter thus delves into the second node in the overall information stream in the VOC related to Surat. For this purpose the General Missives and the Responses to the General Missives by the Gentlemen XVII will be used.[169] The aim of this chapter is to answer the following question:

What do the letter exchanges between the Governor General and council and the Gentlemen XVII show about the principal-agent dynamics in the VOC?

Examining these letter exchanges contributes several things to this overall study of the principal-agent dynamics in the VOC in relation to its institutions. These exchanges will uncover which information the Governor General decides too feed to the Gentlemen XVII about the situation in Surat. This will illuminate how the Governor General and council decide to manage their information concerning Surat in relation to their principals in Amsterdam and how much of the information asymmetry that inevitably exists they tended to use to their advantage. This in turn contributes to our understanding of the ability of principals to manage their agents across a vast distance. Furthermore, the letters written by the Gentlemen XVII are full of instructions about how to run the VOC. Analysing the letter exchanges between the Governor General and council and the Gentlemen XVII – while keeping the instructions and information exchanged between Batavia and Surat in mind – can further our understanding of how well orders are followed and thus contributes to our understanding of how well principals in Amsterdam were able to manage their agents in Batavia. The gap between instructions from the Gentlemen XVII and the instructions that end up being given to the director of Surat can give away a great deal about the ability of principals to manage agents across large distances.

The first section will provide some context to the information exchange process between Batavia and the Gentlemen XVII. The second section will look at the issue of corruption and more generally how lying and omitting information is used by the Governor General and Council to increase information asymmetry in order to increase the room for pursuing their own interests. The third section

[169] This refers to the following letters from the Gentlemen XVII: NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 56 – 71.
NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 73 – 94; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, November 1647, fol. 94 – 100; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1648, fol. 101 – 106; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, September 1648, fol. 107 – 124; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1649, fol. 123 – 136; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, September 1649, fol. 137 – 156; NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, April 1650, fol. 156 – 185.
It concerns the following letters from the Governor General and Council: NL-HaNA, 1.04.02, Inv. Nr. 1159, Cornelis van der Lijn and Council to Gentlemen XVII, 21 December 1646, fol. 1 – 62; NL-HaNA, 1.04.02, Inv. Nr. 1160, Cornelis van der Lijn and Council to Gentlemen XVII, 15 January 1647, fol. 1 – 41; NL-HaNA, 1.04.02, Inv. Nr. 1162, Cornelis van der Lijn and Council to Gentlemen XVII, 14 April 1647, fol. 323 – 338; NL-HaNA, 1.04.02, Inv. Nr. 1163, Cornelis van der Lijn and Council to Gentlemen XVII, 31 December 1647, fol. 1 – 91; NL-HaNA, 1.04.02, Inv. Nr. 1167, Cornelis van der Lijn and Council to Gentlemen XVII, 18 January 1649, fol. 1 – 150; NL-HaNA, 1.04.02, Inv. Nr. 1169, Cornelis van der Lijn and Council to Gentlemen XVII, 26 January 1649, fol. 10 – 22; NL-HaNA, 1.04.02, Inv. Nr. 1171, Cornelis van der Lijn and Council to Gentlemen XVII, 31 December 1649, fol. 1 – 130; NL-HaNA, 1.04.02, Inv. Nr. 1173, Cornelis van der Lijn and Council to Gentlemen XVII, 18 January 1650, fol. 1 – 5; NL-HaNA, 1.04.02, Inv. Nr. 1179, Carel Reiniersz and Council to Gentlemen XVII, 10 December 1650, fol. 1 – 155.

will look at the information-management surrounding the issues in Surat and in the end the decision to go to war. This section will show that the Governor General openly ignores orders and manoeuvres against the interest of the Gentlemen XVII and thereby illustrates the limited room for the principals of the VOC to control their agents. The chapter will end with a discussion that relates the insights of this chapter to the theoretical point of departure in Chapter 1 and Chapter 2.

The Flow of Information Between Batavia and Amsterdam: A Time-Consuming Process

Several behavioural regularities surrounding the exchange of information had formed in the VOC by 1647. Although there were consistent variations in the dates of meetings, auctions, fleet departures and arrivals, there were general patterns to be discerned. These patterns are in turn relevant to shortly elaborate on in light of this study, because it illustrates very clearly the technological limitations to the ability of the Gentlemen XVII to exchange information with Asia and therefore indicates the inevitably large information asymmetries.

The meetings and decision-making processes of the directors of the VOC in the Netherlands were largely determined by the flow of the trade season. The Gentlemen XVII – the highest principals of the VOC and the central management of the company – had roughly three sessions throughout the year. The first session – the Autumn session – was summoned after the fleet from Asia returned – which usually started at roughly the end of August.[170] They would discuss when ships would be sent to Asia, the provisional amount of money and goods to be sent and they would make lists of demanded goods from Asia to be taken by the next return fleet. They would also decide on who would be going into the Council in Batavia – although in practice they usually just ratified the decisions already made in Asia.[171] Also in this first session they would read and discuss excerpts of the general missives, but they would usually not finish this – excerpts of the general missives were also treated in the two later sessions.[172] Letters were drafted for urgent matters, but most and all other matters were left to the 'Haagse Besogne' to deal with. The Haagse Besogne was a committee of people that would go through all the papers that arrived from Asia and they would compose draft letters for the administration to Asia as well as reply to non-urgent letters – which usually consisted of most letters coming from Asia except for the writings of the Governor General and Council.[173] In the second session – the Spring session – they would make decisions about spring auctions, the construction of ships, cargoes to be sent, potential adjustments to the demanded goods from Asia were made and they would decide on dividends for shareholders.[174] In the third and final session – usually held in July but sometimes only in August – they would among other things read the draft reply to the letters of the Governor General. This reply would be sent on the first equipage of ships bound to Asia, usually in September.[175] This means that there was a significant amount of time between the moment that the Governor General and Council drew up a letter and the moment that they would receive a response to that letter from the Gentlemen XVII. For example, the Gentlemen XVII replied to a letter written in December 1645 by the Governor General and council in a letter written on the 16th of August 1646.[176] Only on the 14th of April 1647 were the Governor General and Council able to reply to the letter of the 16th of August 1646.[177] This means that it took roughly a year and a half between writing a letter and receiving a response to that letter.

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[170] Gaastra, Femme. "INTRODUCTION TO THE ARCHIVES OF THE VERENIGDE OOSTINDISCHE COMPAGNIE." Den Haag : Nationaal Archief, May 17, 1992, 10 – 11.
[171] Ibid.
[172] Ibid.
[173] Ibid.
[174] Ibid., 11.
[175] Ibid., 12 – 13.
[176] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 56.

[177] NL-HaNA, 1.04.02, Inv. Nr. 1162, Cornelis van der Lijn and Council to Gentlemen XVII, 14 April 1647, fol. 326.

The technological limitations of the VOC in combination with the large distance involved in its operations meant that the information asymmetries were substantial. As the previous paragraph showed, communication was slow in the 17th century: it took at least a year and half before the Gentlemen XVII would receive a response to a particular letters. This means that even though significant resources were dedicated by the VOC to manage information and limit information asymmetries, technological constraints meant that information was at times inaccurate, out-of-date and not effective in eliminating asymmetries in information at all.[178] Furthermore, it is worth noting that this exchange of information across such distances came with a dedication of resources that would definitely increase transactions costs rather than reduce it. Although, the VOC arguably extracted enough rents to compensate for these kinds of costs.[179] As the next section will show, the Governor General and Council enjoyed considerable room to do as they pleased and by managing their information they significantly increased that room for agency. As will become evident, the ability of the principals in Amsterdam to control their agents in Batavia was severely limited by the distance involved. The institutional set-up and the associated flow of information in the VOC was able to prevent that only to a limited degree.

The Issue of Corruption: How Lying and Leaving Out Information Make Principals Lose Control

The letter exchanges between the Gentlemen XVII and the Governor General and Council had a different tone to them than the letter exchanges between Batavia and Surat. Although a significant proportion of the letter exchange dealt with the regular day to day activities related to trade, each letter written by the Gentlemen XVII was also full of explicit blame, expressed annoyance and complaints about missing information. It becomes evident that the Gentlemen XVII were very aware of the limited control that they had over their agents in Batavia. In spite of various attempts by the Gentlemen XVII to reduce information asymmetries, they were still significant enough for the Governor General and Council to not only partially do as they pleased, but they also increased those very information asymmetries by managing their information in an opportunistic way. In practice this meant that the letters contained lies as well as purposefully omitted information.

The Gentlemen XVII were very aware of the presence of corruption and the presence of private trade. In 1646, they wrote that private trade is a cancer that needed to be stopped before it would consume and bring down the entire company.[180] They complained that there was an entire ship worth of privately traded goods that came back to Europe and that officers were coming back with more money than Governor Generals would come back with in the past.[181] This shows that although private trade was maybe tolerated by the Governor General and Council and other officers in Asia, the Gentlemen XVII definitely did not tolerate it to this extent.[182] They mentioned that, although they would have liked to

[178] Jones and Ville, "Efficient Transctors", 906. They even assert that many of the pages of letter sent to Batavia were very likely never even read due to the large volume of letters that arrived that were often overburdened with detail.

[179] See for example Jones and Ville, "Efficient Transactors", 899 – 900. They make the point that the joint-stock company was – in spite of its transaction costs disabilities – the preferred option because its permanent capital basis – although expensive – was the only way to withstand competitive pressure – or kill that by monopolizing – and handle large volumes of goods.

[180] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 70.

[181] Ibid., fol. 66.

[182] See Nierstrasz, "In the Shadow", 188 – 197. He argues that companies are in the business of capturing rents, so they would only tolerate private trade if it were to benefit them. The VOC for a long time did not officially tolerate large amounts of private trade, although company agents were allowed private chests. These chests were used to earn something extra on the side – or were traded away to higher officers with more money to invest. This illustrates the existence of hidden wage structures – that were possibly necessary to motivate employees with low wage in high-risk environments to remain loyal, or even have a desire to work for the VOC. See also Sgourev and van Lent, "Balancing Permission", 935. It is clear from the letter that they write that the Gentlemen XVII thought that any privileges related to personal chests were grossly abused.

believe otherwise, none of this could have happened without the Governor General and Council knowing about this and tolerating it. In fact, they complained that it seemed as if their instructions were simply ignored.[183] Furthermore, in 1647, they pointed out that the amount of resources that had to be sent to fill up the ware houses with things such as nails was taking on ridiculous proportions for which the only explanation could have been that company agents embezzled significant proportions of these company resources.[184] Their general reaction to this was to order for more checks on the books of various factories – including Batavia – and they demanded for more information to be sent over – a clear attempt to reduce information asymmetries.[185] For example, as mentioned in the previous chapter, Arent Barentsz was appointed as a commissioner in 1648 with the task of examining the books of various trading-posts as well as the people employed there. In part to avoid issues such as with Daniël van Massouw and Dirk Jaarsvelt, but also in order to prevent the aforementioned embezzlement of company resources.[186] This shows that practices of pilfering were common, but that they happened to a degree that the Gentlemen qualified it as embezzlement. Their reaction was to ask for more control, more monitoring and thus to increase transaction costs – for example by having a commissioner like Barentsz check books regularly.

Nevertheless, the Governor General and Council explicitly denied all of the accusations and at times even lied or omitted information in order to avoid any blame. In light of the above mentioned accusations made in 1646 by the Gentlemen XVII, the Governor General and Council simply replied that there were apparently dishonourable men willing to lie about the state of things in the East and that they were surprised that the Gentlemen XVII would resort to such accusations on the basis of limited and false information.[187] They repeated this in 1649 and asked the Gentlemen XVII to come up with specific names of the so called corrupt people, so they could at least enforce their rules and set an example by prosecuting these men. But they also mentioned that as long as they did not have those names they could not do anything.[188] They even proposed it might be better for the Gentlemen XVII to just to sent two people each year to check everything so they did not have to rely on these false reports that stood in the way of the Council's ability to do a good job.[189] They tried to make clear that they would not be scared in the face of more scrutiny.

However, it is very unlikely that the Governor General and Council were unaware of the amount of private trade during the period under study here. In practice, they just used the distance and information asymmetries involved to pursue their self-interest. They used the pretence of being unaware of the problems mentioned by the Gentlemen XVII, in combination with a laxity to respond to issues and accusations in order to continue as they pleased. The Gentlemen XVII spotted this tactic, as they wrote in 1647 that it surprised them that the Governor General and Council did not mention anything about topics stipulated by them as egregious.[190] Furthermore, as pointed out by the Gentlemen XVII as well, the amount of money transferred by company agents to Europe with bills of exchange could not

[183] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 66.
[184] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 90.
[185] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 67. They wrote here that the rations of all trading-posts should be well checked and that the stocks in the warehouses should be accurately accounted and they want those accounts to be send over.
[186] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 81. In this letter written in 1647 they mention that they want a commissioner to do this very job.
[187] NL-HaNA, 1.04.02, Inv. Nr. 1163, Cornelis van der Lijn and Council to Gentlemen XVII, 31 December 1647, fol. 1 – 90.
[188] NL-HaNA, 1.04.02, Inv. Nr. 1167, Cornelis van der Lijn and Council to Gentlemen XVII, 18 January 1649, fol. 112 – 113.
[189] NL-HaNA, 1.04.02, Inv. Nr. 1169, Cornelis van der Lijn and Council to Gentlemen XVII, 26 January 1649, fol. 10 – 19.
[190] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 88 – 89.

have happened without at minimum the awareness of the Governor General and Council. It is clear that the Governor General and Council tolerated the behaviour and were probably in on it themselves. What is more, in September 1649, the Gentlemen XVII wrote that they had received complaints from the free citizens of Batavia that merchants from other nations received preferential treatment over them: the Chinese were granted particular trade-privileges.[191] The Chinese were happy to pay Cornelis van der Lijn for that privilege and it is known that the Chinese community gifted him a large jewel when he left for Europe.[192] In fact, we know that Cornelis van der Lijn maintained a lavish lifestyle in Batavia – inspired by the luxurious life-style of powerful Asian rulers. A French merchant and adventurer whom visited Batavia mentioned that Cornelis van der Lijn was driven around in a carriage with six horses, escorted by cavalry sitting on fine Persian saddles and wearing collars made of buffalo leather. The Governor General was reported to have had forty to fifty horses in his stables.[193]

As mentioned before, the likely involvement of the Governor General in private trade and other corrupt practices does not fully escape the Gentlemen XVII: they explicitly mentioned in August 1646 that they found it hard to believe that the Governor General and Council were not in on private trade and asked them to explain themselves.[194] Nevertheless, there was just not much they could do about it. Time was in the end on the side of the Governor General and Council. They could just deny the accusations, fail to answer questions and keep this up for several letter exchanges that took years to travel back and forth. The first accusation took place in 1646, but it is only in 1649 that the Gentlemen XVII wrote that they would discuss amongst themselves what would be an appropriate measure in light of the complaints of the free citizens of Batavia.[195] In 1649, Cornelis van der Lijn handed in a request to resign and the Gentlemen XVII gladly accepted this request in a letter written in April 1650. Gladly, because in a separate letter that they wrote in April 1650, they mentioned that Cornelis van der Lijn was no longer fit to be Governor General because it became clear that he did not follow orders on multiple occasions.[196] At this point, Cornelis van der Lijn had already accrued large amounts of wealth and he returned home a rich man.

The previous paragraphs illuminate several essential aspects about the ability of the principals in Amsterdam to control their agents in Batavia. At minimum, there seemed to be some degree to which the Governor General and Council internalized the rules of the company. In their attempts to escape some accusations, they seemed to have been motivated by the belief that it was important not to be accused of for example the embezzlement of company funds, because would have negative consequences in other auxiliary transactions of importance to them – such as the extension of a position on the Council. However, this had more of an effect on the way they managed their information than it had an effect on the extent to which they actually abided by company rules and orders of their principals. It is clear from their writing that they were motivated by the believe that if they denied accusations as well as conveniently ignored some of them, they would be able to get away with doing as they saw fit. It is true that in the end Cornelis van der Lijn was going to be dismissed from his position. However, he already resigned in time and he was able to return to Europe and keep his wealth. In other words, they were clearly not motivated by the believe that rules of the VOC and the orders of the principals would be enforced to a degree that would be problematic to them. Although Cornelis van der Lijn was knowingly unhappy about the situation and resigned with anger – realizing he may have actually

[191] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, September 1649, fol. 152. Here they mention this issue. Nieuw Nederlands Biografisch woordenboek, deel 2, p.858 – 859.
[192] Putten, L.P. van, *Gouverneurs-generaal van Nederlands-Indië. [Dl. 1]: Ambitie en onvermogen : 1610-1796.* (Rotterdam: ILCO-productions 2002), there 74 – 75.
[193] Ibid., 74 - 75.
[194] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 66.
[195] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, April 1650, fol. 167.
[196] Ibid., 169.

overstepped – what matters is that he did get away with it for many years.[197] Thus, the ability of the VOC as an organisation to control their agents and limit the information asymmetries across long distances seemed to be limited at best. What is more, the next section will show that the Governor General and Council some times did not even take the effort to hide their disobedience and openly challenged the Gentlemen XVII in order to capture more decision-making power.

Going To War: Ignoring Orders and Capturing Decision-Making Power

While the Gentlemen XVII and Governor General and Council were writing back and forth about the issues of embezzlement and private trade, they were also exchanging information about the events that ensued in Surat. The Governor General and Council were quite open about their motivations and their intentions concerning the organization of trade in Surat and in doing so openly ignored orders from their principals in Amsterdam. The information exchange and produced outcomes show that both the slowness of communication and the large distance involved really limited the ability of the principals in Amsterdam to control their agents in Batavia. The Governor General and Council even went as far as to say that due to the inability of the Gentlemen XVII to understand what happened on the ground in Asia, they should be allowed to ignore their orders if they would consider that befitting.[198] The behaviour of the Governor General and Council fits with the argument made by Adams that in colonial systems in which the exercise of military force devolves down to agents are vulnerable to fragmentation because those agents – such as the Governor General and Council – can capture decision-making power and act as competing principals.[199]

Initially, the Gentlemen XVII misjudged the state of things in both Surat and Persia. Nevertheless, they were very clear in how they expected the Governor General and Council to respond to the envelopment of the situation on the ground. In August 1646, the Gentlemen XVII said that they were happy with the trade in Surat and that they hoped that profits would soon increase more.[200] Also concerning the trade in Persia they took things to go well and they expected the Persians to choose peaceful and profitable trade over war – relevant, because two years prior the VOC blocked the ports of Gamron.[201] In October 1647, in response to letters written on the 21st of December 1646 and January 15th 1647 by the Governor General and Council, they repeated that they were happy with the course of events in Surat and Persia.[202] However, they also emphasized that – in spite of trouble with the competition from Muslim traders and the deserters Dirk Jaarsvelt and Daniël van Massouw – in no way should the Council resort to blocking the ports of Surat or Gamron without the consent of the Gentlemen XVII.[203] Their next letters, written in October and November 1647, show that they were unpleasantly suprised and that they misjudged the situation in Persia. They mentioned that their hopes for Persia had gone up in smoke on the basis of a report from Nicholaas Verburch. Nevertheless, they emphasized that war should not be waged against the Persians. Even if they were not getting their trade-privileges renewed.[204] In March 1648, they repeat that by no means should war be waged on Persia and Surat:

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[197] See NL-HaNA, 1.04.02, Inv. Nr. 1175, Carel Reiniersz and Council to Gentlemen XVII, 20 January 1651, fol. 70 – 71. Reiniersz describes that Van der Lijn was so unhappy about the course of events that he refused to speak to Reiniersz and that the whole situation surprised many.
[198] NL-HaNA, 1.04.02, Inv. Nr. 1171, Cornelis van der Lijn and Council to Gentlemen XVII, 31 December 1649, fol. 42 – 43.
[199] Adams, "Principals and Agents", 13 – 15.
[200] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, August 1646, fol. 59.
[201] Ibid.
[202] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 81 – 83.
[203] Ibid., 81.
[204] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, November 1647, fol. 94 – 95.

better to pay a bit more toll to the former and accept the deserter Daniël van Massouw in the latter, than to wage war against two powerful Asian states.[205]

Yet, rather than accepting the primacy of the Gentlemen XVII in deciding on the matter of war, the Governor General and Council decided to do as they saw fit. As the letters from November 1647 and March 1648 were finding their way to Batavia, the Governor General and Council already resorted to ignoring the clear instructions not to go to war with Surat and Persia from December 1646 and January 15th 1647. As was discussed in Chapter 2, Arent Barentsz was sent on his way with the instruction to block the port of Surat and to frustrate Muslim shipping at large in August 1648.[206] The Governor General and Council were very open about their decision to go to war: in the letter that they write to the Gentlemen XVII in January 1649, they even copied entire pieces of the instructions given to Arent Barentsz.[207] Subsequently, tension between Cornelis van der Lijn and the Gentlemen XVII rose to a boiling point in the letters exchanged over the matter in the remainder of 1649. In a letter dating from March 1649, the Genlemen XVII laid out a whole list of complaints about dealings in both Persia and Surat. They mentioned that the Governor General and Council should not create the pretence that the Gentlemen XVII are misguided by false reports and emphasized furthermore that they do not believe to have been mysterious or unclear in their orders about the matter of war with Persia and Surat. In fact, they said that those who cannot follow orders have to pay the price and live up to the consequences.[208] They continued to emphasize that they were surprised by a letter from Arent Barentsz – written in January 1648 – because it left them with the impression that they were seriously considering war with Surat. They emphasized again that war should not be waged with Surat and Persia without their consent.[209] This shows the slowness of the information exchange, because by March 1649, Arent Barentsz had already returned to Batavia from his mission to block the port of Surat and frustrate Muslim shipping in the area – although he did not execute these orders. In a letter written in December 1649, the Governor General and Council do not beat around the bush. They mention that they were in complete shock when they read the letter dating from March 1649.[210] Shocked by the fact that they got so little trust in making decisions for the sake of the betterment of trade. They put forward that they thought they got treated like children and that if the Gentlemen XVII would want people to closely follow orders they may as well dissolve the government in Batavia and put some yes-marbles in charge.[211] In other words, the Governor General and Council were openly objecting to having to listen to the orders of their principals. This behaviour of the Governor General and Council fits with the argument made by Adams that in cases where there are strong agents, fragmentation of decision-power is more likely because those agents can capture decision-making power and act as competing principals.[212]

It must nevertheless be said that the principals in Amsterdam did have some measures of control over their agents in Batavia. Cornelis van der Lijn was clearly not motivated by the believe that he had to follow the orders of the principals in Amsterdam closely and thus openly objected to the established hierarchy in the VOC. Furthermore, he already resigned before the Gentlemen XVII could hoist him out

[205] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1648, fol. 101 – 105.
[206] NL-HaNA, 1.04.02, Inv. Nr. 872, Cornelis van der Lijn and Council to Arent Barentsz, 6 August 1648, fol. 213 – 219.
[207] NL-HaNA, 1.04.02, Inv. Nr. 1167, Cornelis van der Lijn and Council to Gentlemen XVII, 18 January 1649, fol. 58 – 61.
[208] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1649, fol. 129.
[209] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1649, fol. 130. The role of Arent Barentsz in the information available to the Gentlemen XVII will be developed further in Chapter 4.
[210] NL-HaNA, 1.04.02, Inv. Nr. 1171, Cornelis van der Lijn and Council to Gentlemen XVII, 31 December 1649, fol. 42 - 43.
[211] Ibid.
[212] Adams, "Principals and Agents", 13 – 15.

of his position. Fact remains however, that they were going to do so.[213] This illustrates an important aspect of the principal – agent dynamics in the VOC at the time. It shows that the principals in Batavia could actually influence outcomes of future transactions that agents cared about: they could actually fire a Governor General or Council member – a transaction auxiliary to the central day-to-day transacting of the Governor General. However, more importantly, the ability of the Gentlemen XVII to influence auxiliary transactions was not strong enough to influence the day-to-day behaviour of the Governor General due to the distances and information asymmetries involved. Cornelis van der Lijn and his council were clearly motivated by the belief that they were able to get away with ignoring the orders of the Gentlemen XVII – or did not care if they would not get away with it – in their decision of going to war with Surat and Persia. What is more, they openly competed for power over the decision-making process. Given the example of the decision to go to war, the Governor General and Council just did as they saw fit and then expressed to the Gentlemen XVII that it should be up to Council to decide these things anyway. Although this was in the end not tolerated, it at minimum shows the degree to which principals in the VOC could control their agents and overcome the challenges posed by information asymmetries was limited.

The next section will discuss the theoretical implication of this analysis of the letter exchanges between the Governor General and Council and the Gentlemen XVII in relation to the theoretical point of departure presented in Chapter 1 and the analysis of the letter exchanges between Surat and Batavia presented in Chapter 2.

Discussion

The letter exchanges between the Governor General and Council in Batavia and the Gentlemen XVII in Amsterdam between 1647 – 1650 indicate the degree of principal-agent problems within the VOC due to the distances and information asymmetries involved.

The slow pace of the letter exchanges between Batavia and Amsterdam made the information asymmetries and therefore the ability of agents to defy principals significant. In chapter 2, it was shown that even across the smaller distances between Surat and Batavia, principal-agent problems induced by information asymmetries arose. Although some behavioural regularities concerning the provision of information about trade arose also across the larger distance between Batavia and Amsterdam, the equally larger information asymmetries led to significant principal-agent problems. A full cycle of letter exchange did not only usually take at least a year and a half, the information-asymmetries remained large in spite of these exchanged letters. The Gentlemen XVII could at times only guess the extent to which the agents in Batavia were involved in practices such as private-trade. Especially since the agents had a motivation to conceal and bend information. The previous sections have shown that the Governor General probably endorsed private trade and that he was willing to take bribes from the Chinese community in exchange for trade-privileges. This makes the argument of North that institutions lowered transaction costs, because they limited information asymmetries and allowed for a better control of agents by principals less plausible in the context of the VOC.[214] Also the argument made by Greif that that institutions such as court-enforcement – fuelled by increased political control – would come with increased ability of principals to control agents may have held truth in the European context, but within Asia the institutions of the VOC – and the developed behavioural regularities around that framework – were unable to mitigate the limited control of the principals in Amsterdam over their agents in Asia.[215] The findings of this chapter fit better with the arguments of Odegard, Nierstrasz, Grafe and Sgourey and Lent, that all point to the fact that the loyalty of the workforce was not solely – or even primarily –

[213] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, April 1650, fol. 169.
[214] North, Institutions,120. See also similar arguments by Carlos and Nicholas: Carlos and Nicholas, "Giants of an"414 – 419.
[215] Greif, *Institutions*, 289 – 295.

informed by the formal structure of the VOC and its formal sticks and carrots, but more so by hidden wage-structures and social bonds – such as family ties that – protected and gave access to such hidden wage structures – for example in the form of tolerating private-trade.[216]

At times the Governor General did not even increase the information asymmetries, but instead reduced them. For example, by providing the Gentlemen XVII with the information about the war with Surat and Persia. This was most likely done in part because he knew that the Gentlemen XVII would find out anyway. However, he also must have thought that he would get away with it. Or at least, the order of the principals in Amsterdam did not inhibit the Governor General from taking the decision to sent Barentsz off to wage war on Surat and Muslim traders. And although the Gentlemen XVII in the end decided it would be better to get rid of Cornelis van der Lijn as Governor General, the information exchange was so slow that it took them years to come to that conclusion. If Barentsz had for example pushed through on the decision to wage war on Surat the damage would have already been done. In essence, this shows that the ability of the VOC to limit information asymmetries to an extent that principal-agent problems could be overcome and therefore the ability of the VOC to lower transaction costs was in practice limited.

Nevertheless, there is more nuance to this story. One node of the information exchange still remains to be analysed: the exchange between Surat and Amsterdam. As Chapter 4 will show, the Gentlemen XVII could in part count on other agents in Asia than the Governor General and Council to reduce information asymmetries. Furthermore, directors of Surat like Arent Barentsz could use the competition between the centres of power – Amsterdam and Batavia – to their advantage. In the years under study here, that somewhat balanced out the information asymmetries that existed between the principals in Amsterdam and the agents in Batavia.

[216] Nierstrasz, "In the Shadow", 195 – 196. He also points to the fact that private trade was also a way for the VOC to have to avoid paying higher wages. Sgourey and van Lent, "Balancing Permission", 935, similarly point out that the loyalty of a workforce that was not paid very much, but nevertheless faced high mortality rates does not solely rely on wages, but also on the opportunity to enrich themselves in other ways. Odegard, "Agentschap Overzee", 472. He shows how family ties were an essential aspect of managing the VOC's agents and that access to private trade was a way of rewarding loyal company employees. See also Grafe, "On the spatial", 1 – 2.

Chapter 4: Connecting Surat with Amsterdam

This chapter will analyse the letter interactions between the director of Surat and the Gentlemen XVII in Amsterdam in the years 1647 – 1650. This chapter thus delves into the third and final node in the overall information stream within the VOC related to Surat. For this purpose, the letters written by the director of Surat to Amsterdam are used. No letters directly written to the director of Surat by the Gentlemen XVII and Surat were found for this period of time – although they do make mention of them in their letters to the Governor General and Council. The aim of this chapter is to answer the following question:

What do the letters written by the director of Surat to the Gentlemen XVII show about the principal-agent dynamics in the VOC?

Answering this question will add several things to the understanding of the role of information in the ability of the VOC to limit principal-agent problems across large distances. Firstly, it will add to our understanding of how large the information asymmetry was between the principals in Amsterdam and agents in Asia – in this case concerning the events in Surat - because the latter received information from the director in Surat as well as from the Governor General and Council in Batavia. Secondly, by observing the matters that the director of Surat shares with the principals in Amsterdam and by comparing them to the information that he shares with the principals in Batavia, potential gaps between the two can be spotted. Since the director in Surat had both the principals in Batavia and Amsterdam, these gaps could reveal more about the way in which information was management in order to control outcomes. In the end this also shows if having two competing principals to report to was beneficial or rather problematic for a director of a factory.

The next section delves into the information management concerning the decision by the Governor General and Council to go to war in Surat. The chapter ends with a discussion in relation to the theoretical point of departure presented in Chapter 1, Chapter 2 and Chapter 3.

Going Home, not to War: Agents with Multiple Principals

In Chapter 2 we learned that Arent Barentsz wanted to go home and that he was not inclined towards an armed conflict with the Moghul authorities. From the letters that he wrote to the Gentlemen XVII it becomes clear that he actively used his access to this channel of information sharing to influence the outcomes in a way that was beneficial to him. In fact, he turned to his principals in Amsterdam when he felt that the Governor General and Council wronged him or did not serve his interests.

The letters that the director of Surat sent to the Gentlemen XVII limited the ability of the Governor General and Council in Batavia to manage their information. Between 1647 and 1650, Arent Barentsz wrote three letters and Johan van Teijlingen wrote two letters to the Gentlemen XVII.[217] In these letters, they conveyed substantial amounts of information. This ranged from basic trade information such as when ships departed and with what cargo, to information about the politics with local authorities and the Governor General and Council in Batavia.[218] For example, in January 1647, Barentsz wrote that he was surprised about the advice of the Governor General and Council to withdraw

[217] Letters by Barentsz: NL-HaNA, 1.04.02, Inv. Nr. 1162, Arent Barentsz to the Gentlemen XVII, 26 January 1647, fol. 120 – 174; NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to the Gentlemen XVII, 11 January 1648, fol. 805 – 820; NL-HaNA, 1.04.02, Inv. Nr. 1170, Arent Barentsz to the Gentlemen XVII, 22 November 1648, fol. 889 – 896. Letters by Teijlingen: NL-HaNA, 1.04.02, Inv. Nr. 1170, Johan van Teijlingen to the Gentlemen XVII, 10 February 1649, fol. 897 – 908; NL-HaNA, 1.04.02, Inv. Nr. 1174, Johan van Teijlingen to the Gentlemen XVII, 31 January 1650, fol. 771 – 810.

[218] See for example NL-HaNA, 1.04.02, Inv. Nr. 1162, Arent Barentsz to the Gentlemen XVII, 26 January 1647, fol. 120 – 174. This letter which contains information about both trade logistics as well as the difficulty with Daniël van Massouw and the Governor General's inclination towards a potential war with the Moghul Empire.

all trade from Surat in order to subsequently start a war with the Moghuls in case the issue with Daniël van Massouw would not be resolved.[219] He continued to explain that he had indeed mentioned to the Governor General and Council that hostility and war may be the only way to get Daniël van Massouw, but that he meant it as a figure of speech.[220] The Gentlemen XVII used this information in a letter written in October 1647 to the Governor General and Council in which they re-emphasized that it was a bad idea to go to war.[221] This inevitably limited the room for the Governor General and Council to control the flow of information to the Republic: it was very clear to the Gentlemen XVII that if it were up to Arent Barentsz, this war would not be waged and therefore it is the sole responsibility and decision of the Governor General and Council. In other words, this communication channel meant that the information asymmetries for the Gentlemen XVII were smaller and therefore also the room for the Governor General and Council to avoid blame for their actions was also smaller.

This adds a dimension to the argument of Adams that agents with both political and trade power can capture the power of their principal: if the principal has lines of communication with different layers of the hierarchy, then the reduced information asymmetry can help in the management of agents that act like principals.[222] We learned in Chapter 3 that the Gentlemen XVII were against a war with the Moghul Empire and that the Governor General and Council did it anyway. We also learned that Cornelis van der Lijn eventually had to resign – even though this was more than a year after the fact – after his open protest against the Gentlemen XVII not giving him room to decide on war. This on the one hand showed the limited ability of the principals in Amsterdam to control their agents in Batavia – because the orders for the war were given by the Governor General and Council – but it also showed that there was some level of control: Cornelis van der Lijn did in the end resign. That directors like Arent Barentsz provided direct information to the principals in Amsterdam meant that the Gentlemen XVII were aware of the intentions of the Governor General and Council sooner and it limited the latter's room to hide intentions. This is an allusion to the point made by Odegard that negative news from for example Asia could undermine the support for an individual's tenure and that one way to avoid this is by controlling the flow of information to Europe.[223] In this instance, the flow of information between Surat and Amsterdam indeed contributed to undermining the support among the Gentlemen XVII for Cornelis van der Lijn's tenure.

Arent Barentsz also used this channel of communication with the Gentlemen XVII to insure himself against the Governor General and Council. This started in January 1648. Barentsz mentioned to the Gentlemen XVII that he would like be relieved from duty, but that the Governor General and Council did not get back to him about that.[224] It was also in this letter that he mentioned his twenty-one year long service to them as a way of invoking understanding for his desire to go home.[225] This was clearly an attempt by Barentsz to share information in a way that produced the outcomes that he desired. Sharing this information acted as an insurance in case the Governor General and Council did not go along with what he wanted: go home. Since the principals in Amsterdam knew about Barentsz's desire to go home, this limited the manoeuvrability of the Governor General to deny him that without the principals in Amsterdam agreeing to it. It has to be given that since the communication was so slow this would only act as an insurance later in time if it were necessary, but it was an insurance nevertheless. In this way, Arent Barentsz used this channel of information-sharing and hence his ability to partially take away

[219] NL-HaNA, 1.04.02, Inv. Nr. 1162, Arent Barentsz to the Gentlemen XVII, 26 January 1647, fol. 132.
[220] Ibid, fol. 132 – 133.
[221] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, October 1646, fol. 81.
[222] Adams, *Principals and Agents*, p.15.
[223] Odegard, Erik. "Conclusion: Forging Careers, Sustaining or Subverting Empire?." *Patronage, Patrimonialism, and Governors' Careers in the Dutch Chartered Companies, 1630–1681*. Brill, 2022. 240-251, there 245.
[224] NL-HaNA, 1.04.02, Inv. Nr. 1166, Arent Barentsz to the Gentlemen XVII, 11 January 1648, fol. 819.
[225] Ibid.

information asymmetries in order to make sure that his principals somewhat acted in accordance with the outcomes that he desired.

What is more, Arent Barentsz used his communication with the Gentlemen XVII to explicitly complain about the Governor General and his Council. In Chapter 2, it was shown that in April 1648, Barentsz decided on his own initiative to take a ship to Batavia and to leave Joost Diericq in charge of the factory in Surat.[226] In November 1648 – while Barentsz was in Surat with the fleet that was supposed to frustrate the Muslim shipping and block the port of Surat – he mentioned that he was very surprised by how he was received in Batavia.[227] Although he expected to be received with open arms, one because his time of service was up and two because he could tell them in person about the state of the situation in Surat, he instead felt betrayed by their reaction.[228] Upon his arrival, the gentlemen in Batavia blamed him for having acted out of arrogance and own interest to have come to them on his own initiative.[229] Even before his ship could dock, his possessions were confiscated and he was subsequently forced to justify himself to the Council of Justice.[230] He mentioned that being treated like this after years of loyal service was nothing short of defamation.[231] Nevertheless, he was sent away only a couple of days after his arrival in Batavia as commander of the fleet that was supposed to frustrate Muslim trade and block the port of Surat. This clearly put the Governor General in a negative light and it was exactly this kind of information that contributed to a limitation of the information asymmetries between the Gentlemen XVII and the Governor General and Council.

The Gentlemen XVII actually seemed to have been fond of Arent Barentsz and the way he handled his business. In March 1648, they wrote to the Governor General and Council that they were very satisfied with the service of Arent Barentsz and that – although they understood – they find it a pity that he desired to return to Europe.[232] In September 1648, they added that – given his status of service – Barentsz was allowed to take seat in the Council – although be it without concluding voting-right.[233] What is more, they wrote in to the Governor General and Council that they had received a letter from Arent Barentsz written in November 1648 in which he explained why he decided against waging the war on Surat. They complement him for this decision – because in their mind it is unwise to wage war against the Moghuls in the first place.[234] What all of this goes to show is that by his decisions as well as on the basis of the information that he had shared with them, Barentsz was able to make the Gentlemen XVII like him and by that look out for his interests to some degree.

All in all, what this section has shown is that agents like Arent Barentsz actively managed their information in order to generate desirable outcomes. In this case, this meant that he provided information to the Gentlemen XVII that in turn somewhat reduced information asymmetries on their end. Although this was probably driven more by opportunism than by an internalization of the rules of behaviour of the company, this does illustrate that the presence of two centres of power that compete for decision-making power – such as Batavia and Amsterdam – can help in the reduction of information asymmetries. This in turn shows that in order to properly understand principal-agent dynamics in the VOC it is vital to study the way in which information is managed by both its principals and agents.

The next section will place these insights in the larger context of the theoretical point of departure presented in Chapter 1 and the insights provided by Chapter 2 and 3.

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[226] NL-HaNA, 1.04.02, Inv. Nr. 1168, Arent Barentsz to Joost Diericq, April 1648, fol. 580.
[227] NL-HaNA, 1.04.02, Inv. Nr. 1170, Arent Barentsz to the Gentlemen XVII, 22 November 1648, fol. 891 – 892.
[228] Ibid., fol. 891.
[229] Ibid.
[230] Ibid., fol. 892.
[231] Ibid.
[232] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, March 1648, fol. 105.
[233] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, September 1648, fol. 123.
[234] NL-HaNA, 1.04.02, Inv. Nr. 317, Gentlemen XVII to Governor General Cornelis van der Lijn and Council, September 1649, fol. 153.

Discussion

This chapter has shown that Arent Barentsz shared information with the Gentlemen XVII that he did not share with the Governor General and Council. He used his information-sharing with them to pursue his own interest. In practice, this meant that he was happy to complain to the Gentlemen XVII about the Governor General and Council in cases in which he felt treated unfairly. In doing so, he limited the information asymmetry of the Gentlemen XVII about the course of events in Asia.

The fact that an agent like Arent Barentsz reported to two centres of power and therefore had two principals, affected the principal-agent dynamics in the VOC. It balanced out the otherwise large amount of control of the Governor General and Council over the activities in Asia as well as the information leaving Asia. Without the reports of Arent Barentsz – who actively tried to vouch against war in the waters of Surat – it would have taken longer for the Gentlemen XVII to figure out what the Governor General and Council were up to. Furthermore, in expressing his disdain about the way he was treated, Barentsz further illuminates things about the modus operandi of the Governor General and Council. This information influenced the way the Gentlemen XVII speak to the Governor General and Council in their letters, because in referencing the letters of Arent Barentsz they for example formulated the explicit order not to go to war with the Moghuls and Persians. On the one hand, this shows that agents in the factories could in theory balance out some of the information asymmetries. On the other hand, this was also an opportunity for agents like Arent Barentsz to produce desirable outcomes in case either of his principals was not acting in line with his own interest. Although this might have come more from a place of opportunism than a place of sincere care for the rules of the organizational structure of the VOC, this does illustrate that the process of information management and the behavioural regularities in that regard were at minimum geared towards limiting the information-asymmetries and controlling agents across large distances. This pattern has somewhat in common with the pattern described by Adams and Wezel and Ruef, in which options for desertion or access to an alternative power structure can be used by an agent to defy a principal.[235] In a way, in cases where the principals in Amsterdam were not aligned with the principals in Batavia, an agent like Arent Barentsz would have access to an alternative source of protection and thus more room for agency: he could rely on the Gentlemen XVII to partially defend his interests. In essence this shows that – even though it was at times maybe the result of agent opportunism – that there was definitely power exerted from the principals in Amsterdam that caused important information to be shared with them and agents to align with their interests. The flow of information between Amsterdam and Surat is then an illustration of the fact that there were indeed control systems in place that were aimed at limiting opportunistic behaviour.[236]

However, fact still remains that this aspect of the information flow within the VOC's organisational set-up was not enough to prevent principal-agent problems. Chapter 3 showed that the Governor General still gave the order to go to war in spite of the orders of the Gentlemen XVII not to do that. This Chapter and Chapter 2 showed that Arent Barentsz also used the existing information asymmetries for his own interest. Although Barentsz shared information about the looming war in Surat with the Gentlemen XVII and thus reduced the information asymmetry, the orders to go to war had already been given by the time most of those letters containing that information arrived in Amsterdam. If Arent Barentsz had indeed followed the orders of his principals in Batavia closely, war with the Moghuls and Persians would have ensued and there would have been very little that the Gentlemen XVII could have done about that. This means that the ability of the VOC organisational structure to reduce

[235] Wezel and Ruef, "Agents with Principles", 1009 – 1011. Adams, "Principals and Agents", 13 – 15.
[236] Carlos and Nicholas, "Giants of an", 418 – 419. It also speaks to arguments of North and Greif that institutions were important factors of in enabling long distance trade because they created the enforcement mechanisms necessary to create the behavioural regularities conducive to trade. See North, *Institutions*, 120 and Greif, *Institutions*, 289 – 295.

information asymmetries, limit transactions costs and manage its agents across the large distances was limited to an extent that costly and quite fundamental activities like war against order could not be fully prevented. All in all, this supports the observation by Jonas and Ville that institutions often did not produce the desired outcome and thus that solely looking at institutions for explaining particular outcomes is incomplete.[237] Instead, agents of the VOC were very much influenced by personal interest and pursued this beyond the officially sanctioned channels of the VOC. For example by engaging in private trade, embezzlement or by ignoring orders about going to war. This in turn gives credit to the historiography that considers other factors than the formal institutional framework to explain agent behaviour, such as Odegard's emphasize on the importance of family ties and a hierarchy based on private-trade access and Meersbergen's emphasize on middlemen and cross-cultural distrust.[238]

[237] Jones and Ville, "Efficient Transactors", 901.
[238] Odegard, "Agentschap Overzee", 472. Meersbergen, *Ethnography*, 113 – 114.

Chapter 5: Conclusion

This thesis has tried to find out what the exchange of information within the VOC between Surat, Batavia and Amsterdam in the period 1647 – 1650 showed about the ability of principals to control agents in geographically dispersed areas. This research is positioned in a debate about the ability of the VOC to lower transaction costs by overcoming principal-agent problems across the large distance between Europe and Asia. The analysis of the exchange of information between Surat, Batavia and Amsterdam has shown that although the organisation of the VOC – and its rules and established hierarchy – succeeded in creating behavioural regularities in information-sharing that were conducive to trade, it did not necessarily lower transaction costs and still dealt with information asymmetries that were significant enough for agents of the VOC to pursue their own interest at the cost of the interest of its principals. Several observations in light of the historiography presented in Chapter 1 deserve further elaboration below.

First, it has been demonstrated that the VOC dedicated significant resources towards the management of information that helped in the conduct of trade. In the period under study, hundreds of pages of letter were sent between the director of Surat, the Governor General and Council in Batavia and the Gentlemen XVII in Amsterdam. These letters contained substantial information on the prices of commodities, the logistics of trade and the dealings of competitors. This for example allowed the directors of Surat to make relatively informed decisions about the purchase of indigo for markets in Europe. North pointed out that conditional for trade is the ability to assess 'the necessary attributes' of the traded commodity, because this lowers the risk of purchasing an item to a reasonable degree.[239] The behavioural regularities of sharing extensive information about the attributes of traded commodities – such as costs, selling prices, supply opportunities and competition – were present in the VOC. This was not perfect: these letters were sent in badges that at times took years to arrive. However, given the technological constraints at the time, the level of information sharing within the VOC was significantly valuable: Joost Diericq could make an informed decision in 1648 not to buy more any more indigo. This is also in line with the arguments of Carlos and Nicholas that part of the added value of a joint-stock company was in its ability to equate supply of foreign goods with demand in Europe.[240]

Second, this thesis has shown that it is not immediately evident from the exchange of information that the VOC was able to lower transaction costs through limiting principal-agent problems. North proposed that institutions were vital in resolving the control of agents in distant theatres.[241] Greif confirmed the importance of institutions in enabling long-distance trade and for example showed that Genoese merchants had institutions that were successful in limiting cheating to an extent that transaction costs were low enough to engage in long-distance trade.[242] These propositions may hold to a certain degree within the context of inter-European trade – which happened across much shorter distances than the trade with Asia. However, this thesis has shown that the VOC was in many ways unable to control its agents in Asia. Directors, Governor-Generals and other officers did not only come back with vast amounts of wealth – far exceeding the amount of money they would have been able to bring back through officially sanctioned channels – but also ignored orders in plain sight. In 1648, the Governor General and Council for example gave Arent Barentsz the order to go to war in Surat – even though the Gentlemen XVII had explicitly forbidden such actions. This speaks directly against the arguments of Carlos and Nicholas that joint-stock companies like the VOC were able to devise effective instruments for principals to control its agents.[243] Although the letter exchanges between Arent Barentsz and the Governor General and Council testified of a tradition of accounting that is similar to observations made by Stein about medieval Holland, agents were also informed by alternative incentive structures that were in direct competition with the orders of principals in Amsterdam. Practices of private trade beyond

[239] North, *Institutions,* p.29 – 30.
[240] Carlos and Nicholas, *Trading Copmanies,* p.418.
[241] North, *Institutions,* p.120.
[242] Greif, *xxx,* p.289 – 295.
[243] Carlos and Nicholas, *Trading Companies,* p.414 – 419.

tolerated amounts was common and one of the main sources of conflict between Governor General Cornelis van der Lijn and the Gentlemen XVII. This speaks to the arguments by Odegard that family or other social ties were and essential aspect of managing VOC agents and that private trade was in turn an unofficial way of rewarding loyal company employees – although this meant in practice that employees were inclined to further family interest rather than company interest.[244] Furthermore, since waging war with the Moghul empire was expensive – representing a substantial transaction cost – the fact that it was hard for the Gentlemen XVII to prevent this from happening further indicates that the organisation of the VOC was limited in lower transaction costs by controlling agents.

Third, the exchange of information analysed in this thesis illustrates that the VOC was not necessarily able to lower transaction costs by being able to enforce its contracts in distant theatres. North asserts that institutions were essential in overcoming the fundamental problem of enforcing contracts in distant theatres.[245] More accurate is the concept of the costly 'balance of blackmail' proposed by Ashin Das Gupta.[246] The governors of Gujarat were sometimes reluctant to enforce imperial decrees, and in order to stop this it was perceived necessary by the Governor General and Council to make substantial investments in diplomacy and at times war or the threat thereof – as was illustrated by the decision of the Governor General and Council in 1648 to block the port of Surat and frustrate the shipping of Muslim traders. This gives more credit to the argument of for example Jones and Ville that the VOC's form of trade management was opted for because a permanent capital basis was the best way of appropriating and sharing rent in an environment that required traders to withstand significant competitive pressure, not because it lowered transaction costs.[247] This is also in line with the argument made by Gelderblom et al. that the institutional innovations of the VOC were the result of experimenting with various solutions to practical issues that the company ran into after attempting to organise profitable long-distance trade.[248]

Fourth, the fact that the VOC was not able to fully control its environment also limited its ability to control its agents. Employees Daniël van Massouw and Dirk Jaarsvelt embezzled too much money and were to be put on trial, but the VOC was unable to do so because they converted to Islam and subsequently sought protection from local governors in Gujarat and Persia. This is in line with arguments made by Adams that alternative networks to the VOC take away a barrier to break company rules: if they get caught they can seek refuge elsewhere.[249] Although it must be said that neither Daniël van Massouw and Dirk Jaarsvelt was able to return to Europe and both of them died in Asia, their case still shows that the VOC run into trouble enforcing its rules in a context that they did not control. This speaks further against the argument of North and Carlos and Nicholas that the VOC was able – by nature of its institutions and incentive structure – enforce its rules and control its agents in distant theatres.[250]

Fifth, the principals in Amsterdam reduced their information asymmetry in relation to the agents in Batavia by keeping open information channel with lower layers in the hierarchy. As Odegard pointed out, negative news from for example Asia could undermine the support for an individual's tenure. This meant that controlling the flow of information to Europe could prevent an undermining of support.[251] That directors like Arent Barentsz provided direct information to the principals in Amsterdam meant that the Gentlemen XVII were aware of the intentions of the Governor General and Council sooner and it limited the latter's room to hide intentions. In this instance, the flow of information between Surat and Amsterdam indeed contributed to undermining the support among the Gentlemen XVII for Cornelis van der Lijn's tenure.

[244] Odegard, "Agentschap Overzee", 472.
[245] North, *Institutions,* 120.
[246] Das Gupta, *Indian Merchants,* 494.
[247] Jones and Ville, *Efficient Transactors,* 899 – 900.
[248] Gelderblom et al., *The Formative Years,* 1050.
[249] Adams, *Principals and Agents,* 13.
[250] North, *Institutions,* p.120; Carlos and Nicholas, *Trading Companies,* 414 – 419.
[251] Odegard, "Conclusion: Forging", 245.

Finally, since information asymmetries were the root cause of the principal-agent problem, agents had an incentive to actively manage the information that they shared and agents shared information in accordance with their own interests where possible. North made the argument that an agent that can derive benefit from information asymmetries also has a clear interest in concealing information.[252] This thesis has shown the slowness of communication in combination with lying was used by the Governor General and Council to push their own agenda: Cornelis van der Lijn pretended to know nothing about the excessive practices of private trade, even though participated in them himself. Thus, since principals were reliant on agents truthfully reporting information while those very agents had an incentive to conceal information to their own benefit, the flow of information – and the active management thereof – is an essential aspect of understanding principal-agent dynamics.

The conclusions of this thesis to pertain however to an area of operation that the VOC did not fully control. It would be interesting to see how the flow of information was managed by agents of the company in areas that were monopolized by the VOC in future research. However, these findings in this thesis do have several implications for the historiography pertaining to the VOC, as well as the literature dealing with principal-agent problems and the impact of institutions on historical outcomes. First of all, they illustrate the importance of studying the flow of information – and the active management thereof by agents – for understanding the effectiveness of institutions in producing particular intended outcomes. The extent to which agents can be controlled is to a significant degree conditioned by the presence of information asymmetries, which in turn emphasizes the importance of the management of information in understanding outcomes produced by institutions. Secondly, the significant room for agency in the early-modern trade companies – such as the VOC – underlines the importance of context-specific historical study for understanding outcomes in the social world. Finally, this thesis has shown that many of the outcomes produced by the VOC in Asia were a result of its agents and the dynamic context within which they operated, rather than merely its institutional set-up. In other words, since institutions often did not produce the outcomes that they were intended to produce, their explanatory power of the course of events in seventeenth-century trade history is also limited.

[252] North, *Institutions*, 30.

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