PRINCIPALS AND AGENTS, COLONIALISTS AND COMPANY MEN: THE DECAY OF COLONIAL CONTROL IN THE DUTCH EAST INDIES*

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Patrimonial states and their chartered East India companies propelled the first wave of European colonialism in Asia during the seventeenth and eighteenth centuries. The metropolitan principals of these organizations faced special problems in monitoring and controlling their own colonial agents. Focusing primarily on the Dutch United East Indies Company and secondarily on its English counterpart, I argue that the network structure of each organization affected the degree to which relationships between patrimonial principals and their agents could serve as a disciplinary device. Dutch decline was imminent when alternative opportunities for private gain, available via the ascending English East India Company, allowed Dutch colonial servants to evade their own patrimonial chain and encouraged its organizational breakdown. Features of network structure determined whether colonial agents saw better alternatives to the official patrimonial hierarchy, when they could act on them, and whether principals could respond.

"O! when degree is shak'd,
Which is the ladder to all high designs,
The enterprise is sick."

—*Shakespeare,* Troilus and Cressida

The famous, or infamous, pioneers of the first wave of European colonialism never tired of asserting that the project of colonial domination was a difficult and precarious one, requiring the "strongest power on water and land," in the words of Jan Pieterszoon Coen, an early Governor-General of the Dutch East Indies (Coen [1620] 1919:554). Subjugating indigenous populations and overcoming metropolitan and colonial competitors were central challenges, of course, although they could be taken too far, even from the colonialists' perspective. For, as Coen's metropolitan critics reminded him, "there is no profit at all in an empty sea, empty countries, and dead people" (quoted in Meilink-Roelofz 1962:232). Within these not unimportant limits, however, colonialists also faced dilemmas inherent in their own organizational structures; it is this complex of issues that is highlighted here.

I argue that network structures mediated principal/agent relationships among early modern European colonialists. The capacity of principals in Europe to control their agents in the colonies depended on specific structural relationships—simultaneously political and economic—that bound them together. In the Dutch case, the principals first disposed of resources that the agents required, and agents lacked viable alternatives to the network channels that linked them to the Netherlands. But a seismic shift in that opportunity structure opened the way for heightened principal/agent problems and undermined group discipline, contributing to the demise of Dutch hegemony and the rise of the English empire in the eighteenth century. This was clearly an outcome of global historical

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importance and one that illustrates the importance of network structures in epochal social change. The story of early modern European colonial enterprise should interest social theorists as well as students of the past on other grounds as well: It reveals both the potential fruitfulness of principal/agent models for comparative historical sociology and the need to better specify these models systemically and historically.

WHY THE NETHERLANDS? SETTING THE SCENE

In its first, triumphant, phase, the seventeenth-century Golden Age (*Gouden Eeuw*), the Netherlands established an unprecedented position of world power. Dutch developments during this period illuminate the general character of the first wave of European colonial enterprise. The basic structure of early modern European colonialism was created when merchant capitalists and their home states joined together to charter large-scale monopoly companies aimed at global commercial and imperial dominance. The Dutch pioneered key aspects of the chartered company form with the foundation of the United East Indies Company (*Vereenigde Oost-Indische Compagnie*, or VOC) in 1602. The VOC merged individuals' assets into a single permanent ongoing enterprise, and was invested with sovereign rights over foreign territory and vassals. Chartered companies were quintessentially patrimonial forms, conjoining economic and sovereign political goals at the behest of the ruler's personal discretion.[1]

Once launched, the VOC soon became an organizational template for other metropolitan merchants and rulers, inspiring, among others, the English East India Company and the many French *Compagnies des Indes Orientales*. It remained one of the most successful of the many hybrid colonial enterprises whose licensed mercantile ambitions and fields of operation spanned the globe, ranging from the spice and cloth trades of Indonesia and India, to the Brazilian sugar industry and the African slave trade. Thus the Dutch case is indispensable for sociologists—a key to our understanding the formation of the global colonial system in the seventeenth century and clarifying the causal factors that made for organizational success in that system.

We can also investigate factors that led to failure and systemic transformation. By the end of the eighteenth century, the close of the Dutch *ancien regime*, the patrimonial structure was severely strained. It soon gave way altogether. In the metropole, the European center of the global colonial system, it was replaced by differentiated profit-making enterprises, twinned with a power-wielding state. In the colonies, the developmental story is not so neat. A cursory glance at the post-Company situation in Indonesia, the central pillar of the Dutch empire, reveals new and unstable modes of colonial domination. But there also, *ancien regime* styles of accumulation and rule were displaced, and Dutch colonialism moved away from Company rule and toward a more bureaucratic, socially interventionist system.[2]

Clearly, exogenous shocks played a part in the sagging performance and ultimate collapse of the partnership between the Dutch state and the VOC. Particularly salient were the growing economic and military power of other metropolitan state-company duos and the collapse of social formations indigenous to so-called colonial target areas. Metropolitan Dutch developments were also important. Here, I treat these processes as external pressures and opportunities, bracketing their causes analytically, in a kind of "thought experiment." The empirical questions I address are: What endogenous developments undermined the Dutch colonial system? To what extent, in particular, was the troubled relationship among colonial rulers themselves a problem? How did these internal processes

[1] On the concept of patrimonialism, see Weber ([1922] 1968, especially pp. 1006–1007, 1010–15, 1022–23, 1028–31).

[2] I follow conventional historical practice by designating 1795 as the end of the Dutch *ancien regime*. In that year France invaded the Netherlands and set up a client state that lasted until 1815. Schama (1977) provides the comprehensive English-language account of this period in the metropole. In the East Indies, the remnants of the VOC limped along until 1806, the onset of a 10-year, mainly English, interregnum (1806–1816). From 1816, the Dutch state assumed sovereignty over the VOC's Indies territories.

link up with external constraints and opportunity structures, especially the appearance of alternative (non-Dutch) channels of patrimonial authority?

That these questions remain genuine puzzles is partly due to gaps in the available historiography. The period of decay and reconstruction of colonial power, particularly the late eighteenth and early nineteenth centuries, is one of the least researched eras in the history of the "Greater Netherlands," perhaps because it pales in comparison to the glittering Golden Age. Yet it spans the crucial transformation from a fundamentally commercial empire, flowering under the patrimonial protection of the Dutch East Indies Company, to the less extensive but vastly more penetrative combination of colonial state and system of forced cultivations and extractions that replaced Company rule in Indonesia.[3]

PRINCIPALS AND AGENTS IN PATRIMONIAL SYSTEMS

The organization of early modern European colonialism in general, and Dutch colonialism in particular, was an ambitious effort to accumulate capital and project power abroad. As such, it involved several levels of agency relationships, ties that may be said to exist "when a principal delegates some rights . . . to an agent who is bound by a (formal or informal) contract to represent the principal's interests" (Eggertsson 1990:40–41). Expansion by means of extending and multiplying agency relationships was a two-edged sword. While it promised gains in the principal's efficacy and reach, it also created problems of monitoring agents' activities and enforcing compliance through sanctions. Following Simon ([1947] 1961) and Williamson (1975), I begin by assuming that both principals and agents tend to act in intendedly rational fashion, and opportunistically, to advance their own individual gains (exogenously specified). If social actors see an attractive opportunity, they will pursue it, even if they must contemplate guile. "Promises to behave responsibly that are unsupported by credible commitments will not, therefore, be reliably discharged" (Williamson 1991:92). Whence the principal's problems with its agents, and the need for incentives and sanctions. I am provisionally working, then, from within that branch of utilitarian theory that views information gaps and enforcement problems as consequential to the analysis. Later in this paper, I will problematize these essentially rational-actor assumptions. But for the moment, the discussion assumes that they hold.[4]

Certain organizational arrangements can help minimize the problem. Principals will be drawn to any arrangement that makes agents easier to check up on, that brings agents' aims more closely into line with theirs, that increases agents' dependence on them, that decreases collusion among agents, and that enables the principal to mete out rewards and punishments to maximum effect. On one end of the spectrum of organizational options lie command structures, or hierarchies, which tend to lend continuity and stability to ongoing enterprises; on the other, ideal-typical contracts, which promise greater flexibility. The two types are best seen as poles bracketing a continuum that includes many forms of contractual hierarchies or hierarchical contracts.[5] Furthermore, these

[3] I use the term "Indonesia" anachronistically, since no single nation-state existed during the period under examination. Nor did "India" or "the Indies" have exact geographical referents; from the western European vantage point, these words referred vaguely to the lands east of the Cape of Good Hope and west of the Azores.

[4] Major texts in the rational-actor tradition that deal with early modern European societies include Ekelund and Tollison (1981), Kiser and Tong (1992), Levi (1988), North (1981), and Root (1987). Greif's (1994) and Thomson's (1994) important contributions to these discussions were published when this article was in press. See Gould (1992) for a compelling criticism of the utilitarian theoretical foundations of recent sociological appropriations of economic theory.

[5] Starting with Coase (1937), who initiated these debates, a vast literature has developed, largely founded on a stark contrast between markets and hierarchies (on this and related issues, also see Eggertsson 1990; Stiglitz [1987] 1989; and Williamson 1975). I define a contract as an agreement between persons or firms that governs an exchange, and a hierarchy as a structure embodying relations of authority and subordination. White (1985) and Stinchcombe (1990) argue that these two ideal types should be treated as endpoints on a conceptual continuum.

arrangements may be complexly and imperfectly articulated: One of the arguments in this paper is that vulnerable command structures may be strengthened when they are complemented by, and rest upon, certain types of tacit contractual supports—and weakened when they do not.

Patrimonial systems embody several special twists to the relevant principal/agent relationships—two are important here. First, the substantive content of roles and ties is multivocal. That is, key agents were delegated multiple and interrelated organizational goals, including what we think of as economic ends (extracting surplus resources and making profits), as well as the coercive goals of maintaining and extending sovereign reach. The top Dutch colonial agents were, by virtue of their singular positions, simultaneously traders and rulers. The metropolitan principal therefore faced the ticklish task of strengthening the power of these agents to insist that surplus pass through the restricted set of nodes leading back home, while making sure that wily agents did not evade that patrimonial chain for their own ends. Thus patrimonial principal/agent ties present more complexities than the employer/employee or manager/worker relationships in capitalist firms with which most contemporary principal/agent models are preoccupied. Managing patrimonial agents was always a political and economic quandary, requiring multivocal organizational innovations if colonial rule were to remain in place.

The second twist derives from the multiple headship of patrimonial systems and the varying degrees to which the principals' goals are integrated with one another. In the broadest sense, patrimonial systems in early modern Europe were dual ones, in which a ruler (or rulers) and state-sponsored corporations jointly carried out systemic political tasks and shared the prerogatives of sovereignty. Policy was severally steered by monarchs or (in the Dutch case) stadholders and by the corporate elites of the urban, provincial, and national estates.[6] This duality was structurally unstable, as monarch and corporate elites strove to subordinate one another. When one side was relatively successful, patrimonial governance veered toward a unitary, one-headed system of rule. But the practice of consolidating and extending rule by delegating sovereignty ensured that patrimonial systems continually threatened to parcellize into multiple, segmented headships. Colonial systems, in which the capacity to exercise military force devolved down to agents, were particularly liable to fragmentation because agents could more easily generate the power to act as principals and thus as competitors to their own principals. This tendency gave another turn of the screw to the daunting task of managing patrimonial agents.

Like other European patrimonial states, the early modern Netherlands exemplified these two endemic characteristics: multivocal roles and parcellized power. A few remarks are in order regarding the latter feature, particularly with respect to the relationship among the metropolitan principals. Elsewhere I have argued that potential governance problems were minimized at the outset of the first wave of European colonialism, circa 1600, by the Netherlands' special brand of estatist patrimonialism, which helped make the Dutch the most successful players in the Asian mercantilist game (Adams 1994). The Dutch metropolitan state and the VOC were segmented in corporate bodies dispersed throughout localities and provinces, but these bodies were controlled by members of a hereditary patriciate—a merchant-regent elite. (The patriciate, particularly those based in Amsterdam, also controlled the navy, the "last instance" military backup for Company ventures.) The stadholders were marginalized throughout the era of Dutch commercial hegemony (1602 to 1672). Thus the relationship between the corporate state and the small VOC directorate, the *Heren XVII* (the Seventeen Gentlemen) was relatively harmonious. Both drew their members from the same regent patriciate, and in fact many

[6] Each of the Dutch provincial States appointed a stadholder (often, however, the same individual). Dutch stadholders were at one time like provincial governors, but the stadholderate became more powerful after the Netherlands had asserted independence from Habsburg Spain in the late sixteenth century. Rowen (1988) describes the early modern stadholderate, which quickly became the de facto patrimonial possession of the House of Orange-Nassau and assumed some of the substance and trappings of monarchy. There were two stadholderless periods in the Dutch Republic, 1650 to 1672 and 1702 to 1747.

men held positions in both bodies. The VOC was basically a one-headed organization during this period, a signal advantage when the Netherlands' leading European competitor, England, was saddled with a political system torn between the crown and the patrimonial elite in Parliament. In England, this split encouraged conflict among contending principals in the metropolitan wing of the English East India Company (EIC).

A quick juxtaposition with the then two-headed EIC should clarify the relative advantages of the Dutch situation. The English Company merchants saw crown patronage and exercize of royal prerogative as essential but dangerously unpredictable. And for good reason: James I licensed rival traders (for a fee) to the East Indies in 1604 and 1617, against the charter the crown itself had given the EIC in 1600. The Company was forced to compensate the new contenders, and thus indirectly the crown, to resecure its monopoly. Charles I similarly authorized Sir William Courteen to set up a rival company in 1632 to trade to Goa, Malabar, China, and Japan. The struggle between the EIC and the Courteen company lasted for several years, severely weakening the EIC abroad. Thus, in England, monarchs routinely violated Company trust, while the Parliaments of the day suspected the EIC of royalism and doubted the legality of privileged monopoly companies *tout court* (Hill 1961:37–42; Brenner 1993:170–81).

The EIC stayed afloat and navigated the Scylla and Charybdis of ruler and estates (unlike some of the French companies, for example), but only with difficulty. Episodic contention between the Crown and Parliament, the two putative heads of international commercial/colonial policy, continued to undercut the Company's ability to enforce its monopoly and to hold together its own merchant sponsors. The EIC's prospects improved under Cromwell, whose 1657 charter, modeled on the VOC's, endowed the EIC with its first permanent joint stock organization. This arrangement was reaffirmed by Charles II after the Restoration. But the backwash of the metropolitan struggle between monarch and estates continued even beyond the Glorious Revolution of 1688.[7]

Two- or multi-headed organizations can perform well under certain circumstances. Business partners in a competitive capitalist firm share residual claims on the firm's profits and are thus constrained to cooperate because of their shared bottom-line goal. They may also be disciplined by the economic environment: All else being equal, a capitalist firm will presumably go bankrupt if it fails to perform efficiently, since it is competing with other firms.[8] But patrimonial principals in early modern Europe enjoyed much more social latitude for nonoptimizing behavior. Even when engaged in joint enterprises, they were wont to aim at goals that were contingently compatible at best (the monarch seeking territorial aggrandizement and members of the estates pursuing mercantile profit, to put one common situation crudely). Call it the "Hydra Factor": The multiple heads or principals lacked institutional mechanisms to resolve the resulting uncertainties and infighting.

This factor influenced the comparatively gradual consolidation of the EIC. Although the English and Dutch companies were launched within two years of one another, the English company was much slower to develop an organizational identity and permanent capital. The leisurely rhythm of company development was also imposed by the EIC's inability to best the Dutch in the Spice Islands. The EIC was pushed back onto the Indian subcontinent at a very early stage, where it expanded more slowly. From 1600 to 1610, when the VOC sent 76 ships to Asia, the EIC sent only 17; from 1610 to 1620 the respective figures are 117 and 77; from 1620 to 1630, 141 and 58; from 1630 to 1640, 157 and 59; and from 1640 to 1650, 164 and 75 (Gaastra and Bruijn 1993:182). These figures register the lower initial capitalization of the EIC and the po-

[7] Prior to 1657, when the EIC's joint stock was made permanent, overlapping syndicates caused further confusion of accounts and authority (see Chaudhuri 1965:40 and Brenner 1993). Conflict between metropolitan principals reverberated until 1708, when a rival English East India Company (created during one particularly heated period of struggle) merged with the original EIC, healing the split and ending the conflict.

[8] Firms may have market niches that enable them to avoid direct competition, but they are nonetheless vulnerable to flights of venture capital. See Williamson (1975:185, 201).

litical troubles that beset it during the sharpest disaccord between Crown and Parliament.[9]

In contrast, the Dutch Company thrived from early on. During the era of Dutch hegemony (1600 to 1672), the VOC turned a profit without receiving direct economic inputs from the States-General or other metropolitan state bodies. The Company ploughed profits back into its own coffers, while typically paying a 10-percent-plus annual dividend to shareholders after 1630 and passing along money to the state, such as the 1.5 million guilders it paid the States-General in 1647 for the renewal of its charter until 1672 (De Korte 1984:6). In return, the States-General staunchly supported the VOC's monopoly privileges (Algemeen Rijksarchief 1.01.07 #1235, #1237, #1244; Israel 1989:103; Elias 1923:39–44). In addition, the VOC proved able to offer its home state a backup naval force, which pressed the Iberian empire in the East and helped force Spain to negotiate a truce, and eventually a permanent peace, with the Netherlands.

So far I have focused on the metropolitan pole of colonial rule, concentrating on the period in which its patrimonial organization was launched. As the colonial system got underway and state-sponsored corporate bodies like the chartered companies took off, the relationship among metropolitan principals became more adversarial. The VOC in particular could act as a state within a state—so various Dutch regents complained, or exulted, depending on whether they controlled one of the coveted directorships. But the Seventeen Gentlemen were also the principals of the Dutch East Indies Company, and in that role they confronted the intractable independence of their own colonial agents. Governor-General van Riebeek, head of the VOC's East Indies operation, put this in a nutshell when he chided his metropolitan superiors in a 1714 letter: "The Gentlemen in the Fatherland decide things as they see fit, but we do things here, as we best understand and decide them" (quoted in Gaastra 1991:68).

[9] For details on the Dutch elimination of the English in the Archipelago in the 1620s, except on VOC sufferance, see Furber (1976:38–42).

THE DUTCH EAST INDIES COLONIAL HIERARCHY

At the outset of the colonial project, the nuts and bolts of the Dutch East Indies system worked as follows. The Seventeen Gentlemen would send two to three Company fleets a year to their main outpost in Indonesia—Batavia (present-day Jakarta in Java). These fleets carried goods and precious metals for trading, men to replenish the colonial servants (who were continually dying off), and instructions to the colonial government. Each trip took between seven and nine months each way, sailing via the Cape of Good Hope to Batavia and back. Once unloaded in Indonesia, the materials, men, and instructions fell under the jurisdiction of Batavia's top colonial agents: the members of the Indies Council and its chairman, the Governor-General, together known as the High Indies Government (Hoge Regering). These agents, or company servants, as they were called, would then dispense the cargos to the lower rungs of the colonial hierarchy.[10] These lower levels included the VOC's roving merchants and its settlements and "factories" (*factorijen*).

Of particular interest here are the topmost agents in Asia—approximately 100 Company merchants, factory heads, and men in the highest positions in the High Indies Government—that VOC records counted as the decision-making elect in the late seventeenth century.[11] Their numbers were a drop in the bucket compared to the 13,000 Company servants in Asia at the end of the 1600s or the 25,000 a century later, but most of these lesser servants were sailors and soldiers who had virtually no chance of rising in the hier-

[10] Gaastra (1991) offers the best overall review of VOC politico-economic organization. For general discussions in English, see Arasaratnam (1986), Boxer (1965, 1979), Furber (1976), and Israel (1989). My discussion of the trade cycle draws on all these texts.

[11] Contemporaries estimated the number of top Dutch servants at 1-15 in 1688 (Gaastra 1991:94). The number of English servants was also small. "By 1799, the total number of the English company's civil servants had only reached 748—Bengal had 351, Madras 202, Bombay 101, Benkulen 55, St. Helena 19, China 20" (Furber 1976, note 13:374).

archy to occupy major decision-making positions, notwithstanding popular Horatio Alger–style tales of humble cabin boys ascending through VOC ranks to the post of Governor-General.[12]

From Indonesia, VOC merchants and their assistants transported some of the incoming specie and goods to India, Japan, Persia, and eventually China. Since there was little demand for European commodities at this early stage of imperialism, precious metals, both in bar form and in specie (coin), played an important role in this trade. In China, for example, the VOC sold silver imported from Europe and invested the profits in Chinese silk. The silk was then shipped to Japan and traded for gold and copper. The gold and copper were exchanged for textiles in India. Buying cheap and selling dear was a fundamental source of VOC profits, not simply at the endpoint of the European staple market, but at every stage along the way.

The VOC had fully 30 factories in the East Indies by the end of the seventeenth century. These were not factories in the modern sense, of course; they were points of collection for goods from specific local trades and organizing nodes for exercizing control over prevailing production relations. On Ceylon and the Moluccan islands, VOC factors organized extraction within coerced tributary relations. There spices were the commodity in question; cloves, nutmeg, cinnamon, and mace composed the heart of the monopoly. The VOC later applied this schema to coffee-growing, which it engrossed in Batavia's hinterlands, after they were "pacified" in the 1680s. In other factories, the Company did not function in this feudal-lordly fashion, but instead ordered goods on consignment from indigenous merchant/brokers, to be delivered at piece rates. This was the case in the factories in India, where the VOC bought local textiles. Finally, some goods, like Chinese tea, were delivered by means of inter-merchant contacts in Batavia.

Once appropriated, the Indies goods would pass through Batavia, to be shipped back to the Netherlands on one of the large, armed, return fleets. On arrival, the return cargoes would be held in VOC warehouses until the time came for the Company's periodic and highly profitable auctions, releasing the goods to the European market. Some of the monies realized would then be allotted for organizational running costs, some for shareholder dividends and directors' cuts, while the rest was ploughed back into expanding the Company capital. The whole trade cycle, from the original investment decisions to the final realization of profits, stretched over two years—more if one takes into account the ultimate source of the specie, which was not in the Netherlands, but derived from the Americas and Japan.[13]

The trade cycle was also fraught with uncertainty. The genius of the VOC lay in the novel steps it took to reduce risk. On the one hand, the unprecedented scale of its capital base and operations enabled it to manage supply and demand, and to cut out traditional middle markets that had raised a whole series of intermediary risks (Musgrave 1981). One striking aspect of the Dutch East Indies system was the VOC's ambitious defense of a triple monopoly. That the Company laid claim to a world monopoly on certain spices is well known, as are its state-sanctioned claims to all Dutch trade east of the Cape of Good Hope. But the VOC also asserted dominion over what was dubbed the "country trade," intra-Asian commerce in key commodities, and tried to impose this on its own servants as well as on indigenous and European merchants.[14]

[12] Taylor (1983:5) lists the few Governors-General who rose from lowly positions as ship's boy or soldier. Actually, as Schutte (1974:32–35) shows, mid-level Company servants stood a slightly better chance of being promoted.

[13] Van der Wee (1981), and Prakash (1985:11–13) discuss the role of bullion in the VOC's Asian trade. Prakash calculates that between 1651 and 1657, goods made up 45 percent of the total of bullion and commercial goods received at Batavia; the figure for 1700 to 1750 drops to about 33 percent. Chaudhuri (1978, app. 5) shows that the situation was similar for the EIC.

[14] In this it differed markedly from the EIC, whose early aspirations to interport Asian monopoly were thwarted by inadequate capitalization and by infighting among metropolitan principals that strengthened metropolitan interlopers. The EIC permitted its own servants to trade in Asia, a practice that was initially a symptom and source of organizational weakness. Furber (1976, chap. 6) compares the "country trade" patterns for the Dutch and English empires.

As we would expect of a multivocal patrimonial structure, the Dutch East Indies Company's capacity to muster massive force was key to its success. The VOC undertook some extraordinary coercive interventions, like Governor-General Jan Pieterszoon Coen's selective extermination of the Bandanese Islanders, and the military attacks that ousted the English East India Company from the Archipelago; but the Company also depended on dull daily compulsion to carry on business as usual. At every stage, military pressure helped the VOC maintain the interlocking institutional arrangements for extracting and realizing surplus. Force was applied at the point of production (most importantly in the spice monopoly process) and at the point of exchange, in dealings with indigenous merchants and brokers. As the VOC's holdings expanded, so did its need for effective coercion. And in all cases, the credible threat of force guaranteed the general rules of the game, from the bogus treaties mandating relations of vassalage with local potentates to the rule of law that secured the VOC's monopoly in the Netherlands. Relations of force and fraud were not external to, but were constitutive of, the Dutch patrimonial colonial chain.[15]

The VOC managed to militarily enforce its world monopoly on cloves, near monopoly on nutmeg, mace, and cinnamon, and to control the pepper trade against a formidable array of contenders, both European and Asian, in Dutch-Indonesian trade and intra-Indonesian commerce. By the mid-seventeenth century, the VOC had consolidated its hold and was trading widely, not only in spices, but also in Chinese, Persian, and Indian silks, Japanese copper, Indian sugar, and other commodities.

The VOC extended its organizational capacity by substituting Company hierarchies for middle markets and negotiating hierarchical contracts with Asian agents. This is consistent with Thompson's (1967) claim that economic uncertainty may engender vertical integration, and with Stinchcombe's (1990) argument that environmental uncertainty is the driving force influencing the direction of growth of formal structures. Yet the very expansion of organization and the internalization of middle markets and armed force into its hierarchy that made the VOC a vaunted model for other European colonialists also generated new uncertainties, especially new problems of internal discipline. The Seventeen Gentlemen expected their colonial agents to do as they were told. But given the multi-step organizational character of the VOC and the length of time it took information and orders from the metropole to arrive in the Indies, thorny problems of communication and control were bound to arise.

CENTRALITY, DEPENDENCY, AND CARTEL DISCIPLINE

Because Batavia was the central economic, military, and communication node connecting the VOC's Indies outposts, the link between the metropolitan directorate and the Batavian leadership was critically important to the functioning of the whole colonial system. In the social network literature, centrality is understood in a number of ways. One dimension, "betweenness," is a useful starting point for my purposes. If betweenness is taken to indicate the extent to which a unit must traverse the unit of reference in order to reach other units, then units (or actors) that are central, in the sense of high betweenness, are the most likely to be situated on unique chains joining peripheral actors (Freeman 1979). These units or actors are strategically situated, and strategic position in a network is one ingredient of power advantage.

Figure 1 renders the colonial situation in the early to mid-1600s as starkly as possible, while preserving the essential logic of the organizational structure. No Company actor holds a truly central position. The Seventeen Gentlemen and the Batavian elite both occupied positions of intermediate centrality on all paths to realizing their economic gains; they were both brokers, that is, intermediary actors, who could "facilitate transactions be-

[15] The VOC induced Asian rulers to sign treaties with discriminatory provisions against other Asian and European powers, a practice that transformed indigenous rulers into VOC vassals (Alexandrowicz 1960:267–70). If necessary, military backup was available from Batavia, where VOC troops were garrisoned, standing ready to be deployed on the orders of the Governor and the Indies Council.

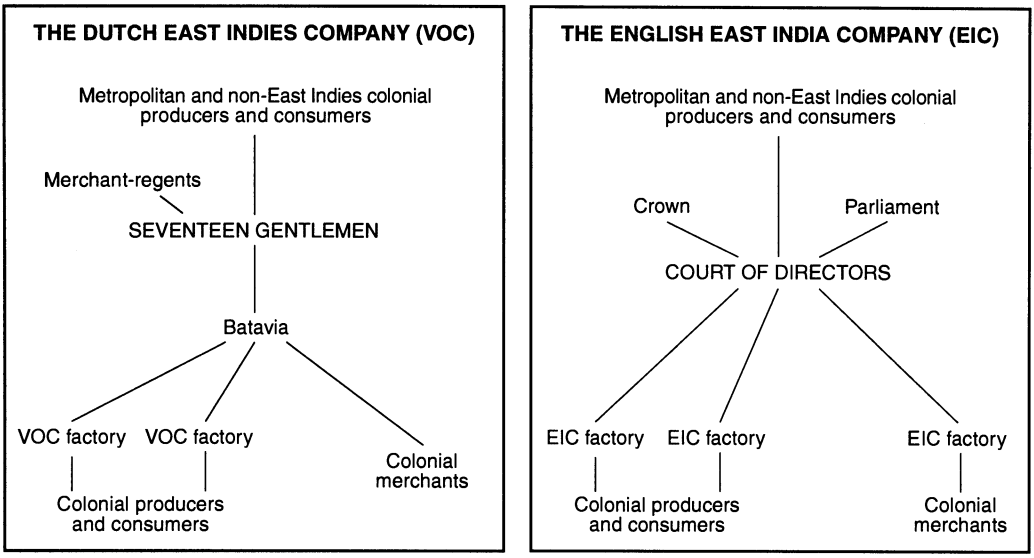

Figure 1. Schematic Representation of Company Organizations: Early to Mid-Seventeenth Century

Note: Lines indicate any type of structural connection between organizational nodes.

tween other actors lacking access to or trust in one another" (Marsden 1982:202). Equally important, they depended on each other for brokerage services. The mutual and symmetrical dependency inscribed in the heart of the VOC's hierarchy undercut the potential power advantage of the metropole over Batavia.

Figure 1 also contrasts the VOC's organization with that of its archrival, the English East India Company. The EIC had multiple East Indies headquarters—Bombay, Madras, Calcutta, and others. Each main settlement was headed by a Governor General or President and a Council composed of senior merchants. There was no English colonial equivalent to Batavia, in India or elsewhere. In the English case, the metropolitan directors and the multiple East Indies headquarters were brokers, but the metropole alone occupied the central position in the overall organization and gained a potential power advantage as the less dependent member of a lopsided exchange relation.

It was not that opportunism, shirking, and free-riding magically disappeared from the EIC's ranks. Far from it: The metropolitan director Sir Josiah Child could still charge the EIC's Madras servants with "perverting or misconstruing, procrastinating or neglecting our plain and direct orders to you, as if you were not a subordinate but a coordinate power with us" (quoted in Chaudhuri 1978:77). But control was a matter of degree (pun intended). Unlike the VOC, the EIC Court of Directors' central position allowed it to manipulate similarly situated dependent nodes and play them off against one another, for example by procuring reports about corruption in one colonial settlement from another one not beholden to it.[16] Thus for all its problems with multiple metropolitan principals jostling for supremacy, the EIC had fewer difficulties dictating specific courses of action to its top colonial servants than did the VOC. Recall, however, that the EIC was also a feebler organization than the VOC in the early seventeenth century, because of the two-headed structure of English patrimonialism prior to the Glorious Revolution. So the EIC did not—yet—offer Dutch Indies servants serious competition or a possible alternative employer.

[16] The EIC did use such information to negatively sanction agents. Most spectacular, perhaps, was the 1732 decision to dismiss the entire commercial council of Calcutta. For this and related events, see Chaudhuri (1978:76; 1986:101, 117–18).

VOC servants used their middleman positions to capture some of the abundant surplus for personal advantage. In fact, such economic opportunism among Company servants was a persistent feature of the Asian establishments. Practices like diluting the precious metals that arrived in Batavia, skimming off a percentage of goods bound for VOC warehouses, taking a brokerage percentage from indigenous suppliers, or defrauding the Company on its return cargo, were widespread. They were also very lucrative. Gerard Demmer, for example, whose salary was set at 350 fl. (guilders) a month, sent over 165,000 fl. to the Netherlands in 1652, and 57,000 in 1654. Pieter Sterthemius, director of the Bengal factory, made 200 fl. a month, but carried 52,000 fl. with him at his repatriation (Gaastra 1991:95). Particular factories were popularly known as the best sites for graft, and directing one of these outposts was viewed as a plum job. These practices extended all the way up the colonial hierarchy to the Governor-General himself.[17]

Even more important for VOC servants' prospects of gain was what historians have designated the "private trade." The term "private" is a misnomer, however: This trade actually revolved around VOC employees who had access to Company monopoly goods because of their privileged intermediary position, and who traded in these goods on the side. This semiprivate contraband trade unfolded at the direct expense of Company commerce, since servants skimmed off monopoly and monopsony products and were loath to enforce Company political dictates when such restrictions interfered with the sideline trade. Private trade also took place at all points in the colonial network, although it was specially concentrated in some spots, such as the Bengal-Batavia link (Prakash 1985). How did the Seventeen Gentlemen keep the problem in bounds? Surprisingly, to a "modern" eye (or at least to a rational-legal bureaucratic one), they did not do so by means of sharply graded monetary incentives keyed to effort or output. The Gentlemen paid their servants an ungentlemanly pittance, even at the highest levels, and counted on their making money on the side. Nor did the Company insist that its servants post forfeitable bonds, which might have provided a potential negative sanction on malfeasance.[18]

Instead, I argue, the network of brokerage relations enabled the VOC principals to maintain some measure of cartel discipline. This structural feature was a crucial element in the Seventeen's measure of disciplinary success in the early years of colonialism. At this early stage, stylized in Figure 1, the elite at all colonial nodes still depended on the Dutch home base for key economic brokerage services, as well as for the political protection they needed to conduct their semiprivate trade. There was no plausible "alternative employer" or outlet for the fruits of the VOC servants' clandestine commerce. Some profits or goods, such as precious stones and jewels, could be smuggled back home on VOC ships, but sending anything beyond a limited amount was risky, and required adroit collusion with ships' crews and a whole chain of metropolitan officials, arranged from a long way away.[19] The employees in Asia who wanted to transfer larger amounts of funds to the Netherlands could do so legally, by depositing their money in the VOC's Batavian treasury or in the treasuries of Ceylon and the Cape of Good Hope (and other VOC offices after the mid-eighteenth century). In return, employees could draw bills of exchange, which were then shipped

[17] Prakash (1985:84) discusses VOC servants' illegal disposal of Company goods and their procurement of export goods. Gaastra (1994) describes employees' smuggling of silver into Batavia and their illegal attempts to make the most of discrepancies in exchange rates between the colonies and the metropole. For analogous practices in the EIC, see Watson (1980, chap. 4).

[18] Salaries paid by the EIC to its employees were also stingy: £. 5 a year for an entry-level writer, £. 200 for a factory president (Keay 1991:234–35). These salaries were not enough to live on. Later on, the EIC introduced the practice of bonding. It is not clear whether the bonds were more than a symbolic counterweight to temptation. For more on bonding (a type of incentive contract keyed to output), see Shapiro and Stiglitz (1984:442) and Lazear ([1987] 1989).

[19] See, for example, Blussé's (1986:212–14) story of the diamond smuggling engineered by one Batavian employee, Johan Bitter. In 1677, Bitter was finally betrayed to the metropolitan directors by "a character named Jan Hay (Jack Shark)," the mate of the homebound ship.

to Europe on the Company's return fleet and cashed by relatives, agents, bankers, or the repatriating employee himself in Amsterdam or one of the five other towns equipped with a VOC chamber (De Korte 1984).

The agents' dependence on these mechanisms for transferring their profits enabled the principals, the VOC directors, to enforce conventional limits to profiteering. Besides policing their home harbors, the Seventeen Gentlemen also sought to hold down the overall amount of transfers. In 1636, they decided that Batavia would only be allowed to accept a fixed amount of money for bills of exchange, an amount far below what VOC servants demanded. Although that edict and subsequent proclamations were often evaded and the directors increasingly acknowledged that "a strict observance of these rules would stimulate their servants to seek other ways—for instance via the English company—to transfer their money" (Gaastra 1994:3), the Seventeen continued monitoring individual servants. They would generally agree to cash in a servant's chips, but would refuse to pay up when they thought the amount requested was exorbitant.[20] Thus what counted as corruption or "free-riding" on the Company organization was both contested and conventional: It was a matter of tacit, elastic, contractual limits that the actors themselves negotiated after the fact within a patrimonial context.

Precisely because of Batavia's centrality, the Batavian elite benefited disproportionately, in an economic sense, from this limited tolerance of Asian agents' opportunistic ventures. For a time, therefore, the Batavia elite gained leverage over both the metropole and the subordinate settlements. Marsden (1982) argues that an actor's gains in power stemming from brokerage behavior are due to net excesses of inflows of resources over outflows. Betweenness is particularly important with respect to the inflows, since an actor that is centrally positioned in this sense can take commissions—cuts whose fractions can go up as the number of workable indirect ties goes down—just as Batavia did. This feature helps clarify why the Batavian elite fought so hard against the Seventeen Gentlemen's attempts to establish analogues to their services elsewhere in the East Indies. Such innovations would have undermined the Batavian High Government's capacity to squeeze out commissions, such as those notoriously characteristic of the Bengal-Batavia shipping link, and would have given the Seventeen more political leverage, including the capacity to force intermediate nodes to compete with each other.[21]

Batavia's privileged position meant that the Seventeen Gentlemen lost some of their precious control over the more peripheral nodes below Batavia in the hierarchy, even at this early stage of the Dutch colonial enterprise. The metropolitan directorate did have the final say in promoting men from middle-level Company ranks, and peripheral colonial outposts, to Batavia, the higher and more central node.[22] The Seventeen Gentlemen sought to use this leverage to strengthen the link between promotion and doing well for the Company as a whole, not just for oneself and one's family. But given the immense problems of monitoring performance, it was lucky for the Seventeen that corruption was restrained by tacitly negotiated deals that rested on the lack of established alternative outlets for servants' gains.

SHIFTING PRINCIPAL/AGENT TIES: CARTEL DISCIPLINE BREAKS DOWN

The metropolitan directorate tacitly depended on the absence of alternative employers to keep graft under control and semiprivate

[20] Within limits, this practice could also help the VOC finance its return goods on the cheap (see Gaastra 1994).

[21] The Ceylon node was one such potential competitor and a great (albeit short-lived) irritant to Batavia. From 1662 to 1675, the Seventeen Gentlemen collaborated with Rijklof van Goens, the VOC's Governor of Ceylon, deliberately bypassing Batavia in their plans for expansion. When Van Goens himself was promoted to Governor General in 1678, he ordered the new Ceylonese governor to stick to the chain of command and not to go over Batavia's (now his) head (see Arasaratnam 1958).

[22] Wijnaendts van Resandt's (1944) study of the men who served as supervisors of VOC colonial factories outside the Malay Archipelago shows that, in the VOC's early years, their promotions were more subject to metropolitan dictates than to Batavian influence. This situation reversed itself in the eighteenth century.

trade within acceptable bounds. In the early stages of the empire, the Batavia High Government and the lower-level company servants in the Indies needed the VOC's metropolitan organization economically (as the pipeline to the consumer market in Europe where most of the Company's profits were realized and as the only reliable channel for converting resources into currencies good in Europe) and politically (as the military guarantor of unmolested private trade). But as English private traders and the English East India Company established themselves, this dependency diminished.

English competition escalated sharply in the quarter century after 1660, just after the EIC was endowed with its first permanent organization and capital. Chaudhuri's (1978) quantitative history of EIC trade attests to the Company's improving fortunes during this period, showing that the value of the EIC's total annual imports rose to £. 800,000 in 1684. But imports fell to only £. 80,000 by 1691 in the wake of English interloping and the punishing Mughal War (1686–1689). Two events that set the stage for the next revival were the Glorious Revolution of 1688, which ushered in a unitary regime in England, and the acquisition of a new *farman*, or imperial license to trade, in 1690 under the auspices of Aurangzeb, Emperor of the Mughals. The EIC's auspicious position was consolidated when its contending companies finally merged in 1708 and the English joined other battered European belligerents in calling a halt to the War of the Spanish Succession. In both periods, 1660 to 1683 and 1710 to 1760 (the latter era ending with the EIC's assumption of territorial power in Bengal), the happy conjunction of new opportunities and renewed capacity to make the most of them enhanced the EIC's commercial performance. After 1710, the EIC (in conjunction with private traders) specialized in reexporting India piece goods, and later, spectacularly, trade in tea, of which England's annual consumption per head rose some six- or seven-fold between 1725 and 1760 (Wilson 1965:308).

For now, my argument treats the ascent of the EIC and its corollary, the rise of sideline traders, as an exogenous variable. As such, it posed a direct threat to the VOC by cutting into its profits and undermining its capacity to obtain the necessary quota of trade goods to support its position in Europe.[23] It also presented a more subtle, but equally damaging threat, by providing new and appetizing opportunities that sabotaged the control that the Seventeen Gentlemen had over their Asian agents. The rise of the EIC and of English private traders offered new opportunities for Dutch agents to make a guilder on the side. Private trade was easier to carry on, particularly for the top servants at peripheral outposts close to English turf. These practices extended all the way up the hierarchy to the Governor-General. For example, Governor-General Jacob Mossel was heavily tied up with British country traders (Furber 1976: 281). Conveying the profits back home was also simplified. VOC servants could now convert their gains into cash and bank them in the metropole by shipping them through either the English hierarchy, the VOC, or both.[24] And although pursuing the English route involved additional steps and risks of apprehension, these inconveniences were counterbalanced by the greater amounts of clandestine goods that could be converted.

These new opportunities affected the formal hierarchy in a twofold way. On the one hand, the Batavian elite used its privileged brokerage position to tighten its grip on what was becoming the central position in the Dutch colonial network by the late seventeenth century. The Seventeen now held an intermediate slot, structurally similar to the EIC's Court of Directors. On the other hand, VOC officials situated at peripheral colonial nodes found that they could dodge the more

[23] By the end of the 1690s, the English dominated the Indian piece-goods market so thoroughly that "the Dutch had to travel to London and purchase samples to send back to India for reproduction" (Furber 1976:249). From 1717 to 1727, boosted by another generous *farman*, the EIC's trade in Bengal more than doubled: From contributing 40 percent to the Company's total imports, it rose to 70 percent (Keay 1991:234; also see Marshall 1976, chap. 1). At the same time, Furber notes, the tonnage of English country trade more than doubled between 1724 and 1742. For more on the growth of the tea trade, see Furber (1976:127, 244) and Nightingale (1970).

[24] As did the VOC servants in even the heart of the Dutch empire, on Java and Sumatra (see Young 1969).

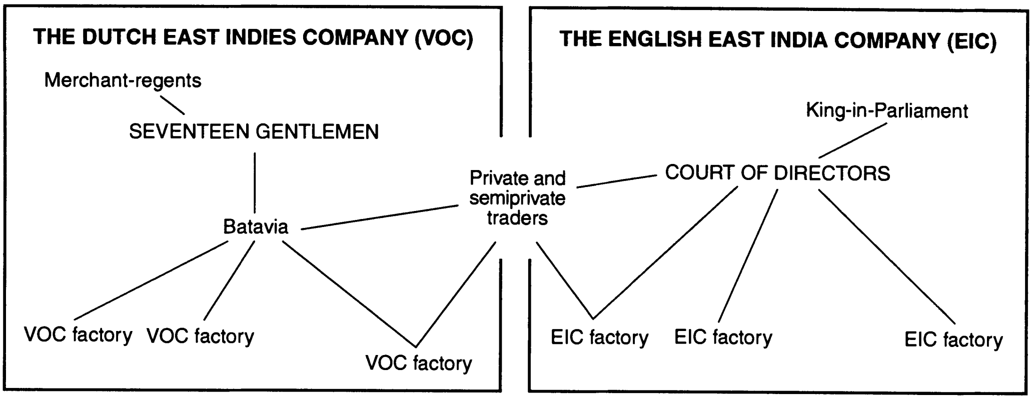

Figure 2. Schematic Representations of Company Organizations: Emergent Links Provided by Private and Semiprivate Traders Beginning in the Late Seventeenth Century

Note: Lines indicate any type of structural connection between organizational nodes.

central nodes in the Company hierarchy, including Batavia itself, relying on the English instead, to their own (and their families') economic advantage. "If we allow the English freely to conduct this back and forth trade," warned one prescient VOC officer, "it would be an inwardly-eating cancer [for the Company]" (quoted in Winius and Vink 1991:58). The VOC was becoming a Hydra, a many-headed politico-economic organization, with one principal at home, another in Batavia, and still others in the periphery of the organization. Where was the new Hercules who could cut a few heads down to size without slaying the beast? Figure 2 schematizes the emergent situation.

We have seen that betweenness made a difference in a node's capacity, in this case Batavia's, to control resource inflows. When it comes to brokering outflows, the flip side of how network position contributes to increased power, what matters more than betweenness is closeness—the number of nodes that a unit must traverse to reach other nodes (Marsden 1982; Freeman 1979). To be close to most other actors in a system is to have relatively little need for any particular node's brokerage services. This dimension of centrality is correlated with autonomy, or independence: relative freedom from the constraints imposed by having to depend on any particular actor. In this sense, the Batavian officials were growing more autonomous from their home base, while the officials under Batavia in the hierarchy were simultaneously breaking away from Batavia's influence. This twofold structural shift heralded a general breakdown of VOC cartel, or group discipline.

To counter the breakdown, the Seventeen Gentlemen had more than one logical option. They could have proffered the carrot, by raising wages. A variant of this strategy would have involved acknowledging agents' rights to private trade and then taking a cut of their agents' new-found fortunes, which was basically the English solution. Or they could have increased situational sanctions—in other words, brandished the stick. A helpful analogy is to the reservation utility, the next-best package of resources for workers that becomes available when alternative employment opportunities appear. When the reservation utility increases, incentives (such as wages) or monitoring levels must also improve if employee performance is to be sustained.[25]

The Seventeen Gentlemen were not willing to increase incentives, and they experienced heightened problems applying negative sanctions. The Seventeen certainly had the de jure right to fire agents whose malfeasance reached levels that commanded their

[25] The concepts of reservation utility and reservation wage are used in more than one way in the economics literature. This version derives from Gintis and Ishikawa (1987).

attention. *De facto* power was another story. The principals had always had problems gaining accurate information because of the great distances involved and agents' years-long delays in filing reports; these monitoring problems were now exacerbated by the breakdown in cartel discipline. Periodic reports of rampant corruption did provoke the Seventeen to send representatives to deal with the problem. What could be more understandable than sending new brokers to discipline old, errant ones; and what less surprising than the novices' speedy fall from grace? The first serious disciplinary effort was made in the 1680s, when the Seventeen sent the allegedly incorruptible Hendrik Adriaan van Rheede tot Drakestein to investigate the Indian factories and vested him with extraordinary powers of punishment. Van Rheede estimated that during a few short years, from 1678 to 1686, graft and private trade by the VOC's Bengal servants had cost the Company as much as fl. 3.8 million. The upshot was that a few highly-placed employees lost their posts. Nevertheless, "as soon as van Rheede left Bengal, everything returned to the old footing," as one highly-placed metropolitan VOC servant sourly observed.[26]

Furthermore, the High Indies Government was able to insist that Van Rheede's investigations give a wide berth to Batavia. This success can be interpreted in two ways. It may have been a dramatic sign of Batavia's politico-economic muscle vis-à-vis the metropole, now solidly entrenched. In support of this interpretation, note that Batavia also resisted the Seventeen's renewed attempts to establish direct connections that bypassed the High Government's broker role between Indies factories or merchants and the metropole. The High Government squeezed out and, by 1718, abolished the direct Amsterdam-Ceylon-Bengal link (Winius and Vink 1991:60). Alternatively, Batavia's success may testify to top colonial officers' links to and influence with the Seventeen Gentlemen, as high officers linked to factions in power in the Netherlands used their positions to dodge charges of corruption (Blussé 1986, chap. 8). Both stories are probably true. The point is that the Company's metropolitan principals had never considered offering the carrot; now they were failing to wield the stick as well.

At this stage, strategically situated VOC agents had generated sufficient power to act as principals, and thus as potential competitors of their principals. Given the opportunity, such agents could divert organizational resources through an alternative set of nodes for their own benefit rather than that of their principal. As some VOC agents began to do this, articulating their economic ends independently of their metropolitan principal's politico-economic goals, their actions forged new links in the colonial chain and began to unravel the several strands of patrimonial position. The agents' autonomous economic activity was still directly secured by force, to be sure, but in some areas that force was increasingly delivered by the English Company. The VOC was witnessing the genesis of new contractual relations within its hierarchy, but the tacit contract favored by some of its agents had been negotiated with another metropolitan principal. Depending on how one looks at it, Simmel's (1950) *tertius gaudens,* or laughing third party, arrived in English garb, or in the form of the VOC's own agents. In any case, the joke was on the VOC. Formal hierarchical authority was still nominally in place circa 1795, in the waning years of the Dutch *ancien regime,* but it was no longer an effective disciplinary device.

CONCLUSION

I have focused on a network of principal/agent ties linking the Dutch metropole—the merchant-regents and the VOC's Seventeen Gentlemen—to Batavia, its Indonesian outpost that was, in turn, linked to many East Indian factories. Metropolitan control was insecure from the outset. By virtue of their multivocal positions, the VOC's colonial agents tried to enrich and empower themselves, but at first the potential impact of their opportunistic actions was limited. The

[26] That servant was Company Advocate Pieter Van Dam, cited by Prakash (1985:88). A later seventeenth-century reformer, De Roo, came to grief more dramatically. While on his tour of duty, he was apparently poisoned by resentful VOC colonial servants. Gaastra (1991:95–97) reviews attempts by the Seventeen to find emissaries who could discipline the colonial servants.

agents could not exit the Dutch colonial system, and they were constrained by metropolitan control over cashboxes and promotions.

The rise of the English Company put an end to VOC dominance. In part, straightforward commercial competition infringed on the Dutch company's bailiwick. But, as I have tried to show, the presence of the EIC also opened new opportunities for Dutch colonial servants to evade their own patrimonial chain. In particular, it nourished Batavia's centrality and autonomy, and allowed agents at peripheral colonial nodes to step up their private commercial and financial transactions, now via the British and the Dutch hierarchies. This heralded the breakdown of VOC cartel discipline. In theory, such structural alternatives could be engendered endogenously or exogenously to any given network.

When any alternative path raises agents' reservation utilities, all else being equal, agents can be expected to pursue the alternative opportunities, in the absence of an effective response on the part of metropolitan principals. Diverse responses were possible within the framework of patrimonial principal/agent relations. In contrast to the VOC, as we have seen, the English Company lowered its resource dependence on any single colonial node, thereby augmenting its capacity to keep any one node in line, while allowing its agents to take a higher cut of the surplus, effectively raising agents' wages. The EIC stumbled on this two-pronged approach, which could only be dubbed a strategy in retrospect, and was relatively successful for a time.

A crucial qualification concerns the scope conditions within which the above argument, or any fundamentally utilitarian approach, is valid. Agency problems are most likely to emerge when agents are not normatively committed to the organization. Contrary to the thrust of the work of Simon ([1947] 1961) and Williamson (1975, 1991), therefore, uncertainty should never be assumed to entail opportunism. This qualification is particularly important in the historical context of patrimonial systems, which depended not only on material incentives and force, but also on principals' and agents' pursuit of family honor and position. "Agency is more than a tie" in such situations: To borrow Harrison White's (1985) evocative phrase, "it is a context for ties that cast shadows of commitment" (p. 189). Dutch regents possessed lineage property in patrimonial state offices and their spinoff corporations: VOC directorships passed from generation to generation as part of the political privilege controlled by urban regent patrilines. And because family and kin relations are privileged conduits for the strong sentiments on which normative commitment is founded, metropolitan elites tried desperately to keep their top colonial agents from pulling away and founding Indonesian political patrilineages of their own. They failed, and power parcellized along family lines. Had they succeeded, it seems likely that agents' politically secured private accumulation would have been limited.

The full implications of the principal/agent problems for the Dutch colonial system are too complex to explore here. For the metropole, which has been my focus, the implications included lower profits, loss of military capacity and organizational flexibility, all of which undermined Dutch commercial hegemony. These dynamics and implications should be further explored, for they were developmentally consequential in the widest sense. The rise of trade conducted by Company men as well as interlopers—in fact, all private traders who operated within the shell of patrimonial corporations but who were increasingly independent of their hierarchies—paralleled and reinforced similar trends and tensions in the metropole. Clio is a known ironist, and she delights in unintended consequences. The world colonial network, formed by competing but unwittingly linked chartered companies, was the womb in which revolutionary European challenges to patrimonialism were nurtured.

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