

Governing colonial Governors

Colonial governors and the principal-agent problem in the Early Modern Dutch chartered companies

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Introduction

This paper will explore the ways in which directors or the Early Modern Dutch chartered trading companies tried to control their high-ranking employees overseas. Throughout the seventeenth century both the Dutch East (VOC) as well as West India Companies (WIC) set up elaborate hierarchical systems of corporate governance. These systems had two main objectives. In the first place, a hierarchical chain of command was installed to effectively rule the areas under the command of both companies and conduct trade profitably. In the second place, a hierarchical governmental structure was thought to help the company directors in the Republic control the actions of the personnel abroad and ensure compliance and combat graft and corruption. This second problem is known in the literature as the *principal-agent problem*. At the heart of this is an information asymmetry between directors and/or investors in one location, and their agents abroad. How did the first know the latter where working in their best interests? For the Early Modern period, this problem has been studied primarily by Carlos and Nichols for the Hudson's Bay Company.¹ Sheilagh Ogilvie criticized the views of Carlos and Nichols on a number of points, arguing that monopolistic firms were not as well able to solve the principle-agent-problem as they stated in their article. Ogilvie names the VOC especially as an organization with serious problems in enforcing the loyalty of its employees.²

Building on two case-studies of Dutch colonial governors, this paper will make a different argument. I will argue that we should include the personal, familial and patronage links between directors and governors and between governors and lower officials into account when we study the possibilities for enforcing compliance. I assert that directors and governors were actually closely linked on a personal level and that these ties did have an important effect on company management, thus providing a completely different picture than the one provided by Ogilvie. This also changes our perspective of the compliance enforced, governors might seem to act against the interest of the firm as a whole, but actually work in the interest of, and with the consent of, a faction within company management. The enforcement of company policy and compliance might thus be better served by infusing it with Julia Adams work on familial connections and patrimonialism.³ The same is also true of lower-ranking colonial officials in relation to the respective central colonial governments. This paper will address these, and other, questions by looking at the careers of Johan Maurits van Nassau-Siegen in his capacity of governor of Dutch Brazil (1636-1644) and Rijckloff Volckertsz. van Goens, in his capacity of governor of VOC Ceylon (1662-1675) and later as governor-general (1678-1681). By looking at these two cases from the Atlantic and the Indian Ocean, I will also address the question if there was a universal 'Dutch' approach to the management of the principle-agent problem in long-distance trade.

¹ M. Carlos and S. Nichols, 'Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company', *The Journal of Economic History* 50:4 (Dec., 1990).

² S. Ogilvie, *Institutions and European Trade: Merchant Guilds, 1000-1800* (Cambridge 2011) 322-330.

³ see for example: J. Adams, *The Familial State: Ruling Families and Merchant Capitalism in Early Modern Europe* (New York 2005).

The principal-agent problem in long-distance trade and colonial government

With the development of intercontinental trade links in the course of the Early Modern period, a pressing problem presented itself to all long-distance trading ventures, whether the trade was supervised by royal officials or chartered companies. To operate effectively, certain powers had to be devolved to the men-on-the-spot. The problem was how the principals back home, who had invested their money in the firm, could control the actions of their agents overseas and make sure they did not use their powers to defraud the firm. The problem was fundamentally one of long distances and information asymmetry. This problem, which Adam Smith already identified in his *Wealth of Nations*, is known in the literature as the principal-agent (or P-A) problem. Contracts were reinforced by swearing an oath and, in some cases, by putting up a bond deposit which also would be forfeited in case of malfeasance.⁴

This problem has been studied most coherently for the case of the Early Modern chartered companies by Carlos and Nicholas who have looked at the Hudson's Bay Company and the Royal Africa Company.⁵ They concluded that, broadly speaking, both companies were able to mitigate the effects of long distances and asymmetry of information on their business practices. They were partly interested to develop a way to measure the costs of agency to a firm using historical data, partly interested in studying the ways in which a vertically-integrated firm could develop strategies for dealing with agency.⁶ In the case of the Hudson's Bay Company, the company directors tried to enforce control over the actions of its managers in the Hudson Bay in three different ways. In the first place, a system of contracts and incentives was devised so that managers could be held accountable and were incentivized to act in the interest of the firm. Generally speaking, paying good salaries meant that the opportunity costs of defrauding the firm were high, as the salary would be forfeited if managers were found to be negligent or operated against the company's interests.⁷ In the second place, an internal system of monitoring and control was implemented by which private baggage was searched by ship's captains in the Bay itself, and again by delegates of the company directors before arrival in London. This last search was to make sure the captains were not conspiring with managers in the Bay.⁸ In addition, private letters and papers coming from personnel in the trading posts on the Bay were read to see if they contained hints at illegal activities and a standardized system of communicating and calculating investments, costs and returns was implemented so that malpractices could be spotted early on.⁹ Finally, the company tried to create a social structure in which managers and workers were made to feel part of a company 'family' and were able to check up on each other's actions. Workers were recruited almost exclusively from the Orkney islands and thus came with a ready-made system of social ties and control mechanisms.¹⁰ Managers from trading posts were shifted around to check up on the performance of other managers. This three-pronged approach, according to Carlos and Nicholas, 'suggests that the Hudson's Bay Company had succeeded in controlling private trade by the end of the eighteenth century.'¹¹

There are a number of critical observations that must be made in regard to the model devised by Carlos and Nicholas by which multilocal Early-Modern chartered companies could reduce the costs of agency. In the first place, the Hudson Bay was geographically isolated position and the company's agents were reliant on supplies brought by the company's ships. This dependence on the company for

⁴ Ogilvie, *Institutions and European Trade*, 863-864.

⁵ In their articles: A.M. Carlos and S. Nicholas, 'Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company', *The Journal of Economic History* 50:4 (1990) 853-875, 'Managing the Manager: an application of the Principal Agent Model to the Hudson's Bay Company', *Oxford Economic Papers, New Series* 45:2 (1993) 243-256, 'Theory and History: Seventeenth-Century Joint-Stock Chartered Trading Companies', *The Journal of Economic History* 56:4 (1996) 916-924.

⁶ Carlos and Nicholas, 'Managing the manager', 243.

⁷ Carlos and Nicholas, 'Agency Problems in Early Chartered Company', 862.

⁸ *Ibidem*, 865.

⁹ *Ibidem*, 868.

¹⁰ *Ibidem*, 861.

¹¹ Carlos and Nicholas, 'Agency Problems in Early Chartered Company', 874.

survival might lessen the moral hazard that could otherwise make managers look after their own profits first. In the second place, compared to some of the other companies, especially the large East-, and in the case of the Netherlands also West India Companies, the personnel requirement of the Hudson's Bay Company was relatively small. The Dutch East India Company, for example, needed thousands of men a year to fill its ranks in Asia. By the second half of the eighteenth century, the VOC's army alone would number over 10.000 men. In addition to this European workforce, there was many more thousands of locally recruited sailors, soldiers, artisans and clerks, for whom good documentation is not even available.¹² In the third place, many European chartered companies traded in more diverse portfolios of goods than the Hudson's Bay Company. To take the example of the VOC again, by the late seventeenth-century, it shipped an extensive selection of goods, including spices, cotton textiles, tea, coffee, silk, porcelain and cowry shells. This would make a standardization of values and costs as in the Hudson's Bay Company more difficult. In addition, the company ran an extensive inter-Asian trading network, reaching from Basra and the Persian Gulf all the way to Japan. Control on this network from Europe would prove very daunting indeed. Fourthly, many companies not only relied on trade for their profits, but also on income from taxation and spoils of war. The Dutch West India Company would, after much wrangling, open the trade on its colony in Brazil in the later 1630's in return for a 'recognition fee'. Clearly this gave more scope to governors for self-enrichment without getting caught. Chartered companies were also instruments of war as well as trade and in dividing the spoils of war, governors could hope to make outlandish profits.

Indeed, the interpretation of Carlos and Nicholas has been fiercely criticized by Sheilagh Ogilvie in her *Institutions and European Trade: Merchant Guilds, 1000-1800*. She claims that the scholars working on the ways in which chartered companies could try to combat principal-agent problems (including Carlos and Nicholas) have only identified systems that 'ought' to have reduced opportunistic behavior by employees', rather than proven that these systems actually worked and were cost-efficient.¹³ Ogilvie claims that unincorporated, unchartered merchants were actually much more *efficient* in combatting opportunism by their agents. What both Ogilvie and Carlos and Nicholas have in common, is their preference for coaching their research in only economic terms and to look only at institutionalized systems of control. I will argue that in the case of the Dutch chartered companies, there were important systems of control that operated outside the narrowly defined institutional focus of most economic historians. Drawing on examples from two case studies, I will argue that patrimonialism and factionalism played an important role in keeping the behavior of agents overseas within bounds. The real conflict of interest, in the Dutch case, was thus not a 'horizontal' divide between directors (principals) on the one hand and governors (agents) on the other hand, but a conflict between similarly construed 'vertical' pillars working inside the companies, composed of both directors and governors. These were bound together by familial ties (marriages, adoptions, standing witness at a colleague's child's baptism for example), and by party-political loyalties. To make sense of this complex world of intra-company rivalries and alliances, I will first give a brief explanation of the formal organization of both the large Dutch Early Modern India Companies.

¹² M. van Rossum, *Werkers van de Wereld: Globalisering, arbeid en interculturele ontmoetingen tussen Aziatische en Europese zeevaarders in dienst van de VOC, 1600-1800* (Hilversum 2014), gives plenty of information on the use of the so-called *Generale land- en zee monsterrollen* and shows that Asian sailors (and by extension, soldiers) are underrepresented in these general lists.

¹³ Ogilvie, *Institutions and European Trade*, 325

Managing a trading and colonial empire: the structure of Early Modern Dutch Chartered Companies

The creation of chartered companies for long-distance overseas trade was a part of the Dutch struggle against the Habsburg rulers of the Netherlands. Because of the Spanish-Portuguese embargo on Dutch trade, merchants from the Northern Netherlands started to explore the sea routes to sub-Saharan Africa, Asia and the Americas from the last quarter of the sixteenth century onwards.¹⁴ Traditionally, Dutch scholarship highlighted the difference between the companies, with the VOC supposedly having a much more mercantile and peaceable character, with the WIC as a much more belligerent organization from the onset. This view has recently been altered by new research, stating that the creation of the ‘United East India Company’ (VOC is the Dutch abbreviation for this) was also inspired by the wish of the Dutch political leadership, primarily Van Oldenbarnevelt, to make this new company a more effective tool for harming Iberian interests overseas.¹⁵ The company thus founded was a combination of interests from cities where trade to Asia had been conducted before, or was in the process of being organized. The company as composed of six regional chambers which built their own ships, recruited their own sailors, bought their own supplies and organized their own auctions. These regional chambers met in meetings of a central board of seventeen directors, the so-called ‘Gentlemen Seventeen’ (*Heren Zeventien*), or XVII for short. This central management had the task of setting general policy and coordinating the efforts of the regional chambers. Each chamber had a pre-set number of votes in this meeting (see image 1), with the seventeenth vote alternating between the smaller chambers of Delft, Rotterdam, Hoorn and Enhuizen.¹⁶

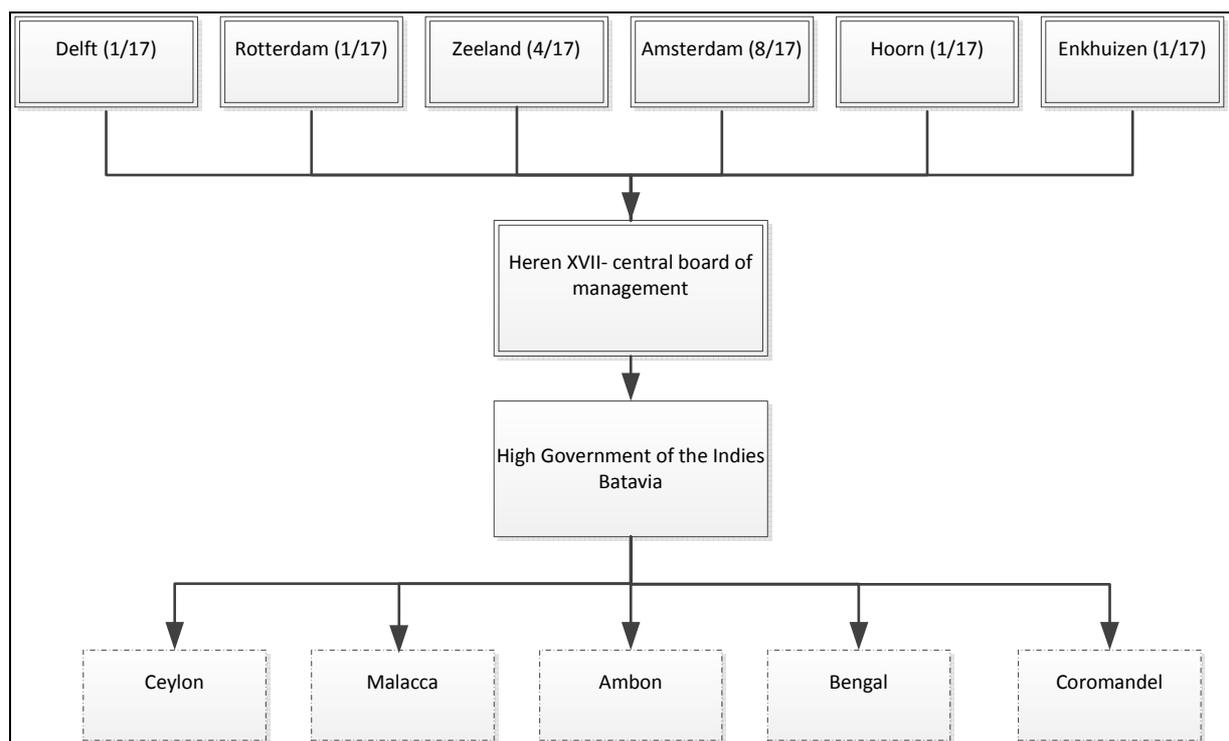


Image 1: VOC organization diagram ca. 1660 – the theoretical organization. The chambers set their policies separately, and a compromise was reached in the meetings of the XVII. They would send orders to the High Government of the Indies in Batavia, which would send specific orders based on the general instructions to the outlying commands scattered all over littoral Asia. For the sake of simplicity only a few regional commands have been shown

¹⁴ F. Gaastra, *De Geschiedenis van de VOC* (10th revised edition, Zutphen 2002) 17-38, and H. den Heijer, *De geschiedenis van de WIC* (Zutphen 2002) 13-34.

¹⁵ G. Knaap, H. den Heijer and M. de Jong, *Oorlogen overzee: Militair optreden door Compagnie en staat buiten Europe, 1595-1814* (Amsterdam 2015) 28-52.

¹⁶ Gaastra, *De Geschiedenis van de VOC*, 21.

The organization of the company thus replicated the federalized structure of the Dutch state itself, and was partly given in by the need to avoid conflict between the provinces that could spill over into the political sphere. During the first two decades of the existence of the company, it became more centralized in practice, with the XVII setting policy and the chambers taking care of the implementation of policy.¹⁷ This structure already hints at challenges to the directors in managing their firm and their employees. Unlike in the situation of the Hudson Bay Company studied by Nicholas and Carlos, there was not one coherent group of directors with the same goals and interests in the case of the VOC. There always remained the possibility of divisions on regional basis or on the basis of party-political or factional alliances, a point which will be developed in the next section. The second evolution of the VOC's managerial structure was the implementation of a permanent government of its affairs in Asia, starting in 1610, when Pieter Both was appointed the first governor-general of the Indies and charged with finding a permanent seat of residence that could serve as a central rendezvous for the company's ships and a nodal point for trade.¹⁸ This position would in 1619 be established in the town of Jacatra, which would be renamed Batavia after its destruction during the building of the VOC fort there. The man responsible for this, Jan Pieterszoon Coen would be the first to openly urge the company's directors to establish commercially dominant positions in Asia with the use of armed force: "That in the Indies trade must be conducted and maintained through force of our own arms, and that arms must be maintained by the profits of trade, so that neither trade without war nor war without trade can be maintained."¹⁹

The governor-general was not empowered to take decisions by himself. Overseas governance in the Dutch case was always a question of collective responsibility. The governor-general was the president of the council of the Indies. Only in joint session could governor-general and council make any legitimate decisions. Power was thus devolved from the company directors not to individuals, but rather to collective bodies of governance.²⁰ This system was again replicated on a lower level, whereby local governors or directors (the title for less important outposts) were always part of a council that included the main bookkeeper, the garrison commander, and the *fiscal*, the chief lawyer.

In contrast to the Hudson's Bay Company, the VOC generally paid its personnel very poor wages. Skilled sailors could find better employ in European trades, for example the Dutch carrying trade to the Baltic, with a lower risk of dying during the voyage. To compensate for this uncompetitive salary, all personnel aboard a ship was allowed to keep one chest of private merchandise aboard that they could trade in any of the Asian ports. A condition for this privilege was that they would not trade in restricted goods on which the company claimed a monopoly, such as the fine spices.²¹ Like in the example of the Hudson's Bay Company, the flow of information between Asia and Europe was restricted. Officially, only the High Government was allowed to correspond with the directors of the company, and private letters were checked in Batavia and the Netherlands. In addition, VOC ships were intercepted in the English Channel or north of Scotland by VOC cruisers to make sure that no goods were offloaded and smuggled before they reached the anchorage of the Texel.

¹⁷ This argument is made in R. Schalk, O. Gedlerblom and J. Jonker, 'Schipperen op de Aziatische vaart. De financiering van de voc kamer Enkhuizen, 1602-1622', *BMGN Low Countries Historical Review* 127:4 (2012). They argue that the company needed to become more centralized as the smaller chambers lacked the regular cashflow to maintain operations. Only transfer of funds or products could keep a small chamber like Enkhuizen in regular operation.

¹⁸ L.P. van Putten, *Ambitie en onvermogen: Gouverneurs-generaal van Nederlands-Indië 1610-1796* (Utrecht 2002) 24-29.

¹⁹ Dutch original: 'Dat in Indiën den handel gedreven ende gemainteneert moet worden onder beschuttinge ende faveur van U eygene wapenen, ende dat de wapenen gevoert moeten worden van de proffytten, die met de handel zijn genietende, in voegen dat den handel sonder d'oorloge, noch d'oorloge sonder den handel nyet en gemainteneert connen werden.'

²⁰ J. Jacobs, *The Colony of New Netherland: A Dutch Settlement in Seventeenth-Century America* (Ithaca and London, 2009) 65.

²¹ There is not much work on the private trade of VOC employees in Asia, the most recent work being: C. Nierstrasz, *In the Shadow of the Company: The Dutch East India Company and its Servants in the Period of its Decline (1740-1796)* (Leiden and Boston 2012).

The WIC, founded almost two decades after its East Indian sibling, had a comparable but somewhat different organizational structure (see image 2, showing the situation for ca. 1642). There was never a supreme colonial government comparable to the High Government of the Indies in the VOC case. In contrast, the WIC's central management, the gentlemen XIX, supervised and directed its Atlantic establishments directly.²² In addition, some colonies were supervised directly by separate chambers of the company. The best example is the North American colony of New Netherland, which was directly supervised by the chamber Amsterdam.²³ In addition, the States-General had participated in the WIC as shareholders and had acquired a vote on the WIC's central management. The single influence of the States-General was often more important than its single vote would suggest. The representatives (plural, as there were often multiple delegates having one vote between them) of the States-General often acted as the chairmen of the meetings of the XIX.²⁴ In addition, the States-General could exercise direct influence on the appointment and control over colonial governors, a point best illustrated by the case of Johan Maurits van Nassau-Siegen in Brazil (1636-1644).

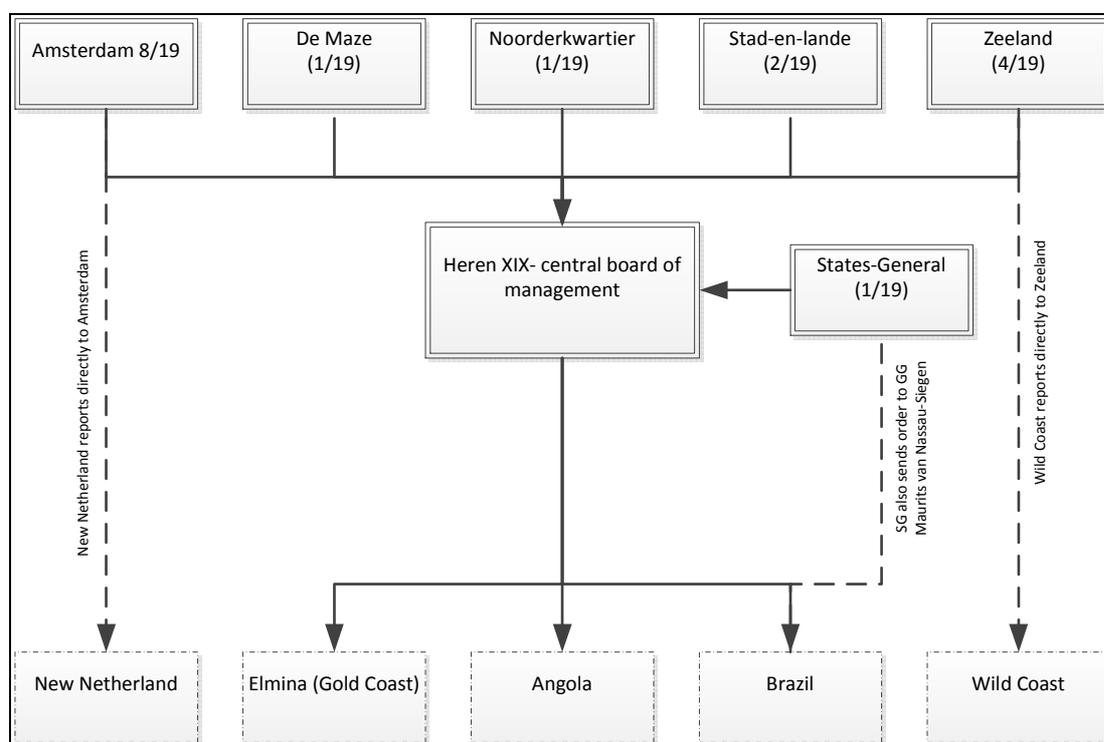


Image 2. WIC organization ca. 1642, after the conquest of Angola. In the case of the WIC, there was not intermediate colonial organization to counterbalance the central management, the XIX, in the Netherlands. Even this central management was bypassed in some cases, as Amsterdam and Zeeland directly supervised the colonies in New Netherland and on the Wild Coast of the Guyana's respectively. In addition, the States-General (the sovereign) had direct contacts with Johan Maurits van Nassau-Siegen in Brazil, in some instances bypassing the XIX altogether.

As in the case of the VOC, governmental responsibility was always entrusted to committees, rather than individuals, but there were differences in the amount of power adjudicated to single governors.²⁵ Again, salaries were not high, but in the case of the WIC this was compensated with the prospect of a share in

²² C. Antunes, E. Odegard and J. van den Tol, 'The networks of Dutch Brazil: Rise, Entanglement and Fall of a Colonial Dream', in: C. Antunes and J. Gommans, *Exploring the Dutch Empire: Agents, Networks and Institutions, 1600-2000* (London and New York 2015) 77-94, 82.

²³ Jaap Jacobs

²⁴ Alexander Bick, *Governing the Free Sea: The Dutch West India Company and Commercial Politics, 1618-1645* (unpublished PhD thesis, Princeton 2012) 121-126.

²⁵ Johan Maurits in Brazil was given a more powerful position in relation to his council by giving him a double vote in the case of a tie.

the boot if Spanish/Portuguese vessels were taken. The best example of this happening was the after the capture of the famous ‘Silver Fleet’ by Piet Hein in the Bay of Matanzas in September 1628, when the crews received their customary 10% of the fabulous treasure worth 11,5 million guilders.²⁶

Both companies, therefore had instituted hierarchic systems of command and control in its colonies and overseas trading posts that were intended to keep the possibility of the agents overseas to misbehave to the detriment of the companies within bounds. In practice, these systems of control were challenged by the great distances over which communication had to take place and there was in practice considerable room for governors to enrich themselves. Indeed, at least in the case of the VOC, a certain degree of self-enrichment seems to have been accepted by the directors in Republic, as long as individuals served long enough for it to be worth it to the company. However, the real conflict of interests in the case of the Dutch companies was not between directors and the governors, or between the European and overseas parts of the businesses, but between rivalling networks encompassing both directors and governors.

Building global factional networks

This section will argue for the existence of non-institutional systems of control and supervision of the conduct of overseas governors by powerful patrons to which they attached themselves. These patrons, or patriarchs to use a phrase from Julia Adams who has worked extensively on the influence of family structures on state-formation in the Dutch Republic, had two closely related goals.²⁷ In Adams’ analysis they worked on the one hand to increase the wealth, income and reputation of their family, but on the other hand they did try to look out for the interests of the state which allowed them to occupy elevated positions of prestige. It is thus a mistake for this period to see a direct opposition between the interests of the state and of individuals and their families. At least in the minds of those in positions of power, these two could very well go together. We cannot, therefore, judge the actions of company directors solely in economic terms in relation to the companies. The directorship seats of the large companies were an integral part of the factional urban politics in which the same individuals occupied for example company directorships, urban offices (like *burgermeester*), and provincial and Generality offices (like wardens of the fire-beacons and the admiralty boards) at the same time. These regents thus ran the state on all its levels and tried to get their own sons and family members appointed in these same functions as well. They played a multi-generational game and tried to form close cliques of mutual support. These so-called *factions*, in the word of the classic study by D.J. Roorda on this phenomenon, rivaled one another in their attempts to get their family members appointed to all the good positions.²⁸ The factions could in times of political crisis also forge party-political identities as Orangists or *Staatsgezinden* (those in favor of a strictly Republican form of government). These networks also spilled over into the overseas scene, blurring the distinction between principals and agents and turning economic considerations about agency problems, graft, and profitability into a complex familial-political game played out over multiple generation throughout the globe. In this section I will present some examples from my own primary research in Dutch archives on the careers of two such governors: Johan Maurits van Nassau-Siegen in Dutch Brazil in the period 1636-1644 and Rijckloff Volckertsz. van Goens in the VOC’s Asian empire in the period 1628-1681.

Johan Maurits van Nassau-Siegen in Brazil, 1636-1644

Johan Maurits van Nassau-Siegen (German: Johann Moritz von Nassau-Siegen) is perhaps the best known Dutch colonial governor of the seventeenth century. He is especially well-known today for his patronage

²⁶ Den Heijer, *De Geschiedenis van de WIC*, 63, 65-66.

²⁷ J. Adams, ‘The Familial State: Elite Family Practices and State-Making in the Early Modern Netherlands’, *Theory and Society* 23:4 (1997) 505-539, 505-506.

²⁸ See D.J. Roorda, *Partij en Factie: De oproeren van 1672 in de steden van Holland en Zeeland, een krachtmeting tussen partijen en facties* (reprint, Groningen 1978).

of artists and scientists in Brazil and for his architectural exploits, in the Netherlands as well as Brazil and Cleves where he served as the stadholder of the Prussian king from 1647 onwards.²⁹ In general, his tenure in Brazil is evaluated as a very positive period for the colony and the decision by the WIC company directors to recall him is seen as a very poor decision. In the words of Charles Boxer's classic study on Dutch Brazil:

*'The work of Johan Maurits, their governor-general in Brazil, can stand comparison with that of any other colonial administrator, whether East or West. Indeed, it would be difficult to name another who deserves as much credit for making available to the outside world such accurate and scientific knowledge about the country which was entrusted to his charge.'*³⁰

The appointment of Johan Maurits to his position and his actual performance in Brazil is, however, poorly understood, as so much attention has privileged the artistic accomplishments which he so supported. A closer examination of the appointment and dismissal of Johan Maurits of Nassau-Siegen will highlight how closely bound up with the political processes of the Dutch Republic colonial appointments could be. This close connection between company and politics would also make it more difficult to fire Johan Maurits once he proved unsatisfactory, giving him more leeway for self-promotion and self-enrichment at the detriment of the company.

Johan Maurits was born in Dillenburg in 1604 as the thirteenth child of Jan VII of Nassau-Siegen and his first child by his second marriage.³¹ Entering the military service of the Dutch States-General at the age of sixteen, he would witness some of the larger sieges of the first part of the renewed hostilities with Spain after 1621; Oldenzaal, Grol, 's Hertogenbosch, Venlo, Roermond, Maastricht, and Rheinberg, in the period 1626-1633.³² Moving up the hierarchy he had been appointed to the position of full colonel in charge of his own regiment by 1629. His big breakthrough would come in 1635-1636, with the siege of the Schenkenschans at the forks of the Waal and Rhine. This important border-fortress had been captured by surprise by Spanish forces in 1635 and had to be recaptured at all costs. In one of the war's rare winter campaigns, the Dutch army besieged the fortress all through the winter of 1635-1636 and by April 1636, the place rip for storm. This attack was led by Johan Maurits and its success made his name. He had actually played a small role in the siege, the actual siege operations being directed by his half-brother Willem under supervision of stadholder Frederik Hendrik.³³

By the summer of 1636, the Dutch West India Company was looking for a new governor for its colony in Brazil. A previous administrative system had failed because military and civilian commanders had constantly clashed.³⁴ A new governmental model would integrate the military and civilian aspects of company rule in Brazil. What was needed was a suitable man to place at the head of this new government. The literature is very scant on the actual appointment procedure of Johan Maurits, Boxer for example simply states:

²⁹ There is much literature on Johan Maurits, see for example the two edited volumes, E. van den Boogaart, H.R. Hoetink and P.J.P. Whitehead (eds.), *Johan Maurits van Nassau-Siegen 1604-1679: Essays on the occasion of the tercentenary of his death* (The Hague 1979), and G. Brunn, C. Neutsch (eds.), *Sein Feld war die Welt: Johann Moritz von Nassau-Siegen (1604-1679): Von Siegen über die Niederlande und Brasilien nach Brandenburg* (Münster, New York, München, Berlin 2008).

³⁰ Charles Boxer, *The Dutch in Brazil* (Oxford 1957) VIII.

³¹ M.E.H.N. Mout, 'The Youth of Johan Maurits and aristocratic culture in the early seventeenth century', in: E. van den Boogaart, H.R. Hoetink and P.J.P. Whitehead (eds.), *Johan Maurits van Nassau-Siegen: A Humanist Prince in Europe and Brazil, Essays on the occasion of the tercentenary of his death* (The Hague 1979) 12-38, 13.

³² P.J. Bouman, *Johan Maurits van Nassau, de Braziliaan* (Utrecht 1947) 12-15.

³³ Olaf van Nimwegen, *'Deser landen krijchsvolck': Het Staatse leger en de militaire revoluties (1588-1688)*, (Amsterdam 2006) 34-35.

³⁴ C. Antunes, E. Odegard and J. van den Tol, 'The networks of Dutch Brazil: Rise, Entanglement and Fall of a Colonial Dream', in: C. Antunes and J. Gommans, *Exploring the Dutch Empire: Agents, Networks and Institutions, 1600-2000* (London and New York 2015) 77-94, 82-84.

*'We do not know how many people the Heeren XIX considered in this connection before they made their final choice; but we do know that after consultation with the States-General and the stadtholder, their choice fell on Johan Maurits, count of Nassau-Siegen.'*³⁵

There is actually more to be said about the appointment of Johan Maurits which reveals the goals of the WIC directors in his appointment. The minutes of the meetings of the XIX show that it was Amsterdam mayor Albert Coenraets. Burgh who first proposed Johan Maurits as governor.³⁶ Albert Burgh had been appointed to the Amsterdam council by stadholder Maurits (not our Johan Maurits) after his coup d'état in 1618. During the early 1620s he had turned his back on the radical orangist Calvinists in the city-council and he had for example encouraged the great poet Joost van den Vondel to write his *Palamedes*, widely seen as a tragedy on the execution of Johan van Oldenbarnevelt (Maurits' rival in 1618).³⁷ This meant he was well placed to keep up contact with Frederik Hendrik when he succeeded his half-brother Maurits as stadholder in 1625. Frederik Hendrik was generally less strictly orthodox than Maurits during his early stadholderate and was able to establish good working relations with the Amsterdam city council, of whom Burgh was now an important member. Burgh had intensive contact with Frederik Hendrik during the late 1620s and early 1630s, when a number of radical Calvinist preachers had to be expelled from the city with the stadholder's help.³⁸ This places the appointment of Johan Maurits in a slightly different light. We know from later important WIC appointments that the XIX, led by Burgh, always tried to get Frederik Hendrik's approval.³⁹ The relation between Burgh and Frederik Hendrik is important for it allows us to hypothesize that Alexander Burgh was in fact a courtier of Frederik Hendrik and tried to reinforce his relation to the stadholder by appointing his second cousin to a prestigious and profitable position in Brazil. By reinforcing this relation, Burgh would reinforce the important tie between Amsterdam and the stadholder and at a stroke place himself within the council as the go-to man for contacts with Frederik Hendrik. This example illustrates that it is problematic to see the behavior of the company directors only through the prism of their function within the company. In the Dutch Republic company directors nearly always also occupied other positions and the other political entanglements could influence their behavior as company directors. This turns the principal-agent problem on its head: how do we know that the principals were actually working in the best interest of the firm, and were not pursuing some other interest related to their other public and private (if that distinction indeed can be made) functions?

Once established in Brazil in 1637-1638, Johan Maurits set about creating a nobleman's court in the American tropics.⁴⁰ This court is indeed what has made him so famous as the artistic and scientific output by which Johan Maurits is now well known and highly regarded were a by-product of the creation of a nobleman's court. This court was itself a part, and a reflection of, the extended court of Frederik Hendrik in the later 1630s. For the study of the agency problems in colonial governance, the court of Johan Maurits is fascinating for another reason, however. By creating a court in the colony, Johan Maurits was changing his relation to the other WIC officials in the colony, especially to the three members of the 'High and Secret Council' over which he presided. As explained earlier, colonial governance in the Dutch case was always a question of councils and

³⁵ Ibidem, 66.

³⁶ NL-HaNa, 1.05.01.01 OWIC, inv.nr. 2, *Secrete Notulen van de Heeren XIX*, scan 258 and following.

³⁷ Van Cleef Bachman, *Peltries or Plantations: The Economic Policies of the Dutch West India Company in New Netherland 1623-1639* (Baltimore and London 1969) 164.

³⁸ Elias, *De Vroedschap*, LXXIX

³⁹ See also the appointment procedure for Hendrick Brouwer as High Councillor for Brazil and admiral of the fleet bound to capture Chili in 1642. NL-HaNa 1.11.01.01 Aanwinsten 1e afdeling ARA, inv.nr 1359.

⁴⁰ see for example, E. van den Boogaart, 'Brasilien hofieren – Johann Moritz' politisches Project sichtbar gemacht', in: G. Brunn, C. Neutsch (eds.), *Sein Feld war die Welt: Johann Moritz von Nassau-Siegen (1604-1679): Von Siegen über die Niederlande und Brasilien nach Brandenburg* (Münster, New York, München, Berlin 2008) 73-93.

collective responsibility. Johan Maurits had gotten more powers than most Dutch colonial governors, but he could still only make decisions in a properly arranged meeting of the High Council where decisions were taken by a majority vote. Only in case of a tie did the governor-general of Brazil have a tie-breaking double vote. In addition, the councilors which accompanied Johan Maurits to Brazil had all been company directors and two of the three had been in Brazil before.⁴¹ By creating a court at which the High Councils had of course a place of price, Johan Maurits changed his relation to them. They went from near-equals and colleagues, to courtiers. A small provision in Johan Maurits' contract allowed him a 'free table' for him and his entourage.⁴² Johan Maurits interpreted this provision more broadly than was intended and by the early 1640s fifty people ate at the count's table, including the High Councils. The costs of this mounted to an average of 9000 guilders per month.⁴³ This was a lot of money, considering that Johan Maurits' (very generous salary was 1500 per month). The men who were supposed to counterbalance the count and report on misallocations of funds thus became complicit in the enormous expenditure involved in palaces, gardens, feasts and all the other trappings of courtly life – all at the expense of a company that was struggling to stay afloat and could at times not even feed its own troops properly.

The direct relation between Johan Maurits and the stadholder and the importance of a good link between the stadholderly court and certain factions within the WIC's administration allowed Johan Maurits to undermine the system of supervision on his rule in Brazil and to spend enormous amounts of the company's money on his personal projects.⁴⁴ This same configuration also made him vulnerable to changes in the political balance of power in the Republic. By the early 1640s, a widening rift between the stadholder and the cities of Amsterdam on the conduct of the war with Spain made the position of Johan Maurits vulnerable. He had not established any personal links with directors himself, not tried to play off the patrimonial interests of the members of the different chambers against one another. When he tried to force support for his continued rule by asking his resignation (in the supposition that it would be refused) he was indeed fired and ordered home. Tellingly, the first condition that the XIX scrapped when firing him was the 'free table'.

Rijckloff van Goens in the East, 1619-1681

The other case-study that I am working in is the career of Rijckloff Volckertsz. van Goens (1619-1681) in the VOC in Asia. Born as the son of a Dutch cavalry officer in garrison in the Dutch fortress of Rees on the Rhine (now Germany), he would spend almost his entire life in Asia. He moved to Batavia, the VOC's capital with his parents in 1628, just before the great siege by the kingdom of Mataram. After both his parents died in their first year in Asia, Van Goens was orphaned and would climb slowly through the ranks, becoming VOC commander in chief on Ceylon in 1658, forcing the Portuguese out of their last strongholds on the island and continuing the successful VOC offensive by taking Negapatnam (1659) and Cochin (1663) in Southern India. Afterwards, he was appointed as governor of Ceylon and would vie to make the city of Colombo rival Batavia and even argued for the removal of the VOC's capital to Ceylon. Though this plan failed and his attempts to occupy the entire island were neither successful, Van Goens left for Batavia in 1675, after having defeated French attempts to attack the VOC's position in South Asia

⁴¹ See C. Antunes, E. Odegard and J. van den Tol, 'The networks of Dutch Brazil: Rise, Entanglement and Fall of a Colonial Dream', in: C. Antunes and J. Gommans, *Exploring the Dutch Empire: Agents, Networks and Institutions, 1600-2000* (London and New York 2015) 77-94, for a more detailed discussion of the evolution of the government of Brazil prior to the arrival of Johan Maurits.

⁴² article 11 of the contract between the XIX and Johan Maurits, HaNa 1.05.01.01 OWIC inv.nr 2.

⁴³ NL-HaNA 1.05.01.01O WIC inv.nr.56

⁴⁴ Including two palaces estimated by some a 600.000 guilders, E. Larsen, *Frans Post, Interprète de Brésil* (Amsterdam and Rio de Janeiro 1962) 21.

in 1672-1674 (part of the *Guerre de Hollande*) and was appointed Governor-General in 1678, upon the death of Governor-General Maetsuijcker.⁴⁵

Van Goens would build his career in a very different way than Johan Maurits van Nassau-Siegen, which should not be surprising given their radically different backgrounds. The case of Van Goens will highlight another way in which company agents overseas could beat the systems of control implemented by the company, but will also illustrate that directors and agents worked together to form intra-company factions that worked for the interests of the extended family networks that formed the heart of these rivalling factions. Marriage, and consequently forming new familial ties, was in the case of Van Goens the way to get ahead. This section will not explore just Van Goens, but several cases in the network surrounding him to illustrate this point.

Van Goens' first assignment within the VOC was as assistant to the newly-appointed governor of the Coromandel Coast as a young boy in 1632. From a later autobiographical document that Van Goens wrote for his sons who were staying in the Netherlands, we know that Van Goens was fond of Gardenijs and liked his appointment. It would not, however, last long, as Arent Gardenijs was arrested in December 1632, on the grounds of having conducted illegal private trade. This trade had become apparent because Gardenijs had sent too much money home to his father in the Netherlands.⁴⁶ Upon receiving this news his brothers-in-law Philip Lucas and Jacques Specx, a former governor-general, petitioned the VOC board of directors in Amsterdam that Gardenijs should be released and reinstated. It was only because of jealousy by the new governor-general, Hendrick Brouwer that he had been arrested.⁴⁷ Tellingly, they argued that other had done much worse, but had never been charged, indicating that the company was happy to turn a blind eye to some private trade at least:

*'The petitioners trust that your honerables [the VOC-directors] will look on the reported transgressions of aforementioned Gardenijs with no less discretion and as benign as your honors have done with several old servants [VOC-employees] in their past and much more serious transgressions...'*⁴⁸

Specx and Lucas were indeed successful and their brother-in-law Gardenijs was reinstated in his position.

Another indication of the importance of family connections is given by the baptismal records of Van Goens' children in Batavia. Van Goens had married an older widow, a usual path to advancement, for he now inherited the network of her former husband. Amongst the witnesses were notable men and women as Cornelis van der Lijn, Caterina Sweers and Susanna Boudaen.⁴⁹ These persons were all part of an interrelated network of family connections which tied together the top of the VOC establishment in Asia. All the individuals who were supposed to check up on one another were in fact related by marriage ties and would not betray one another for private trade which they all took part in. This network even stretched into the world of the directors in the Republic as well, creating familial blocks that pursued their own interests within the company, but at the same time, since all were dependent on the company, would perhaps make sure that this profiteering did not get out of hand. Van Goens' second marriage would relate him to all the important VOC-officials within the extended Pitt-Hartsick families and would provide a network of support for his ventures on Ceylon. Another good example of the later-career links between Van Goens and the powerful Amsterdam regent Salomon Sweers (brother of Caterina Sweers) is given by letters by Van Goens to Sweers in the early 1670s, which at the same time state that he doesn't know if he will be maintained in his function of Ceylon, but at the same time indicate that if he will be maintained, he

⁴⁵ For a biography of Van Goens, see: H.K. s'Jacob, 'Rijcklof Volckertsz van Goens, 1619-1682: Kind van de Compagnie, diplomaat en krijgsman', in: G. Teitler and G. Winus, *De Verenigde Oostindische Compagnie: Tussen oorlog en diplomatie* (Leiden 2002) 131-149, and W.M. Ottow, *Rijcklof Volckertsz van Goens: De carrière van een diplomaat 1619-1655* (Utrecht 1954).

⁴⁶ Ottow, *Rijcklof Volckertsz van Goens*, 29-30.

⁴⁷ Who is also mentioned in the previous section as the admiral to Chili in 1642.

⁴⁸ NI-HaNa, 1.10.78 Sweers inv.nr 4 folio 184.

⁴⁹ NI-HaNa 1.10.32 Collectie van Goens inv.nr. 6

will be able to send some interesting ivory sculptures as gifts to Sweers. The agent could thus incentivize the principal to keep him in function, turning the principal-agent relation on its head.

Conclusion

This paper has sought to reexamine the debate on the resolution of principal-agent problems within the chartered trading companies of the Dutch Republic, focusing on the seventeenth century. The literature on this topic for this period is quite scant and focused mostly on the ways that Early Modern chartered companies functioned as economic institutions. I have argued that this underestimates the role of these organizations as political forces in the metropolis and as warfare-waging organizations. The focus on the narrowly defined institutional/contractual ways in which principals tried to control their agents overseas misses out on the crucial interpersonal, familial and non-contractual bonds that could either induce agents to serve the company faithfully, or to 'break bad' and enrich themselves at the cost of the stock holders in the Republic. Drawing on archival research, I have shown that the position of the directors as principals themselves deserves more scholarly attention. Not all directors were alike and not all directors had the same interests. The fact that Holland's urban regents occupied multiple official functions at the same time meant that they could juggle their various interests around and in fact use their ability to appoint or maintain people in company positions as a way to achieve their goals in other fields. The appointment procedure of Johan Maurits to Brazil clearly indicates that other interests besides the WIC's need for a governor-general played a role. The familial connections within the VOC in Asia and between various factions in Asia and the Republic shows that the factional political system of the Republic spilled over into the company's personnel policy as well. When principals and agents were part of the same family and success or failure was conceived of in familial terms, the principal-agent model falls apart. To study the ways in which Dutch Early Modern chartered companies hired and fired their personnel, we therefore need to pay close attention to such factors as marriages, baptisms, political shifts, illegal trading networks and the like. This has clear ramifications for the field of institutional economics as well.