

On the decline of Dutch East India Company

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Abstract: *The main reasons for the decline of the Dutch East India Company are the high operating cost and the backward monopoly business model. Due to the large number of employees, labor costs continue to rise. In order to maintain monopoly privileges, companies need to spend a lot of management expenses, and must face more and more rampant smuggling and corruption. Although the company's income in Asia has been considerable, the overall financial situation has continued to deteriorate since the 18th century. Finally, due to the impact of the fourth Anglo Dutch war, a serious financial crisis broke out and completely collapsed.*

Key words: *Netherlands East India Company Operating costs Monopoly operation*

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I. Introduction

In the 17th and 18th centuries, the Dutch East India Company (hereinafter referred to as the Dutch India Company), as the largest multinational company at that time, widely carried out colonial trade in Asia and established a huge trading system across the eastern and western hemispheres. In its heyday, it had more than 30000 employees; In the past 200 years, 1 million people have been sent from Europe to Asia. In Asia, it has trade traces from the Red Sea to Japan. In the trade competition with the British East India Company (hereinafter referred to as the British India Company), it has been in the upper hand for a long time, but it collapsed in the last few years of the 18th century. On January 1, 1800, the new government agency in badavia (now Jakarta, the capital of Indonesia) officially took over the property and debts of the Netherlands India Company, with a total debt of 134.8 million Netherlands

LAN dun. This huge debt overwhelmed the kingdom of the Netherlands in the late 19th century. The reasons for the decline of the Dutch Indian company have long been a topic of concern to scholars, but many scholars only take it as one of the manifestations of the decline of the Netherlands, such as song Huiguo in the rise and fall of modern Dutch trade hegemony, Li Mingmin in the analysis of the reasons for the decline of the Dutch business empire in the 18th century, Zhang Zhenxing and Chen Jun in

The economic and historical reasons for the decline of the Netherlands all talked about the decline of the Netherlands India Company, but they did not make a detailed analysis of the specific reasons for the decline. They not only did not discuss much about the operation of the Netherlands India Company itself, but also paid insufficient attention to the changes in the external international market. Some scholars have also analyzed the reasons for the decline of the Dutch printing company from the perspective of the efficiency of government public goods provision. The more representative is song bingtao's view in the mystery of the rise of Britain. Song bingtao believes that the political power of the Dutch Republic is scattered and the national strength is weak, so it is unable to provide necessary naval protection.

As a result, the Dutch Indian company's route was destroyed by the British navy. This view can explain the collapse of the Dutch Indian company during the fourth Anglo Dutch war, but it can not explain the long-term financial losses of the Dutch Indian company before the war. In fact, many scholars have noticed that the decline of the Dutch printing company began in the early 18th century. When reviewing the 200 year history of the Dutch printing company, historian C.R. bokese once said that the 17th and 18th centuries were the "Golden Century" and "whitewash century" of the Dutch printing company respectively. After entering the 18th century, the Dutch printing company has become "gold and jade outside and black in it". In his article "the rise and fall of Dutch sea power in Asia", the Dutch historian Bao Leshi believed that the decline of the Dutch Indian company began about 1690 or 1720. He attributed the decline of the company to the confusion of personnel and financial management, the decline of the overall political economy of the Netherlands and the strong competition of the British, However, he did not elaborate on these reasons

II. High labor costs

At the beginning of its establishment, the Dutch printing company had only a few thousand employees. According to Fermo Simon gastra's estimate, in 1625, a total of about 7700 employees worked for the company in Asia or Europe. By the early 18th century, the company had the most powerful military and political sovereignty in Asia. It controlled half of Java, Moluccas, Sumatra and Sunda Islands, ruled more than 1 million local people, and set up trade posts as far north as Japan. In 1750, the number of employees had increased nearly fivefold, with about 35000.

The vast majority of these employees are officers and soldiers. Take Asia as an example. From 1687 to 1688, the company had 11511 employees in Europe alone, of which 7806 belonged to the army, accounting for 67.8%

The Dutch printing company is not only an enterprise, but also a huge colonial organization. Cohen, governor of badavia, once wrote to Mr. 17, the company's top management: "trade is inseparable from war, and war is inseparable from trade." local rulers in Asia are eager to break the economic constraints imposed on them by the Dutch, and the company often needs the army to protect their privileges. The increase in the number of people at a station on the east coast of Java province is a good illustration of the scale of the army growth. In 1605, the company had only 220 officers and soldiers here; By 1776, the number of troops stationed here had increased nearly tenfold to 2090. Maintaining a sizeable army poses a heavy financial burden on the company, which is reflected in the payroll records paid to employees over the years. Between 1705 and 1707, a total of NLG 8887198 was used to pay employees' wages, while between 1766 and 1768, this figure increased to NLG 12289055. According to the income of Dutch Indian company in Asia published by de Kett, these two figures are likely to account for 79.6% and 94.7% of the company's total expenditure in Asia. It can be seen that the huge profits made by the Dutch from trade were consumed by their huge bureaucratic machines.

III. Employee laziness and corruption

The quality of the employees of the Dutch printing company did not improve with the increase of the number. Most of the employees were rich soldiers and notorious adventurers. They often went to the colonies to escape the sanctions of the law. The increasingly complex nepotism among the company's employees also shows the disadvantages brought by the monopoly position of the Netherlands India Company. Due to the company's monopoly on Asian trade, all those who want to participate in Asian trade must enter the Dutch Indian company to get a share, which inevitably leads to the uneven quality of the company's employees. In 1618, Cohen complained that most of his employees were "too lazy to yawn", and even "the wind blew the fruit down their mouths, and they were too lazy to chew..." in the history of the company, governor Cohen, van dimens and metsuk urged the board of directors to send "honest and pious people", but it had little effect. The per capita wages paid by the company to employees and even senior managers are relatively low, which makes corruption and smuggling almost forced. Everyone, from the governor to the junior staff, has his own pockets. In 1762, a governor returned to the Netherlands with about 10 million guilders after completing his six-year term. In fact, his monthly salary was only 700 guilders. Similarly, the governor in office in 1765 made a total of 350000 Dutch guilders, more than 40 times his normal income. A senior manager of Cirebon company in Central Java earns 60 Dutch guilders a month, and it is estimated that his illegal income should be 75000 Dutch guilders a year. In the Moluccas, one-fifth of the money paid by the company to the local chief to buy Spices went into the pockets of the company managers involved in the transaction, which was almost a practice in the early days. In Java, the price of each pepper and rice transaction needs to be determined through negotiation, which gives the company's managers a lot of privacy. The result of negotiation is that the price agreed in the contract is much higher than the amount actually paid to the local rulers, and the difference is the "Commission" embezzled by the company's managers. The managers of these companies are closely connected with the upper class in the Netherlands, which makes any investigation and reform of the company impossible. There was a deficit of more than \$1 million in badavia's warehouse, which was not discovered until the death of the son-in-law of the company's first minister and the chief accountant.

IV. Increasingly backward monopoly business model

4.1 Monopoly operation leads to rampant smuggling

Of course, the corruption of managers has something to do with their personal quality, but the large-scale corruption shows that there are problems in the company's system. Among them, the most damaging corruption to the company is the company's top-down smuggling activities. Especially after 1750, even the governor of badavia was involved in smuggling more than once. Due to rampant smuggling, the company's monopoly of spices, coffee and opium trade revenue has decreased. Although the "charter" issued to the company by the Dutch Parliament allows the company to monopolize all trade between the Netherlands and Asia and within Asia, it also acquiesces that the company's senior managers can carry out private trade. Although as early as 1632, governor Brauer received instructions from the company's board of directors to

implement laws against private trade, these illegal acts always exist, because some of the company's senior managers have the right to transport private goods on the company's ships. The directors of the company have complained that the senior managers are not ashamed to load their goods so much on the ship that the company's goods have to be left on shore.

4.2 The increase of management expenses caused by monopoly operation

To maintain monopoly privileges, we need not only to maintain a large number of troops, but also to be equipped with a large number of managers, which also means a large number of management costs. The company's business activities are increasingly clumsy and unable to keep up with the changes of the market. Freedom means vitality. For such a huge multinational company as the Netherlands India Company, allowing free trade also means reducing the burden of the company. As early as 1620, Cohen, the first governor of badavia, proposed that private enterprises should be given a certain right to free trade, as long as they did not participate in the trading of certain commodities in which the company had monopoly privileges. In this way, the company can get rid of all kinds of unnecessary management expenses, and can have effectively curb corruption. But his suggestion was not adopted by Mr. 17 in the end. Since then, other governors have put forward similar proposals to abandon the burden of grass-roots management, but they have not been adopted.

By the 18th century, the disadvantages of monopoly had become very obvious. When British private businessmen flexibly respond to market changes in Asia, especially in India, the Dutch Indian company still adheres to the old-fashioned and clumsy methods. After 1690, until the company went bankrupt, the Dutch Indian company continued to lose money in the trade between Europe and Asia. In the 17th century, more than 90% of the company's income came from trade. By the 18th century, the proportion of the company's trade income had decreased to 60%. Tax revenue and the remuneration obtained by transferring the right to operate the opium trade to the "Opium Association" have become more and more important. This shows that the company has gradually changed from an operator actually involved in trade to a maintainer of trade order.

V. Lack of response to the trade transformation in the 18th century

5.1 The trade volume of pepper and spices decreased significantly

In the 18th century, great changes took place in the trade structure between Europe and Asia, mainly manifested in the gradual decline of the trade volume of spices and pepper, replaced by the prosperity of the trade of cotton fabrics and tea. The main profits of the early Dutch Indian company came from intra Asian trade: the Dutch imported Indian textiles, Siam stingray skin.

Spices from Molucca islands were transported to Japan; Transporting Japanese gold coins, copper, lacquerware and silk to Batavia, Bangladesh or Persia; Transport of Bangladeshi textiles back to Batavia; Transport spices and peppers from Sumatra and other places to India, Persia and other places. Spices and pepper are the most important commodities in the trade between Europe and Asia. Through a series of military and diplomatic means, the Dutch Indian company has firmly controlled the Indonesian islands rich in spices and pepper (including Molucca, Sumatra, Wandan, makasak and other places). However, in order to break the monopoly of the Dutch printing company, the competitor British printing company began to import a large number of pepper and spices after 1670. This led to a sharp decline in Pepper prices in the European market. Later, although the prices picked up, the era of huge profits in pepper and spice trade has ended. Around 1620, pepper and spices accounted for 75% of the goods traded by the Dutch printing company, but it decreased to 41% in 1670 and only 23% in 1700. Although they are still important commodities of the Dutch printing company, their importance has declined. In contrast, textiles accounted for 36% of the trading volume of imported goods in 1670 and increased to 55% in 1700.

5.2 The trade between cotton fabric and tea is booming

Since 1660, clothes made of cotton fabric have been accepted and widely used in Britain and Europe. After the reorganization of the British Indian company in 1657, the British opened up low-cost and efficient transportation channels. In addition, the British printing company can quickly change orders to meet the market demand according to the changes of European social customs. The transatlantic triangular trade network has brought a broad overseas market to Britain. Coupled with the rapid development of domestic printing and dyeing and textile industry, British printing company has turned India into a raw material producing area of cotton fabrics, and the import of raw cotton has increased rapidly. After 1770, the British obviously gained the upper hand in the cotton trade with India, and the Dutch were unable to compete with it. They could only provide relatively cheap cotton fabrics for low-end consumers in the European market, resulting in reduced trade profits and market share

Gradually shrink.

In terms of tea trade, the Dutch printing company started earlier and transported Chinese tea to Amsterdam in 1610. Before 1760, the Dutch printing company had always been the largest Chinese tea

trafficker. The British started late in the Chinese tea trade, but they came from behind. In 1660, they still needed to buy tea from the Dutch. Only 20 years later, they began to directly traffic tea from China and return to Europe, creating the earliest record of direct transportation of tea from Europe to China. After 1770, Britain replaced the Netherlands as the largest Chinese tea trafficking country in Europe. In 1784, Britain promulgated the discount act, which reduced the tea tax and the net cost of tea to 1 / 8 of the original. The tea trade volume of Yingyin company has doubled year after year. By 1790, a few years before the fall of the Dutch printing company, the total amount of Chinese tea trafficked in Britain had far exceeded that of the Netherlands, Denmark, Sweden and France combined.

The secret of British success is very simple. It is to set up a business hall directly in Guangzhou. Because it is close to the place of origin, it is easier to be flexible in management; Moreover, the route from Guangzhou to Europe is much closer than the Dutch bypass Batavia. Therefore, the tea brought back to Europe by the British is not only fresh, but also fast delivery and low cost. The board of directors of the Netherlands India Company also tried to adopt the way of direct trade, but the decision of the board of directors was strongly opposed by the badavia authorities. Because the badavia side wants to protect the central position of its port and protect their inter Asian trade with Chinese sailboats. They tried their best to force the Dutch fleet bound for China to stop at Batavia. As a result, the fleet of the Dutch Indian company had to go around as far as Batavia to load tea, while other excellent ports controlled by the company, such as Malacca and makasak, failed to play their due role for a long time. It was not until 1757 that Mr. 17 established a special China Committee to directly control the direct trade with China. This direct route later became the most profitable route for the Dutch Indian company in the whole Eurasian trade network.

VI. Bad financial situation and the fatal blow of the fourth Anglo Dutch war

6.1 Continuing liability operation

Financially, the Dutch printing company began to lose money around 1690. Over time, the company's financial situation became worse and worse and began to borrow from its own officials, especially in badavia. But this kind of inside information is unlikely to be known by outsiders. From the very beginning, the company's managers concealed its financial situation from the shareholders, who had long been hypnotized by the annual average dividend of 18%, but the money for regular dividend payment was borrowed, and the company continued to exist. As early as 1675, its unhealthy financial situation had begun to take shape, but it was attributed to the unpredictable relationship between supply and demand in the market. After 1693, people increasingly had the wrong expectation that the rising deficit would soon turn into huge profits and that the prosperity of the past would reappear. One factor contributing to this false optimism is that the company is Intra Asian trade has been booming. In the 18th century, the company's average annual income in Asia remained above 400000 Dutch guilders. In the 1740s and 1750s, the company's average annual income in Asia even reached more than 700000 Dutch guilders, exceeding the best year in the 17th century. However, compared with the deficits accumulated over the years, these seemingly considerable incomes are only a drop in the bucket.

6.2 The fatal blow of the fourth Anglo Dutch war

The direct cause of the collapse of the Dutch Indian company was the fourth Anglo Dutch war, which began in December 1780. The powerful British Navy destroyed the Dutch fleet, destroyed or captured the unprotected Dutch merchant ships, and the company's Eurasian routes were suspended. In the first two years after the outbreak of the war, no Dutch merchant ship could reach Guangzhou, and many valuable returned goods also fell into the hands of the British. The company could not obtain any income from Asia for three consecutive years. At the same time, the Dutch monopoly on the spice trade in the Moluccas was also broken by Britain, so the Dutch printing company

Asia's trade status declined and eventually collapsed. Almost at the beginning of the war, the Dutch Indian company was in financial crisis. The company had debts of nearly 19 million Dutch guilders. At this time, an investor of the Hollen business department asked to withdraw an advance payment of up to 44000 Dutch guilders. According to the regulations, each business department of the company must pay it within 6 weeks after the request. The Hollen business department asked the Amsterdam business department for help, which failed to provide help. Instead, the Hollen business department asked the Netherlands province to provide guarantee for the interest on the advance payment and debt repayment received by the company. However, the Dutch provincial council is unwilling to guarantee such a large amount of money, but allows the company to suspend debt repayment. The decision destroyed the company's reputation, and no investors were willing to lend to the company. To make matters worse, the company was unable to sell its products due to the war, resulting in its sales falling from about 21 million Dutch guilders to less than 6 million Dutch guilders in the first year of the war.

The company also suffered heavy losses in Asia, with a total loss of ships and goods of about 10

million Dutch guilders. The company submitted a request for assistance to the Dutch Parliament, which decided to reform the company and set up a "Fifth Department" to design the reform plan, but it did not achieve results. In 1790, zeran province also participated in the establishment of a "National Committee for East India corporate affairs", which was highly expected, but the reform was still unsuccessful. In 1795, when the badavia revolution broke out, the Dutch Indian company was taken over by the newly established "East India Trade and territory Commission".

VII. Conclusion

The establishment of Heyin company has created an era in which commercial capital is popular in the global trade market. The British printing company, which later became its most powerful competitor, just grew up on the road of imitating it. In fact, the decline of the Dutch printing company is only relative. Even a few years before its collapse, looking at its intra Asian trade, the profits are still very considerable. However, its operating organization is too large, resulting in its operating cost is very high; Its monopolistic operation mode not only limits the free development of private trade, but also makes the company's operation lose vitality; Asia's inter regional trade centered on Batavia once flourished. This is its great wealth, but it has gradually become its own huge burden. In the later stage of the company's development, Batavia's development has become an inexhaustible trend, affecting its overall operation. In the face of the transformation of Eurasian trade in the 18th century, the huge and clumsy Dutch printing company lost its early innovation spirit and flexible adaptability, and was gradually surpassed by the British printing company. At the national level, the government of the Netherlands Republic also has defects. The loose political structure can not provide effective public goods. In the face of the increasingly powerful British navy, the Dutch Navy gradually declined and could not provide effective maritime protection for the Dutch Indian company, which finally led to a serious blow to the Dutch Indian company unable to get up after a fall.

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