Elephants and Half-Baked Ideas: Research Possibilities for Early-Modern Chartered Companies

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The parable of the blind men and the elephant reminds us of the limits of perspective and the fact that knowledge is always partial. Here, I suggest that early modern chartered companies are like elephants, and can be usefully studied from multiple directions. The ideas below are admittedly half-baked, and in some cases consist of little more than a list of ingredients. They are also loosely connected to each other and resemble some of the framing concepts proposed by the organizers.

Consider joint stock companies as:

1. Financial assets (Carruthers 1996, Neal 1990, Murphy 2009, Stasavage 2011, Van Bochove 2013, Gelderblom and Jonker 2004, Shelton 1965): This aspect links to topics 3, 5, 8. Joint-stock companies organized long-distance trading activity in unprecedented ways, but financial interests in these companies also emerged as a new form of intangible and relatively liquid *property*. Nascent financial markets in early modern Amsterdam, London and Paris were fueled by company *shares*. Companies also raised capital by issuing *bonds* (which involved a financial claim but not an ownership interest). Financial property posed new problems of valuation and governance because of its dependence on sovereign power (corporate charters granted by a monarch or parliament), its intangibility and seeming instability of value (witness various bubbles), and the separation of ownership from control. Property rules devised to govern usufruct or heritability in land could not simply be extended to this more abstract bundle of financial rights (e.g., real estate entailed no equivalent to limited or unlimited liability). But ownership of financial assets could be transferred easily, as compared to land, and so market logics quickly asserted themselves in financial markets. Furthermore, the rapid accumulation of wealth granted financial elites political power that soon rivaled traditional landed elites. Thus, these companies provide a window into early modern financial development.

2. Organizations: Obviously connected to topics 4, 6 and 7. Trading companies were organizations, and so can be analyzed using organization theory (Scott and Davis 2007). Their operations posed key issues of agency, integration, identity and control (Hejeebu 2005, Bowen 1991, Chaudhuri 1978). Agency problems concern the ability of shareholders to ensure that agents (both the court of directors and company personnel abroad) acted in shareholder interests. Another important issue concerns their efficiency, and whether the emergence of large trading companies was driven by their superior ability to govern complex, interdependent, long-distance activities (Carlos and Nicholas

1988, 1996). Institutional theory poses the question of organizational templates and modeling. How did these trading companies influence each other? Beyond the economic effects of competition and cooperation, did they offer influential models of organization and governance? Did the joint-stock form diffuse cross-nationally? What legitimation problems did they face? Other strands of organizational theory could fruitfully be brought to bear on these cases (e.g., resource dependency theory, contingency theory, etc).

3. Trading networks: Through trade, these companies created transactional network ties between cities, ports, countries, regions, and continents. They established recurrent global, inter-regional and intra-regional flows of commodities, specie, credit, people, germs, ideas, laws and institutions. By shipping commodities and intermediate goods, they also in effect created commodity chains. With rare exceptions (Erikson and Bearman 2006) these networks have not been systematically mapped out. Nor have the implications of these network ties been assessed for the diffusion of germs, laws, institutions, credit, etc. In establishing links between separate political entities, companies had to confront legal and cultural pluralism (Benton 2005, 2008), and exploit structural holes and arbitrage opportunities (although gains depended on how agency problems were resolved). Diasporic networks were also inadvertently created by religious conflict.

4. Political and legal entities: (Carruthers 1996, Freeman et al. 2012, Alborn 1998, Bowen 1991, Murphy 1986). The privilege of incorporation was usually granted through an explicit political deal between the sovereign and the merchant community. Joint-stock companies gained further political salience from their sheer organizational size, economic profile, and the fact that investors came disproportionately from certain social groups. Freeman et al. (2012) show that in Britain, explicit parallels were repeatedly drawn between corporations and polities, insofar as internal governance was concerned (Adams 2005 suggests something similar for the Dutch VOC). This strong analogy kept corporations in a political light. Trading companies may also have played a role in the development of international law and the *lex mercatoria*. The jurist Hugo Grotius, for example, worked for the VOC in the early 17th-c., wrote *Mare Liberum*, among other books, and influenced international law and the doctrine of the freedom of the seas (Anand 1981, Benton 2005, Borschberg 1999). General commercial rules may have originated in very particular circumstances. The activities and structure of trading companies also influenced evolving notions of colonial and trade policy (the various Navigation Acts), the legitimate use of violence at sea (piracy vs. privateering vs. self-defense vs. warfare) and the nature of the economy (e.g., mercantilist economic thought).

5. Instruments for sovereign borrowing: (Carruthers 1996, Chaudhuri 1978, Stasavage 2012, Neal 1990, Wennerlind 2011). As the state-building/war-making dynamic identified by Charles Tilly unfolded, early-modern sovereigns were under great pressure to mobilize economic resources for military purposes. Tax revenues were usually inadequate, so many rulers turned to debt. Trading companies offered financial opportunities via both

taxes and debt. To be incorporated was a special privilege, often obtained only as part of a political quid-pro-quo with the sovereign. In exchange for monopoly rights and the advantages of legal personhood, a firm might have to make loans to the government. Certainly, this was true of the Bank of England, East India Company, and South Sea Company in Britain. Corporations intermediated between investors and sovereign borrowers. With the development of an active financial market, company shares could be a highly liquid investment even if sovereign debts were not. For instance, owners of Bank of England shares could easily sell off their interest even though the Bank's loan was part of the permanent British national debt. Those interested in "fiscal sociology" and the growth of the national state could usefully study these companies.

6. Vehicles for familial, patrimonial and dynastic strategies (Adams 2005, Neal 2012): Mark Granovetter (1985) emphasized the connection between economic action and social networks, but here I prefer "entanglement" rather than "embeddedness." Trading companies, the resources and opportunities they conferred, and the constraints they imposed, became entangled with other social institutions (e.g., family, gender, religion) and varying logics of appropriateness in ways that obviously posed fundamental agency problems (as in, who were the principals and who the agents). The intermingling of "personal," "familial" and "corporate" interests was also noted by Weber in his General Economic History. The "robust action" approach of Padgett and Ansell (1993) specifically considers the entanglement of persons in multiple, overlapping social networks and so could be useful. Such complications caution against thinking anachronistically about these companies, as if they were simply imperfect versions of a modern corporation.

7. Systems of distributed cognition and bounded rationality (Hutchins 1995, Yates 1989, Baladouni 1983). This relates to the issue of agency, because it problematizes exactly who or what is the "agentic" decision-maker. Hutchins' famous analysis of decision-making argues that cognition is not something that occurs within human brains. Rather, it is a process distributed across a network linking multiple people with multiple calculative devices. Although he studies contemporary ship navigation, Hutchins' argument can be applied to trading companies, which distributed cognition across a set of people occupying particular organizational positions and using multiple cognitive devices (accounting books, ledgers, letters, minutes, etc). Yates (1989) offers a model for how to study IT and decision-making in historical organizations. One can also draw on behavioral economics and (more) organization theory (especially the Carnegie School of March and Simon).

8. Cultural icons (Wennerlind 2011): the historical memory of the South Sea Bubble, as well as its political legacy, underscores the cultural power of large joint-stock trading companies. They were truly exceptional entities, imagined in popular discourse and framed by political sense-making, but their resonance remains to be fully researched.

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