

OWNERSHIP  
IN EAST INDIA COMPANY SHIPPING :  
PRUSSIA, SCANDINAVIA AND THE  
AUSTRIAN NETHERLANDS  
IN THE 18th CENTURY \*

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Where the 17th and 18th centuries are concerned, the practice of fitting out ships for long-distance trade is best exemplified in the numerous East and West India companies. Particular attention will be given here to the 18th-century East India companies and will, furthermore, be focused primarily on the companies set up in the Austrian Netherlands, in Prussia and Scandinavia.

To justify this choice, we recall that until now considerable interest has been shown in the large companies in England, France or Holland, far less interest in the smaller ones. This has meant that generalizations have been arrived at that have obscured genuine differences. We have chosen to concentrate on the 18th century, because in that very period each and every maritime power could boast the existence of at least one company for trade with the Far East. Accordingly, comparison of well-known with less well-known types of shipowning companies within a single period will prove all the more revealing. Nevertheless, it would be a mistake to regard the smaller companies as being of no importance. In their own national context, such companies were not infrequently lasting and successful business ventures.

The Swedish East India Company was first established in 1731 for a 15-year period, which, at its expiration, was renewed four more times. The company remained in existence until 1813<sup>1</sup>. The Danish East India Company, which had come into being as early as the 17th century, was reorganized in 1732, the charter granted for a period of 40 years being renewed in 1772. This company was active until the early 19th century<sup>2</sup>.

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<sup>1</sup> C. KONINCKX, *The first and second charters of the Swedish East India Company (1731-1766). A Contribution to the maritime, economic and social history of Northwestern Europe in its relationships with the Far East*. Courtray, 1980, pp. 39-66.

<sup>2</sup> K. GLAMANN, *The Danish East India Company*. In : *Sociétés et Compagnies de Commerce en Orient et dans l'Océan Indien. Actes du 8<sup>e</sup> Colloque international d'histoire maritime (Beyrouth, 5-10 septembre 1966)*. Edited by M. Mollat, Paris, 1970, pp. 471-479.

The Ostend and Prussian Companies were of somewhat shorter duration. In 1722 the Imperial and Royal East India Company was formed in the Austrian Netherlands. Under pressure from envious competitors, chiefly the English East India Company and the Dutch United East India Company, it stopped trading in 1727 and as early as 1737 was dissolved once and for all. Nonetheless, the so-called 'Ostend' Company had, in this remarkably short space of time, built up a very brisk merchant trade. This official company had a large number of precursors between the years 1714 and 1723, the so-called 'separate' expeditions<sup>3</sup>.

In Prussia, King Frederick II incorporated an Asiatic Company in 1751 to trade with China and a second one in 1753 for the Bengal trade<sup>4</sup>. Both, however, were short-lived.

In any event, all these companies are of interest in the present context, because studying their organization yields numerous insights into the way in which they were structured and functioned. They certainly provide us with just as many departures from the traditional organization, with which we are already familiar from work on established competitors. Moreover, such a study makes it possible to observe and understand the evolution of shipowning in companies of the East India company type.

### § 1. Organization of shipowning before the company era

Before broaching the principles of shipowning within the company context, we are obliged to go back into its early history in order to distinguish its essential characteristics at a previous stage and thereafter to trace them within the framework of the East India companies.

In the most basic form, the *builder* and *owner* of a ship were one and the same person. Furthermore, the owner was also *master* of his ship. In the course of time, this threefold function was to split up; *shipbuilder* and *shipowner* became two distinct occupations. It was to take some time before the owner handed over command of his ship. This is not to overlook the fact that, in the meantime, he also acted as *merchant* and *freighter*.

Just as *shipbuilding* and *shipowning* became separated, as a result of growing specialization in shipbuilding techniques, so too *command* and the function of *merchant* became dissociated from ownership as a result of developments in merchant shipping. Voyages of discovery had broadened the horizons of the maritime world in all respects. Travelling to far-off regions meant longer sea journeys. For the *shipowner-master* it became increasingly difficult to look after business interests effectively at home, at sea and abroad. The longer the voyage, the more vigorous were the attempts to increase the profitability of each vessel; that is, bigger ships were built,

<sup>3</sup> J. BAELS, "De Generale Keizerlijke en Koninklijke Indische Compagnie gevestigd in de Oostenrijkse Nederlanden" genaamd, de Oostendse Compagnie. (Ostend, 1972), p. 22-55.

<sup>4</sup> V. RING, *Asiatische Handlungscompagnien Friedrich des Grossen. Ein Beitrag zur Geschichte des preussischen Seehandels und Aktienwesens*. Berlin, 1890.

ships that had to be fast under sail, too. Bigger ships needed larger crews and were more complicated to handle, which in turn called for a higher degree of expert knowledge of *command*. In other words, actual business activities became of secondary importance to the *shipowner*. Nevertheless, in all cases where the shipowner 'hired out' his ship — or, more precisely, the ship's cargo space — he still carried on a limited amount of business on his own account. Even though this small-scale trading would decrease with time, it would never disappear altogether. "Pacotille", privilege-money and exemption from duty for those on board are relics of this.

The demand or need for more skill in command was also to bring about a division between *master* and *shipowner*. Following this separation of functions, ownership was no longer tied to command.

Naturally, not all the various types of ownership evolved in exactly the same way. A merchant, for instance, could be the owner of one or more ships, command of which was delegated to one or more masters. The shipowner was not necessarily an individual ; it could just as well be an institution, e.g. an ecclesiastical institution like an abbey<sup>5</sup>. Shared ownership of a vessel was also possible. An obvious advantage of the *partner-ownership* system was that risk could be spread, a feature that was highly attractive to those with less capital behind them.

It is, in fact, within the partner-ownership system that we perceive the ownership function more clearly. Indeed, the term "shipowning company" was to be applied to the grouping of ship's fitters-out. And yet within the group further delegation was to take place ; to one of the partners, the main fitter-out, or to an outsider, a commission agent. This person's task was to see to the carrying out of all fitting-out activities.

In the partner-ownership system, the owner's share could change hands through being inherited or sold, the sale taking place by private contract or by auction. But this implied that besides the capital represented by the share, a certain amount of ready cash also had to be available. This cash in hand included the financial means required to fit the ship out in the most literal sense of the word ; the vessel needed to be equipped with everything normally figuring on a ship's inventory, victuals had to be purchased, wages paid, not to mention all manner of port dues and incidental expenses. In addition, the cash included yet another sum with which to take on cargo and to trade.

We have already touched on the fact that partner-ownership aroused interest among those with less capital at their back. Besides merchants or traders, we also find in this group artisans directly or indirectly involved in the world of shipping : sailmakers, ropemakers, coopers, smiths, even shipbuilders. In short, whereas in the early stages of the evolution of ownership *shipbuilders* and *shipowners* became separated, we observe in a later stage, if not a reunion, at least a rapprochement between them, this time in the form of financial participation.

<sup>5</sup> G. ASAERT, *Scheepsbezit en havens*. In : *Maritieme Geschiedenis der Nederlanden*, Bussum, 1976, I, p. 180 et sq.

But then the master, as captain or skipper, could still be part owner ; the shares were to become increasingly expensive, however, as the ships grew in size. The master as part owner was eventually to disappear from the scene. His role became limited to working the ship, for which he received a wage from the owners. On top of this he would be given a sum in order to be able to sign on crew and lay in victuals. On board, however, he was and remained lord and master over the crew, the cargo and the ship itself. During freighting he acted as representative of the company or at least in a supervisory capacity ; this was also the case abroad.

## § 2. The company as shipowner

We now need to ask what the situation is concerning ownership in the company context. Who does the fitting out ? Is there any delegation of authority ? Is there any link between ownership and command or the building of ships ? In other words, do we find recurring here features from the earlier forms of ownership ?

### THE FITTERS-OUT IN THE STRICT SENSE

Within the company framework, the notion of personal property becomes blurred. The companies are joint-stock companies, whose registered capital, together with the dividends paid, is jointly subscribed by the shareholders in proportion to their investment. The shareholders are no longer owners, however, of ships in the strict sense of the word, nor of the equipment, nor of the immovables accumulated by the company. The *company*, as a legal entity, is owner of all movable and immovable property acquired over the years and so also of the ships.

Self-evident perhaps as far as the ships and warehouses are concerned, this is no less true of possessions abroad, whether factories or settlements. By way of example, we note here the purchase by the king of France of the settlement in India of the former „Compagnie des Indes orientales”<sup>6</sup>, or the sale to France by the Swedish West India Company of the island of St Barthélemy<sup>7</sup>.

For the purposes of day-to-day management, the shareholders delegated authority to a board of directors. To speak of delegating authority is putting it rather strongly, for the executive power was in fact officially entrusted to the directors by charter whenever required. In reality the conception of delegation is an a posteriori interpretation.

With the executive power in their hands, the directors fitted the ships out for the company's account. The directors were, then, fitters-out but not really owners of the ships themselves. Or, to put it another way, they were neither more or less owner than

<sup>6</sup> L. CORDIER, *Les Compagnies à charte et la politique coloniale sous le ministère de Colbert*, Paris, 1906 (reprint : Geneva, 1976), pp. 87, 90 et sq.

<sup>7</sup> T. K. DERRY, *A History of Scandinavia, Norway, Sweden, Denmark, Finland and Iceland*. London, 1979, p. 299.

the average shareholder. And yet there was still a slight difference, as from each director a minimum subscription was required. Indeed, it was one of the conditions for becoming a director. In the Ostend Company, a director was required to hold a minimum of 30 shares, that is to say 30,000 guilders worth. Moreover, he had to be a merchant or banker, while public officials and magistrates were excluded<sup>8</sup>. In the Prussian Asiatic Company, the minimum subscription for a director was 20 shares or a fixed sum of 10,000 ecus<sup>9</sup>. In the Prussian Bengal Company, 30 shares of 15,000 Brandenburg rixdollars constituted the minimum<sup>10</sup>. In Sweden, no conditions on directorships were imposed to begin with. This is perhaps understandable, seeing that until 1753 it was only a question of fitting out vessels, with no real involvement of fixed registered capital. In the official charters, it is on the *company* that emphasis is placed ; the company hires labour, fits the ships out, arms them, pays the taxes, and so on. But in practice it is the directors who perform these duties, or at any rate carry the responsibility invested in them by the shareholders, a responsibility that they in turn can delegate further for particular tasks, just as happens in the other companies. From the time when fixed capital was introduced in 1753, more detailed information was given in Sweden about directors ; from that moment on, they were required to have a considerable financial interest in the company. But as yet nothing was said about the amount to be subscribed. And this would not be stipulated any more clearly in later charters for that matter. In 1750, however, a board was set up, consisting of twelve principal shareholders and constituting a review committee of sorts ; on this occasion, a minimum participation of 6,000 thalers was required from each of these twelve principal stockholders<sup>11</sup>. If we now understand that, whenever vacancies occurred on the board of directors, these had to be filled from among the twelve, then the directors' participation can be put at a minimum of 6,000 thalers. That was not necessarily the case, and it was always the intention that little or nothing concerning financial participation would be made public. Secrecy was imposed by charter and was never violated.

It is perhaps interesting to point out that, from 1746 on – the year of the second charter – four of the seven directors had to remain continually in Gothenburg, the head office of the Swedish company, and two or, as a maximum, three or four in Stockholm<sup>12</sup>. Although it is possible to read into this clause signs of growing interest on the part of those in Stockholm, it cannot be equated with an expansion or reorganization of the company along regional lines, in spite of the vague reminder

<sup>8</sup> M. HUISMAN, *La Belgique commerciale sous l'Empereur Charles VI. La Compagnie d'Ostende. Étude historique de politique commerciale et coloniale*. Brussels-Paris, 1902, p. 263.

<sup>9</sup> H. CORDIER, *La Compagnie prussienne d'Emden au XVIII<sup>e</sup> siècle*. In : *T'oung Pao*, XIX, 1920, p. 132 & 134.

<sup>10</sup> V. RING, *op. cit.*, p. 291.

<sup>11</sup> *Landsarkivet i Göteborg : Östadsarkiv A 152 51 1. Kontrakt och instruktion för Huvudparticipanterna i Ostindiska kompaniet år 1750* (original).

<sup>12</sup> R. G. MODEE, *Utdrag utur alle ... publique handlingar*, 15 vol. Stockholm, 1742-1829, pp. 2321-2340.

perhaps of the “compartmentalized” structure of the French and Dutch companies. In “compartmentalized” systems, the fitting-out activities were usually quite autonomous.

And so, in fact, the directors did not fit out their own ships but those belonging to a collective. For these duties they received remuneration, quite apart from the dividends that they, like the remaining shareholders, earned on their shares.

There is more, however. The board of directors also determined the timing of the fitting-out, what would constitute the outward- and homeward-bound cargoes, in other words where the ships had to put into port. The board was equally responsible for signing on and discharging the crew. True, the ship’s master dealt with the necessary administrative formalities ; even so, at least one director had to be present.

#### REPRESENTATIVES OF THE BOARD AS OPPOSED TO MASTER

As a rule, the directors did not sail with the ship<sup>13</sup>, the board being represented at sea and abroad by the supercargoes. Appointed mainly to trade on behalf of the company, selling the outward-bound cargo and purchasing that for the homeward voyage — whence the name, delegation to the supercargoes certainly went a whole lot further. On sailing from the home port, the supercargoes received written instructions covering not only business matters but also sailing instructions : the route, ports of call and stopping places. The captain’s sole responsibility was to execute these orders. This he did with full knowledge, strengthened by his practical experience of ships and the sea. Naturally, the captain’s view occasionally conflicted with the interpretation placed upon the instructions by the supercargoes.

The slow separation between the functions of owner and captain was not new. On the contrary, differentiation was to be perpetuated and further forced through because of developments in shipping itself. In view of the length of the voyages, bigger ships were built in order to increase profitability. In a comparatively short space of time, the tonnage of ships in the Danish and Swedish companies doubled. Bigger, more capacious ships, with a more complicated rigging, called in turn for crews that were more numerous, though proportionally smaller in relation to unit tonnage. Crossing the oceans and seas with their ever-changing patterns of wind and current meant that a broadening of nautical knowledge became essential. In addition, the problems connected with supplying food at sea, with discipline and hygiene became more acute. In short, in carrying out their duties as ship’s officers, the captains were forced into an unwelcome degree of specialization. Their hands were full and, consequently, they had no time to deal also with business matters proper. Moreover, captains were employees, and so had less money with which to carry on taking an

<sup>13</sup> In the Swedish Company, Colin Campbell embarked upon the *Fredericus R. S.* in 1732 ; at the time he was not only a director, but also a minister plenipotentiary of the Swedish King. The fact has to be considered as exceptional.

active part in trading. As in former times, the captains — indeed, all those on board, but in keeping with their rank and duties — were allowed to carry a limited cargo for personal trading purposes<sup>14</sup>. „Pacotille” and privilege-money, on addition to the practice of bottomry, were to supplement the income of those on board, quite often doubling or trebling their monthly wages<sup>15</sup>. To complete the picture, we should point out that the supercargoes also enjoyed these privileges<sup>16</sup>. In this respect, the supercargo was more comparable to the captain than to the directors.

#### SHIPOWNING — SHIPBUILDING

The companies under discussion did not charter out their ships to third parties. There really was a great need of seaworthy ships, since a voyage to the Far East and back took at least eighteen months. In the Far East, use was sometimes made of the East Indiamen to exploit local trade along the coast there. This “country trade” was carried on by the employees of the various companies, sometimes even in collaboration with those of rival companies. And yet the “country trade” was, in fact, still not allowed, though it was certainly connived at, as the supercargoes themselves were often involved too.

Worth mentioning, however, is the fact that in the context of the East India companies a reunion of fitter-out and shipbuilder occurred once more, as opposed to the further separation of ownership and the function of master. There was a great need not simply for ships but for vessels satisfying the new requirements imposed by the foreign trade : a large cargo capacity and more room for the ever-increasing crew, without neglecting to mount effective armaments. In view of the competition, the time needed to complete the voyage was a matter of the highest importance. Accordingly, the ships had to be fast under sail.

Such merchant ships did not exist at that time. To begin with, the companies turned to the navy, which in those days had the biggest vessels. In this way a good number of ships were taken over, converted and adapted. Alternatively, ships could be purchased second-hand abroad. It was obvious, however, that the companies set up their own shipyards and occasionally built ships themselves. Nevertheless, it must be understood that actually building ships in company yards was something of a rarity. True, the Swedish Company did have its own shipyard (Klippan, 1770), but in the main it was almost exclusively repair work that was carried out there<sup>17</sup>. This is not to overlook the fact that the owners of shipyards in Stockholm and Gothenburg, where the majority of the company ships were launched, were very often shareholders

<sup>14</sup> C. KONINCKX, *op. cit.*, pp. 325-328.

<sup>15</sup> *Id.*, p. 328.

<sup>16</sup> *Id.*, pp. 341-345.

<sup>17</sup> S. T. KJELLBERG, *Svenska Ostindiska Compagnierna. 1731-1813. Kryddor-Te-Porslin-Siden*. Malmö, 1974, p. 123.

in the company<sup>18</sup>. In principle, we can only speak of an indirect connection between owner and shipbuilder.

As far as the Ostend Company is concerned, most of the vessels were bought abroad. Enlarging the shipyard in Ostend was considered, however, with the intention of building ships there. In 1727, the same year that saw the launching of the first "Ostend" ship, the company's activities were suspended. Still, it is certain that vessels for the Ostend Company were put on the stocks in Hamburg, under the supervision and following the design of an Ostend shipwright<sup>19</sup>.

In Prussia the companies were in existence for too short a time for shipyards to be constructed.

### § 3. Forms of financial organization

In most countries the company gained a monopoly of the East India trade. In Denmark just as in Sweden and the Austrian Netherlands, the sovereign granted company privileges to a group of businessmen in partnership who had requested this on their own initiative. In Prussia the initiative was taken by the sovereign himself. Yet the companies were not all alike where financial organization is concerned.

In Sweden, until 1753 at any rate, the company was organized according to the joint-stock system. Although the successive charters granted were originally valid for 15 years, and thereafter for 20 years, subscriptions were called for, as already mentioned, for each expedition. After the ships had arrived home safe and sound, the incoming cargo was sold and the dividends paid out, along with the investment capital. The charter, with all its privileges, remained valid, the directors continued to hold their appointments, while the main interest of the investors turned once again to the following expedition. This system is to be found in the "separate" expeditions of the Ostend Company but disappeared when the emperor gave formal assent to the company's existence. This was also true in the case of the Prussian Company. Nevertheless, it must be supposed that in all the joint-stock companies under discussion a limited amount of registered capital continued to exist, even though the exact amount was still not made public.

The most frequently occurring form of financial organization, however, was that of a public company with a fixed registered capital. The investments here took on a more permanent character, to last in principle as long as the charter was legally valid. The shareholders' risk was spread, the subscription formalities simplified, and their capital placed in a long-term investment. The directors — that is, the fitters-out — could for their part draw upon this capital as and when required. All in all, the company gained in credibility as a commercial concern. Nevertheless, a protracted

<sup>18</sup> G. A. ZETHELIUS. *Stockholms-varven under 1700-talet*. In : *Sjöhistorisk Årsbok*, 1955-1956, p. 85-89.

<sup>19</sup> K. DEGRYSE, *De Maritieme organisatie van de Oostendse Chinahandel (1718-1735)*. In : *Mededelingen van de Marine Academie*, XXIV, 1976-1977, p. 20.



charter could easily lead to mismanagement, act as a brake on increases in the registered capital or share value, not to mention the higher financial risk involved. Indeed, therein lies an explanation of the Swedish Company's success.

And yet between the joint-stock and the permanent-capital company there existed a third form of financial organization. In the Danish East India Company, a *fixed* capital sum was maintained in addition to the current capital. This system brings clearly to mind the provision in the form of cash used under earlier forms of ownership. The *current* capital was raised by subscription for each expedition, just as happened in Sweden until 1753. The *fixed* capital consisted of all possessions, in Europe as well as in Asia (the colonies), which were recovered from a 17th-century precursor. The fixed capital was, however, supplemented by a 10 per cent tax on the profit from selling the inward-bound cargo of each expedition. Moreover, a further 5 per cent was levied on all shipments out of Tranquebar<sup>20</sup>.

This form of financial organization is ingenious in that it gets round the drawback of having too much of one's capital in the form of cash. Furthermore, this system allowed all concerned to choose freely whether or not they would participate in a given expedition.

The use of current capital is, by implication at least, to be found in some degree in the Ostend Company. An interpretation of articles 53 and 54 of the original charter allows us to infer the existence of a reserve capital<sup>21</sup>.

### Conclusion

In the East India companies examined here the role of fitter-out is entrusted to a board of directors. Since one of the conditions for holding a directorship is to have a personal and considerable financial interest in the company, the fitters-out are in fact shareholders. As the companies were set up for the purpose of trading, the owners-fitters-out are involved in this commercial activity, directly so at home, and indirectly abroad through the intermediary of their representatives, the supercargoes.

The latter are, however, not the sole owners of the ships. The company constitutes a legal entity, in which the directors act *on behalf* of the company. The company itself is a formal association of numerous partners, namely the shareholders. The average shareholder, however, is no longer closely concerned by the fitting-out activities. Although in the majority of companies general meetings were called at regular intervals – sometimes restricted to the principal shareholders – participation on the part of the shareholders was very limited. There was no great need of consultation, for most of the East India companies were extremely successful and dividends high. Originally, there was little cause for dissatisfaction. Only when times became hard would things begin to change.

<sup>20</sup> J. SAVARY DES BRUSLONS, *Dictionnaire universel de commerce, d'histoire naturelle et des arts et métiers*. Edited by Ch. & Ant. Phillibert, 5 vol. A Copenhagen, MDCCLIX-MDCCLXV, V, p. 1650.

<sup>21</sup> M. HUISMAN, *op. cit.*, p. 262.

In the evolution of types of ownership, the East India company period is important, because a partial reunion of fitter-out and shipbuilder occurred again. On the other hand, the function of owner and captain remained separate. Fitter-out, merchant and shipowner remain, in principle at least, united. Nonetheless, the companies represent one of the last stages in the development that would lead to the appearance of the limited liability company as it is known today.