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Employee Opportunism in Two Early Modern British Trading Companies

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EMPLOYEE OPPORTUNISM IN

TWO EARLY MODERN BRITISH TRADING COMPANIES

by

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ABSTRACT

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The English East India Company and the Hudson's Bay Company were the most prominent of a score or more of seventeenth and eighteenth century joint stock European trading companies whose merchants conducted their trading activities around the globe. The extraordinary distances and length of time that separated the London directorate committees of both companies from their distant employees was perhaps their greatest managerial challenge. Neither company could directly supervise their employees at their remote trading concessions, whether it was India and the East Indies for the East India Company or sub-arctic North America for the Hudson's Bay Company.

Because of these circumstances, both companies confronted serious agency problems. The overseas operations of both companies were almost entirely subject to the discretions of their distant employees, who more often addressed their personal circumstances and interests than those of their company. An employee surreptitiously making private trades for the individual's personal gain instead of trading for the company's benefit, was considered by the London directorates as the most scurrilous act that was possible against one's employer, as it directly undermined the company's profitability. Other acts of personal opportunism by the employee that harmed the efficiency of the company were fraud, embezzlement,

drunkenness, and avoidance of daily work responsibilities.

One of the reasons that the great majority of the overseas trading companies ultimately failed was because these distant employee challenges could not be overcome. But the East India Company and the Hudson's Bay Company prevailed through these challenges lasting three centuries or more. This study compares the two companies with respect to the problem of unwarranted employee opportunism. A number of scholars have postulated that each company had its unique managerial policies and tools that could control or minimize the problems, if not eradicate them. This analysis found that this was not the case. Instead, overseas company agents largely acted in their own self-interest, and could only sometimes be persuaded to act in accordance with company goals.

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CHAPTER 1

INTRODUCTION

THE ISSUES OF AGENCY

In any company, trusting employees creates a natural tension between a principal and its agents, especially when great distances exist. K. N. Chaudhuri noted in his treatise of the English East India Company that the role of the Company's agents was "a most vital one," not only because of the agent's trading acumen, but one's efficiency and honesty as well.[1] The economic historian, Michael O'Leary, with his associates, Wanda Orlikowski and Jo Anne Yates, in their essay about "trust and control" in another contemporary overseas trading company, the Hudson's Bay Company, defined the element of *trust* as "the confidence in and the willingness to rely on another party (where a *party* can be an individual, group, organization, institution, or system) under conditions of risk and vulnerability."[2] The authors interpreted *control* as "the capability that some actors, groups, or types of actors have of influencing the circumstances of action of others."[3] In the seventeenth and eighteenth centuries the European joint-stock trading companies, in this sense, relied heavily upon trusted agents to make their ventures possible, as the markets and regions in which these overseas companies operated were thousands of miles

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[1] K. N. Chaudhuri, *The English East India Company: The Study of an Early Joint-Stock Company 1600-1640* (London: Frank Cass & Co., Ltd., 1965), 74.

[2] Michael O'Leary, Wanda Orlikowski, and Jo Anne Yates, "Distributed Work over the Centuries: Trust and Control in the Hudson's Bay Company, 1670-1826," in *Distributed Work*, eds. Pamela Hinds and Sara Kiesler (Cambridge, MA: MIT Press, 2002), 35.

[3] O'Leary, Orlikowski, and Yates, "Distributed Work," 35.

from their company headquarters.

This paper will explore how under rigorous conditions two principal companies, namely the East India Company and the Hudson's Bay Company, during the early modern era, attempted to exercised control over their employees to act first and foremost on the principal's behalf rather than in the employee's private interests. These two companies were the most prominent of a significant group of European chartered joint-stock companies during the seventeenth and eighteenth centuries. They not only faced management challenges over distance and remote geography, but also of time, when travel and communication across trading posts took months. Acts of "personal opportunism" by managers were difficult to control, given the great distances and remote trading locales to which both companies sent their employee "servants."[4] Instances of personal opportunism consisted of employees (1) trading for their own benefit instead of that of the company's, which was termed "private trading," (2) stealing goods or monies from the company, (3) performing fraudulent acts such as assigning inferior trades to the company while retaining the best trades for oneself, (4) embezzling the company by skimming some of the trading profits for oneself, and (5) participating in the more mundane acts of malfeasance that included drunkenness, laziness, and incompetence.

A comparison of the managerial perspectives of these two companies in the eighteenth century in dealing with their respective employees will show that in most instances their company directorates headquartered in London had little

[4] Ann M. Carlos and Stephen Nichols, "Giants of an Earlier Capitalism: The Chartered Trading Companies as Modern Multinationals," *The Business History Review* 62, no. 3 (1988): 415.

control over their distant servants' personal performance. This is contrary to arguments about agency in recent historiography that suggest the managerial strategies practiced by the overseas trading companies did provide a satisfactory measure of control over the performance of their remote employees and usually protected the company's interests. Two comparative fundamentals in the managing of these overseas companies have been largely overlooked. First, historians have not thoroughly examined the managerial environments in which the London committees of both companies operated, which saw the Hudson's Bay Company to establish periodically severe measures of secrecy, with some success, to avoid the eye of the public. Conversely, due to public pressure, the much larger East India Company ultimately was compelled to share its trading monopolies with others, which eventually led to the demise of its trading operations. Second, the natural environments in which the respective companies operated, the sub-tropics for one and the sub-arctic for the other, adversely influenced the personal conduct of the companies' distant employees. Severe living conditions prompted these employees to protect their personal interests and physical well-being in addition to serving the interests of their distant employer. Though other factors presented by scholars were relevant, this thesis will show that these two fundamental factors directly influenced the outcome of the overseas management strategies of each company.

JOINT STOCK TRADING COMPANIES

The joint stock trading company was a refinement of the earliest of European trading companies that were called "regulated companies," which involved groups of individual merchants with similar economic motives agreeing to follow the same ethical conduct and accepted practices of their trade. As an example, in many such companies the members agreed to use the "stint" as the agreed upon quantity of merchandise unit that a member might buy or sell in negotiating business, a practice that evolved from the medieval guild. Each merchant, using personal capital, independently conducted trades independently, and was solely responsible for the business risks incurred. The merchant was ostensibly assured by the regulations of the company that his competitors were following the same business protocols in conducting their trades. For this measure of market stability, the merchant usually paid an annual fee to the company. It could be difficult to join a regulated company as only "judged" qualified entrants were allowed to trade.[5]

With the discoveries of distant new worlds in America and Asia during the sixteenth century, the challenges were overwhelming to most merchants to finance the upfront expenses of chartering a ship and its crew to trade abroad for numerous months. This exigency brought about the "joint stock company," where the merchants did not trade as individuals but as investors organizing and subscribing to a common capital fund in whatever amount they could afford. Originally, these capital ventures were *ad hoc* arrangements that were entered into for a single voyage. When the ship returned, the profits of the voyage were distributed proportionately among the merchant subscribers. Another voyage would require a new subscription of funding from those merchants who wanted to participate.

[5] E. L. J. Coornaert, "European Economic Institutions and the New World: The Chartered Companies," in *The Cambridge Economic History of Europe from the Decline of the Roman Empire,* eds. E. E. Rich and C. H. Wilson (Cambridge: Cambridge University Press, 1967), 4: 252.

According to Rudolph Robert, the first recognizable joint stock company was the Russia Company, an English company organized in 1553, which found profitable trade in the Baltic regions of Russia.[6] E. L. J. Coornaert, however, differed by a half-century with his calculation that, "England established the first of them in 1600: the East India Company, which had been created by merchants who asked for a royal guarantee of their monopoly of trade."[7] Queen Elizabeth I granted the company its royal charter for this monopoly on December 31, 1600. Both the Russia Company and the East India Company had been given royal charters for trade monopolies. The East India Company was the first to amalgamate the single voyage joint-stock investments into permanent stock shares, which then were held by the merchant until the individual wished to sell them. According to K. N. Chaudhuri, this occurred in 1613, when the company's merchant investors did not wish to wait for the return of the previous year's vessels before dispatching a new trading flotilla.[8] Despite the debate, Robert was quite correct when he surmised: "How this all worked out in practice makes one of the most enthralling stories in English economic history."[9]

The English East India Company and the smaller Hudson's Bay Company were the most prominent of the trading companies that were established during the seventeenth century, if measured only by their remarkable degrees of longevity, and in the case of the Hudson's Bay Company, its steadfastness as a commercial trading entity that continued its trading activities until the twentieth century. The East India

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[6] Rudolph Robert, *Chartered Companies and their Role in the Development of Overseas Trade* (London: G. Bell and Sons, Ltd., 1969), 13.

[7] Coornaert, "European Economic Institutions," 234.

[8] Chaudhuri, *English East India Company,* 22.

[9] Robert, *Chartered Companies,* 14.

Company lasted over two hundred fifty years; its shareholders were bought out by the British government in 1858. The Hudson's Bay Company operated as a trading company for a similar period and continues today as a holding company for Canada's largest department store chain, some three hundred years beyond its founding in 1670. Both companies started with a royal charter that gave them an exclusive monopoly in favor of their trading activities. Both were organized and structured as joint stock companies where the shareholders invested for a financial return proportionate to the amounts they had risked. In the East India Company the joint stock arrangement initially applied to single voyages until 1654, when the company stock was sold as perpetual shares in the enterprise.[10]

By paying due attention to the management structures and concerns of the East India Company and the Hudson's Bay Company, this project will address their activities as active commercial trading enterprises in attempting to control their distant agents. Each company had a governing directorate committee in London that managed the overseas activities in which they were engaged; this included communicating with their respective far-flung trading locations throughout Southeast Asia and North America. The managerial committees of both companies initially reported to a "court" of company proprietors comprised of the shareholders. Later, as the companies became larger, more complex, and politically entangled, the committees morphed into additional hierarchal structures. Once either company had established a trading concession, a "governor" of that facility was usually appointed by its London committee to oversee the company activities

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[10] Holden Furber, *Rival Empires of the Trade of the Orient 1600-1800* (Minneapolis: University of Minnesota Press, 1976), 191.

conducted in that region or locality. A council of the other officers of the company living at the trading concession was appointed by the London committee to advise the governor. This hierarchal management structure was closely practiced by both companies. By the 1680s the Hudson's Bay Company had five concessions along the shore of Hudson's Bay operating under this arrangement. The East India Company, with its much larger operation, had established four principal administrative locations that were called "presidencies" at Saint Helena, Bombay, Madras, and Calcutta in 1699.[11] A governor and council were selected by the London committee to administer each presidency and the trading concessions it supported.

For the East India Company, the period 1601 to 1773 is significant, when the Regulating Act by Parliament intervened to make the company a quasi-political creature, which caused the company to eventually dispense with its trading functions.[12] In the case of the Hudson's Bay Company, the period 1670 to 1821 was the phase when its administration was directly influenced by the company's London committee; thereafter the company was more closely managed in North America by a governor in Montreal, who reported to London. Despite these geographic challenges, the longevity of both companies during these periods can be attributed primarily to the management practices and activities by their respective headquarters in London.

Each of these companies, through their London directorate committees, by

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[11] Brian Gardner, *The East India Company: A History* (New York: Dorset Press, 1971), 44.

[12] Anthony Webster, *The Twilight of the East India Company: The Evolution of Anglo-Asian Commerce and Politics 1790-1860* (Woodbridge, UK: The Boydell Press, 2009), 101.

means peculiar to each company, had attempted to confront the issue of agency opportunism to protect its profits through the many decades of their commercial trading activities. Historians have addressed the question of whether the London directorates of either company held a genuine control over their distant employees. These theories have proven to be inconclusive, to say the least. Scholars have suggested that the ultimate success of these companies in addressing employee opportunism was largely attributed to factors like those of employee contracts, loyalty oaths, bonding, wages and financial rewards , and corporate cultures that were introduced as effective measures for controlling employee opportunism.

While these factors certainly mitigated opportunism, they did not eliminate or even provide a satisfactory measure of management control. My archival research suggests that two other factors – the distance and time restraints imposed on the two London-based managements and the natural climatic environments in which the two companies operated – were also factors that impaired their ability to effectively control their distant agents. The London directorate committees therefore could not employ or enforce their management styles in any immediate sense, but could only attempt to *persuade* their distant employees to follow the rules of conduct that they desired through the repetitive letters of instruction regularly issued by the committees. These lengthy letters accompanied every company ship dispatched from London. Due to their ubiquity of appearing at each concession at least once a year, and the rote of messages conveying the committees' desires, these dispatch letters did at times influence the chief trader's decision-making and those of subordinates, and could bring some traders motives in line with their own. But these persuasions could, and often were, ignored when a trader perceived that such instructions were inconvenient or intruded upon the trader's personal interests that included opportunities to enrich oneself through private trading and other corruptive activities that benefitted the individual instead of the company. In most respects, the distant employees of both companies acted, more or less, as they pleased.

ARCHIVAL RESEARCH

The archives of the British Library in London and that of the Hudson's Bay Company Archives in Winnipeg hold great quantities of original documents, manuscripts, and letters that yield significant informative material about the principals and employees of both companies who felt inclined to invoke private trade on their own behalf. These actions were usually considered the most damaging of all adversities to their company's profitability. While drunkenness, thievery, and incompetence affected their performance, an employee's opportunism could drain serious profits. The India Office Records of the British Library provided several voluminous sources that yielded up numerous first-hand accounts of the East India Company employees' malfeasance: files containing the London committee's "letters of instruction" to its distant governors, sailing orders to the company's ship captains, the factory records of Calcutta, China and Japan, and a miscellaneous letter series of dispatches to and from Asia. Similarly, the Hudson's Bay Company Archives in Winnipeg yielded a large trove of material: correspondence between the London committee and its factories along Hudson's Bay, sailing orders, minutes of the London committee, and miscellaneous files of letters and dispatches between the factory officers and the London committee.

A number of books, pamphlets, and private letters identified in Catherine Pickett's *Bibliography of the East India Company* were also consulted that were published about the respective companies during the time that they traded and operated.[13] Such material included *Gentleman Long Resident in India: reflections on the present state of our East India affairs* (1764), a pamphlet that criticized the company for not permitting unrestricted private trading.[14] *English Company Trading to the East Indies: Regulations for private trade by commanders, officers, and seamen, including lists of goods permitted for private trade* (1702) was a company pamphlet that promulgated the specific list of trading goods that a captain and the members of his crew were permitted to carry for their private trade aboard a company ship.[15] *A Letter to the proprietors of East-India stock from John Johnstone, Esq., late of the Council of Calcutta* (1766) complained about the author's dismissal for malfeasance.[16] This type of material about the Hudson's Bay Company included *The Present State of Hudson's Bay, Containing a Full Description of that Settlement and the Adjacent Country, and Likewise the Fur Trade, with Hints for its Improvement,* by Edward Umfreville (1790), criticizing the company for its secrecy and opaque

[13] Catherine Pickett, *Bibliography of the East India Company* (London: The British Library, 2011).

[14] *Gentleman Long Resident in India: reflections on the present state of our East India affairs* (London: T. Lownds, 1764). The British Library, London (hereafter referred to as BL).

[15] Court of Managers for the United Trade to the East Indies, *Regulations for private trade by commanders, officers, and seamen, including lists of goods permitted for private import, and reserved for English Company trade* (London: 1702). BL.

[16] John Johnstone, *A Letter to the Proprietors of East India Stock from John Johnstone, Esq., late one of the Council of Calcutta, Bengal* (London: printed in the year 1766), T.795.1. BL.

practices,[17] and *Isham's Observations and Notes on Hudson's Bay, 1743*, provided a stark rendering of one's experience of "wintering over" in Hudson's Bay.[18]

These books and pamphlets reveal two quite different environments in which the respective companies operated. The tropic and sub-tropic climates in which the East India Company traded, especially with regard to the likelihood of sickness or of contacting a fatal disease, were a heavy influence on how the company conducted its operations, including how it ultimately dealt with the issue of employee personal opportunism. The cold climates in which Hudson's Bay Company traded likewise dictated how the company sought to control the activities of its servants. Reviewing these archival resources made it clear that two factors – the managerial circumstances in which the companies operated in London, and the different natural environments that challenged each company - have not been given sufficient attention in the issue of overseas agency during the early modern era.

HISTIOROGRAPHY: AN INTENSE DEBATE

One of the earliest criticisms of the principal-agent arrangement came from Adam Smith, who surmised:

> Nothing can be more completely foolish than to expect that the clerks in a great counting-house at ten thousand miles distance, and almost consequently out of sight, should, upon a simple order from their masters, give up at once doing any sort of business upon their own account, abandon forever all hopes of making a fortune…and content themselves with the moderate salaries which those masters allow them.[19]

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[17] Edward Umfreville, *The Present State of Hudson's Bay*: *Containing a Full Description of that Settlement and the Adjacent Country, and Likewise the Fur Trade with Hints for its Improvement* (London: Charles Stalker, 1790). Hudson's Bay Company Archives, Winnipeg, Canada (hereafter referred to as HBC Archives).

[18] E. E. Rich, ed., *Isham's Observations and Notes on Hudson's Bay, 1743*, (Toronto: The Champlain Society, 1949).

The joint stock company's attempt to halt or control agent opportunism was but one of Smith's criticisms of the inclination of the company's directors to depend upon a royal charter, or one given by Parliament, for creating an unrealistic monopoly on the rents and trades of the English mercantile system. Smith had been involved in debates about the East India Company during the mid-eighteenth century, and at one point hoped to join a commission of supervision that the company proposed to investigate corruption and illegal conduct in Bengal. [20] According to Nicholas Dirks, the position of Smith was that the joint stock chartered trading company was adverse to the interests of England as it ultimately stunted the natural growth of the imperial economy, "whether licit or illicit."[21]

Two hundred years later, a spate of historiographical activity about agent opportunism issue took place just before the turn of the last century. Little debate seems to have occurred since 1996, the occasion of the heated Carlos/Nicholas and Jones/Ville exchanges. As shown by these debates, the historiography for comparing the early-chartered trading companies and their agents' opportunism tends to be a neglected, murky, and contentious area of English imperial and economic history.

A number of historians have investigated agency opportunism issue in order to understand the functioning of employees in distant, remote regions without the physical managerial presence of their principals. In an extensive study of the East

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[19] Adam Smith, "America and the East Indies," In *From the East India Company to the Suez Canal,* vol. 1, *Archives of Empire,* eds. Barbara Harlow and Mia Carter (Raleigh, NC: Duke University Press, 2003), 104.

[20] Sankar Muthu, "Adam Smith's Critique of International Trading Companies: Theorizing 'Globalization' in the Age of Enlightenment," *Political Theory* 36, no. 2 (2008): 98-9.

[21] Nicholas P. Dirks, *The Scandal of Empire: India and the Creation of Imperial Britain* (Cambridge, MA: Belknap Press, 2006), 136-7.

India Company, K. N. Chaudhuri found that among the personal activities in which an employee could engage at his employer's expense, undoubtedly the most egregious was that of the employee surreptitiously trading privately on their own behalf instead of that of the company.[22] Coornaert's analysis of joint stock trading companies, showed that employees who legally or illegally carried on private trade "…were often, in effect, the most dangerous rivals of their own companies."[23] Still, Chaudhuri, in his second book about the East India Company, *The Trading World of Asia and the English East India Company*, stressed that the company's organizational structure was especially suited to handle the problems that such a commercial company encountered with its long-distance trade, as in organizing and conducting an operational itinerary, developing practices for decision-making in distant uncertain environments, and solving conflicts among its employees. Chaudhuri went on to suggest that this "systems approach" developed by the company was the predecessor of the modern multi-national corporation.[24]

Ann Carlos and her associate, Stephen Nichols, took issue with Adam Smith's distaste of the chartered joint stock company model after studying the methods of Hudson's Bay Company, whose joint stock enterprise was founded in 1670. Carlos and Nicholas adapted Chaudhuri's thesis that the managerial practices developed by the East India Company structured as a joint-stock chartered corporation were the reasons for the success of the company and "shared these important characteristics

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[22] Chaudhuri, *English East India* Company, 87-8.
[23] Coornaert, "European Economic Institutions," 263.
[24] K. N. Chaudhuri, *The Trading World of Asia and the English East India Company, 1600-1760* (Cambridge: Cambridge University Press, 1978), 20-1.

with today's modern multinationals."[25] The authors made the case that the concept of the joint-stock trading company came about in order to conduct long-distance trading efficiently during the seventeenth and eighteenth centuries, and that it was the optimal organization for operating in overseas markets.[26] They also contended that the organizational structure of such a company enabled trading enterprises to develop managerial systems to control opportunism by its employees. Carlos and Nicholas believed that the problems of agency never became a serious issue with Hudson's Bay Company mainly due to the company's management structure and the heavy emphasis it placed upon monitoring and making incentive contracts with its "servants." The authors also believed that the company's corporate culture where servants were encouraged to work for the same goals as the principals instilled a work ethic that greatly reduced personal opportunism. In return, the company seemed to undertake the moral obligation, to some extent, to the men it employed in Canada by taking care of their families in Great Britain.[27] Santhi Hejeebu did an examination of opportunism in the English East India Company and concluded that the company's policy of permitting its servants to trade privately was an important inducement for their loyalty in acting in the interests of the company. This incentive coupled with the threat of dismissal was a very effective "carrot and stick" approach to control the problem of opportunism.[28] Hejeebu interpreted Carlos and Nicholas

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[25] Carlos and Nicholas, "Giants," 398-9.

[26] Carlos and Nicholas, "Giants," 402.

[27] Ann M. Carlos and Stephan Nicholas, "Managing the Manager: An Application of the Principal Agent Model to The Hudson's Bay Company," *Oxford Economic Papers,* New Series 45, no. 2 (1993): 253-5.

[28] Santhi Hejeebu," Contract Enforcement in the English East India Company," *The Journal of Economic History* 65, no.2 (2005): 498.

as believing that "managerial initiatives effectively controlled agent behavior and that opportunism did not exist."[29] It would seem that Hejeebu mischaracterized Carlos and Nicholas, as Carlos and Nicholas made clear in their journal article, "Managing the Manager," that the societal culture promoted by Hudson's Bay Company with its servants *reduced* the agency problem, not halted it.[30] Hejeebu also went on to note that Jones and Ville were equally guilty in providing no evidence of their alternate hypothesis when criticizing the failure of Carlos and Nicholas to do so.[31] Hejeebu also took Chaudhuri to task for his ambiguous, if not contradictory position that allowed that the problem of uncontrolled agency opportunism was "endemic" while still emphasizing the East India Company's "overall success."[32]

Carlos, in order to contrast the superior managerial strategies and skills of the Hudson's Bay Company in this venue, published a separate journal article that compared Hudson's Bay Company with that of another English joint-stock trading company, the Royal African Company founded in 1672.[33] Although the two companies were quite similar with their charters and structure, and both conducted their respective businesses through trade barter, and that they practiced similar strategies combatting the "moral hazard" of employee opportunism, Carlos concluded that the Royal African Company operated at the distinct disadvantage of being compelled to hire most its managers from outside the company, rather than from promoting from within its ranks as did Hudson's Bay Company. The latter

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[29] Hejeebu, "Contract Enforcement,"497.
[30] Carlos and Nicholas, "Managing the Manager," 255.
[31] Hejeebu, "Contract Enforcement," notes: 497.
[32] Hejeebu, "Contract Enforcement," 499.
[33] Ann M. Carlos, "Principal-Agent Problems in the Early Trading Companies: A Tale of Two Firms," *The American Economic Review* 82, no. 2 (1992): 140-5.

made a policy of promoting from within, which in time supposedly generated a high level of trust between its London management committee and the remote managerial employees. Carlos alluded that the Royal African Company was compelled to continually hire outsiders due to the extremely high turnover caused by the mortality rate from disease prevalent along the unhealthy west coast of Africa, not to mention the intimate conditions in handling the slaves that they traded. This practice thus yielded lower levels of productivity and loyalty from remote managers. Carlos found that Hudson's Bay Company had the better, more efficient, and loyal management structure to prevent or curtail instances of employee opportunism.[34]

S. R. H. Jones and Simon P. Ville differed sharply with Carlos and Nicholas in a wide range of aspects about the latter's concept and interpretation of the early trading companies, including the issues about employee opportunism. They suggested that while chartered companies may have developed innovative organizational structures, "unlike Carlos and Nicholas, we do not believe that their control systems were particularly effective."[35] Jones and Ville argued that the heavy censorship, personal searches, and harsh discipline exerted by the Hudson's Bay Company were more the norm. The authors contended that the case of Carlos and Nicholas portraying Hudson's Bay Company as a noteworthy exception to the rest of the early chartered trading companies as a successful, cost-effective managed joint-stock organization was not correct. Jones and Ville believed that hierarchal

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[34] Carlos, "Principal-Agent Problems," 144.

[35] S. R. H. Jones and Simon P. Ville, "Efficient Transactors or Rent-Seeking Monopolists? The Rationale for Early Trading Companies," *The American Economic Review* 82, no. 2 (1992): 906.

organizations, such as the chartered joint stock trading companies, generally faced high incentive and enforcement costs, that the company was not cost-effective and did not prevent "persistent managerial malfeasance."[36] Jones and Ville went on to note that "the material provided by Carlos and Nicholas only demonstrates that such problems (of opportunism) existed, not that they were resolved."[37] Edith Burley, in her lengthy study of the Hudson's Bay Company's workers, also differed with Carlos and Nicholas.[38] In her examination of the company's workforce, Burley found that the especially sought-after inhabitants of the Orkney Islands, as well as other members of the unskilled workforce, bargained continuously about their wages, and opposed their managers when they were expected to work under intolerable conditions.[39] That these servants, as well as others, were neither deferential nor tractable to their managers, allowed Burley to conclude that "the London committee never achieved what it had set out to do." In this respect Burley went on to observe that the Hudson's Bay Company "was not, therefore, characterized by strong vertical relationships," as Carlos and Nicholas argued.[40]

It is curious that Carlos preferred as a comparison to choose the Royal African Company, whose purpose was to barter and trade slaves, rather than a similar entity such as the then prominent East India Company, which dealt in the same English and European wholesale markets as Hudson's Bay Company. This

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[36] Jones and Ville, "Efficient Transactors," 903-4.

[37] Jones and Ville, "Efficient Transactors," 904.

[38] Edith Burley, *Servants of the Honourable Company: Work, Discipline and Conflict in the Hudson's Bay Company, 1770-1879* (Oxford: Oxford University Press, 1997), 319 pp.

[39] Burley, *Servants,* 14-5.

[40] Burley, *Servants,* 246.

thesis makes the more apt comparison in an effort to benchmark the similarities of both companies as closely as possible in order and to gain the evidence needed to test the validity of the explanations of agency opportunism that have been offered in the historiography.

This thesis will examine how these two venerable overseas companies were quite similar with their management styles and corporate cultures in attempting to control acts of personal opportunism by their distant workers, and yet introduce new factors to consider. It borrows the logic of Mark Bloch and William H. Sewell, Jr. for its methods of comparison, who suggest that comparisons illuminate and test the validity of one's theories or explanations.[41] In this case a comparison of each company's management organization and practices, company culture, trading activities, and operating environment will show that neither organization held any reliable control over its distant employees concerning their individual conduct in acting in the interests of their respective company over that of their private interests. These findings will support the hypotheses that the London directorate committees could not employ or enforce their managerial styles in any immediate sense, but could only attempt to persuade their distant employees through the rote of the committees' letters of instruction, to accept and follow the desired rules of individual conduct.

The research here suggests that both companies did exert some small measure of control through the respective London directorate committees' persuasive tactics by means of paternal advice, direction, and admonitions

[41] William H. Sewell, Jr., "Marc Bloch and the Logic of Comparative History," *History and Theory* 6, no. 2 (1967): 208-11.

dispatched in their outward letters of instruction. In the case of the Hudson's Bay Company, I will suggest that its London committee did have some sort of control over its distant employees, but that it was not the dictates of the committee alone that promoted some obedience by employees; there was also the extremely cold environment that dictated how an employee would perform for the company, and also for his own protection and interests. The success and longevity of both companies depended on the premise that their employees performed their work well enough to ensure the company's survival. This does not mean, however, that the employees necessarily gave up their personal interests and activities of opportunism to satisfactorily ensconce themselves within the corporate cultures while exhibiting the personal behavior sought by their respective London committees. In the end, the agents of both companies largely acted as they pleased. But persuasion tactics by the London directorates sometimes influenced distant officials to act by means that benefitted both the company and the employee. Beyond this modicum of control, the East India Company and the Hudson's Bay Company found it impossible to directly manage in any meaningful sense those actions of their employees that would favor the company's interests over their own personal opportunism, especially when their goals did not align. Contrary to the arguments presented by Carlos and Nichols, my archival research shows that the companies' management strategies focused upon by other scholars failed to halt the numerous instances of personal opportunism taken by their employees. There were other fundamental factors that should be taken into account, such as the general orders of the respective London directorates in their letters of instruction that were regularly dispatched on each company ship. Over time, these orders *persuaded* their employees, when it suited them, to work in the interests of the company, but did not always or regularly work without fail. Nonetheless, these communications by the London committees, laboriously written in cursive, were successful enough to permit the two companies to function profitably and satisfactorily into their longevity even as opportunism continued to be rife.

In many instances when distant employees chose to place their personal interests before that of their employer, there were practical reasons to do so. The natural environments in which both companies operated strongly influenced the behavior of their employees. The Hudson's Bay Company operated in sub-arctic conditions that were very hash for most months of the year. The East India Company operated in the tropics and sub-tropics of the Far East where there existed many diseases especially hazardous to the health of Caucasians. Both climates directly influenced the personal conduct of these company servants to adjust and protect themselves from the climatic hazards accordingly. It will be shown that the environments of the tropics in Asia, while perhaps not as obvious as those in the sub-arctic regions of North America, were just as dangerous to the well-being of an individual working in those regions.

OVERVIEW

Chapter Two is an overview of the comparative histories of the East India Company and Hudson's Bay Company as legitimate commercial trading entities. Both companies succumbed eventually to events that divested both of them of their trading operations. In the case of the East India Company, in 1773, Parliament required that the company become a quasi-governmental colonial administrator. For the Hudson's Bay Company, during its reorganization in 1821, its London committee ceded management responsibility to a general governor, located in Montreal. The chapter will include a comparison of the operating fundamentals of each, and pay close attention to their respective managerial problems with a focus on how the agency policies with each company were violated or undermined by private trading and other forms of personal opportunism. The chapter will show that neither company had any satisfactory measure of control over the daily lives of their workers. This was due to the great distances that separated the London directorates from their employees. In the case of the East India Company, numerous interlopers interfered with its businesses both in London and abroad. Ultimately the natural environmental factors strongly curtailed the intentions of each company and how it operated with its employees and conducted its business, especially the seasonal challenges that confronted the Hudson's Bay Company.

Chapter Three will evaluate the strategies and solutions to these challenges that were available to each company. These included employment contracts, personal bonds, salaries, perquisites, and measures of discipline directed at employees. The solutions that each company employed will be presented by examining individual cases from their respective archives. Despite numerous ideas that were attempted, neither company found that it had at its disposal any specific instrument or policy that was recognizably effective. The general letters of instruction that each company regularly dispatched to its distant minions were undoubtedly the most likely instrument that aligned the company's interests with those of its employees when they chose to provide their cooperation. Some degree of cooperation probably ensued most of the time, otherwise neither company would have experienced its respective centuries of longevity.

Chapter Four will summarize the agency problems confronting each company. The chapter concludes by identifying the effect that the factors developed by the thesis ultimately had upon the East India Company and the Hudson's Bay Company. First, their respective directorate committees in London exerted little control over the performance of their distant employees, as their detailed letters of instruction amounted to little more than instruments of persuasion that promulgated certain desired standards of personal conduct favorable to the company. Second, the natural environment in which each company operated greatly influenced the character and personal behavior of every employee.

CHAPTER TWO

THE DISTANT CHALLENGES OF TWO TRADING COMPANIES

This chapter shows that the great overseas distances that separated the trading operations of the East India Company and that of the Hudson's Bay Company from their headquarters in London, posed probably the greatest challenge to both of these English enterprises. The extraordinary length of time consumed by companies' directorates to communicate their managerial policies to their distant employees were among the greatest challenges that confronted both companies. Despite strong paternalistic management exercised over their employees, there was little that either company could do to exercise any satisfactory degree of control over the personal conduct of their employees. The lack of direct supervision in remote regions of the world subjected both companies to all sorts of "employee opportunism" where employees could, and did, choose surreptitiously to act in their own personal interests at the expense of their respective employers.

In discussing the aspects of employee opportunism that prevailed within both companies, this chapter will also provide an overview of the histories of each company and describe the managerial perspectives of their respective directorate committees. It focuses on the companies during the seventeenth and eighteenth centuries when both enterprises conducted their respective operations as purely commercial trading entities. The East India Company operated in this vein from 1601 to 1773. Thereafter, the company was formally politicized by Parliament's Regulating Act of 1773 that mandated the East India Company, in addition to its trading, to begin the process of becoming Parliament's colonial administrator in India.

A similar role was eventually also assigned to the Hudson's Bay Company. Its London committee, in effect, ceased its managerial supervision of the company's overseas activities by 1821, which the committee had been doing since the company's inception in 1670. In 1821, the committee appointed a competent resident general governor in Canada to manage the company's operations. While the company continued its commercial trading, it also, in a limited but similar fashion to that of the East India Company, performed a dual role as a quasi-administrator of British colonial rule for most of the nineteenth century throughout the wilderness of central and western Canada.

The historical overviews of the two companies that follow aim to depict the economic, political, and climatic environments in which they operated as monopolistic overseas commercial trading enterprises - The East India Company, from 1601 to 1773, a period of 172 years, and the Hudson's Bay Company, from 1670 to 1821, a span of 151 years. The historiography regarding the issue of employee opportunism with these early British trading companies has been contentious and, therefore, presumably confusing to readers. Though scholars have postulated that the successful longevity that accrued to these two companies was due to certain managerial strategies and practices by their respective London headquarters that minimized, if not eradicated, the corruptness of their distant employees in protecting their company's interests, this was not the case.

This study reveals that it was more likely that the London directorates of the two companies, by rote in the "letters of instruction" that were regularly dispatched to their distant trading concessions, unwittingly *persuaded* these employees to act more or less in the company's interests during the lengthy intervals of boredom, which was probably most of the time. Yet, while lacking the company's supervision, the employee had little reason not to be inclined to act in the interests of the company if only for the realization that the company was compensating the individual to accomplish certain work that the employee had been sent to perform at that location, however distant.

The fundamental weakness of the overseas joint stock company was that neither company could overcome the challenges posed by time and distance to effectively supervise their distant employees. This was the fundamental weakness of the overseas joint stock company. There were no managerial strategies or practices employed by either company, as claimed by some scholars, that successfully addressed the problems of time and the great distances involved in communicating with, and supervising, distant employees. That the two companies went on to flourish in their spheres can be attributed to other factors introduced below.

EAST INDIA COMPANY (1600-1773): OPPORTUNISM EMERGES

The English East India Company, organized by 125 London merchants, began operations the first day of 1601. It was but one of a number of "East India" companies that chartered during that decade by several European monarchies as the maritime means for achieving commerce between Europe and Asia. The company had been awarded its charter the day before, December 31, 1600, by Elizabeth I as *The Governor and Company of the Merchants of London Trading in* *the East Indies*.[1] The initial ship voyages of the company, twelve between 1601 and 1613, were separately financed and of a speculative nature. A temporary company was organized for each voyage with a distribution of the profits made upon the return of the ships. The first of the voyages, with five ships, completed the ten thousand mile voyage to the East Indies around the Cape of Good Hope. Large quantities of spices were purchased in Sumatra and Java with precious silver *specie* that the company was specially permitted to take from England.[2] There was very little in the way of trading articles that had been other than woolens and leather articles that the expedition could offer in trade to the indigenous traders in tropical Southeast Asia. The ships returned safely to England in 1603 with their holds full of pepper, nutmeg, cloves, and mace. The expedition that left London in 1607 returned an extraordinary profit of 300% to its merchant shareholders.[3]

Known by several colloquial names, that included *the Honourable East India Company*, *the English East India Company*, and later, during the eighteenth century, by the curious nickname, *the John Company,*[4] the East India Company, as it has been most commonly been referenced by historians, quickly established itself as a powerful engine driving English commerce. Within 20 years the company had established at least a dozen trading posts that employed approximately 200 factors who were engaged in trading. The company had also established by 1620,

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[1] Rudolph Robert, *Chartered Companies and their role in the Development of Overseas Trade* (London: G. Bell and Sons, Ltd., 1969), 66.

[2] Robert, *Chartered Companies,* 65.

[3] Robert, *Chartered* Companies, 67.

[4] The English East India Company – University of Warwick, http.//www2.warwick.ac.uk/fac/arts/history/presentationweek_9__tf_pc.ppt.hmtl (accessed March 13, 2015).

two shipyards in London that had built a total of 76 ships. This made the East India Company the largest employer in London.[5] The company's prominence in size and wealth drew attention and envy from many of those in the public who wanted to participate in its activities as shareholders, or to go overseas in its employ. The London committee firmly defended its trading monopolies in the Far East. It regularly refused requests from the merchant public to be allowed entry to trade in any of the company's markets. An example of this policy was the committee's refusal of the request made by Thomas Smethwick in 1631 to implement his plan to trade in his behalf at Surat as an independent merchant.[6] Public disappointment and envy eventually grew into resentment in the following decades and would pose a serious challenge to the company's operations along with the company's main nemesis, the increasing incidents of illicit "employee opportunism," especially those involving private trading.

It was during this prosperous interim that the East India Company made its first contact with India in 1608. The northern and central part of the sub-continent was composed of numerous regional fiefdoms ruled by an emperor who called himself "Akbar." This line of "Mughals" had ruled or controlled the indigenous economies. Permission to trade in any of these economies had to be sought from the local ruler, if not the Mughal himself. The commercial systems throughout the Indian sub-continent were already quite numerous and sophisticated when the East India

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[5] K. N. Chaudhuri, *The English East India Company: The Study of an Early Joint-Stock Company, 1600-1640* (London: Frank Cass & Co., Ltd., 1965), 21.

[6] East India Company (hereafter referred to as EIC) Committee's Memorandum dated March 16, 1631, Dispatches to the East, *EIC Letter Books, 1626-1753,* Series: E3/84/ff 46-7. British Library, London (hereafter referred to as BL).

Company established its first concession at Surat. Instead of establishing and then dominating a primitive trade with the indigenous population as was the case with the Hudson's Bay Company, the East India Company found itself doing business with a network of Asian trading markets that had been established decades earlier.

EAST INDIA COMPANY: PRIVATE TRADE

William Hawkins, a merchant captain employed by the company, established in 1608 a direct dialogue with the local Mughal ruler governing Surat, a city-state on the northwestern coast of India, which was the sub-continent's chief port trading with Europe.[7] Hawkins, having impressed the Mughal emperor with his interest in trade and his offer to compete with the rival Portuguese, accepted the emperor's personal gifts of appreciation, which included a sizable sum of money. Hawkins later explained his personal enrichment to the London committee with the frank admission, "I should feather my nest and doe you service."[8] The specter of employee opportunism probably then had made an early appearance, an issue that was to bedevil the East India Company for the next two centuries. The London directorate soon after invoked a strict policy that prohibited private trading by its "servants."[9] The committee rewarded those employees who would inform on violators, as in the case of one John Stephens in 1663, "for his discovering and seizing private trade on their [the committee's] behalf."[10] Nonetheless, the genie was out of the bottle, as the company's London committee discovered that it was overwhelmed with respect

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[7] Brian Gardner, *The East India Company: A History* (New York: Dorset Press, 1971), 32.

[8] William Hawkins quoted in Gardner, *The East India Company*, 33.

[9] Gardiner, *The East India Company*, 42.

to exerting any satisfactory control over its numerous distant employees in order to preclude their illicit behavior when instances of opportunism beckoned daily. K. N. Chaudhuri believed that private trading was "at the top of the list" of employee delinquencies and, while most adversely affected by such malfeasance, the company found itself "virtually powerless" to stop it.[11]

Philip Stern has placed the London committee's acquiescence on the issue of prohibiting private trading by its employees fairly early in the development of its operations: "By the second half of the seventeenth century, the Company had come to allow unrestricted private trade in India among its servants and even the perquisite of a limited 'permissive' trade back to Europe.[12] Such permission was given in a memorandum by the London committee in 1664 to draft "An Agreement between the Company and principal Naval officers for bringing home goods from India."[13] The ships of the company were continuously laden with contraband that usually had overwhelmed any measures of prohibition by the London committee. Corruption of this kind was somewhat mitigated when the company, as a first step to lifting its ban on private trading, permitted its ship captains, as a privilege, to carry aboard permitted commodities and articles aboard company ships departing for India in addition to bringing back their traded goods on the return voyage.[14] This

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[10] EIC Committee's Grant of Indemnity to John Stephens, dated Oct. 15, 1663, Dispatches to the East, *East India Company Letter Books, 1626-1753*, Series: E3/85/f 160. BL.

[11] Chaudhuri, *The English East India Company,* 87.

[12] Philip Stern, *The Company-State*: *Corporate Sovereignty & the Early Modern Foundations of the British Empire in India* (Oxford: Oxford University Press, 2011), 45.

[13] EIC Committee Memorandum for Agreement between the Company and principal Naval Officers for bringing home goods from India, dated March 1664, *India Office Home Miscellaneous Series,* H/42: 115-6. BL.

privilege was soon expanded to include other officers of the company to trade in India as long as the markets that they traded in, did not involve the company's home markets. John Keay observed that every company employee, "whether factor or deckhand, expected a financial reward commensurate with the risks he faced…and he devoted most of his energies to realizing it through private speculation."[15] The London committee continued to take every possible precaution to prohibit the flow of illicit goods in its ships to little effect. Jones and Ville, in their journal article, "Efficient Transactors or Rent-Seeking Monopolists," observed that most contemporary historians would acknowledge that the East India Company never overcame the difficulties of controlling its officials and agents from illicit private trading. The authors went on to surmise that this kind of personal opportunism "may have actually increased over the course of the seventeenth and eighteenth centuries," due to the company's largesse in allowing permissive trade for its employees.[16]

The East India Company encountered its first political challenge under the rule of Oliver Cromwell, who had Parliament terminate the company's charter in 1653; its loyalty was suspected to be in favor of the defeated king, Charles I. Chaotic overseas trading conditions quickly followed with scores of new entrants from the merchant public, who wanted to participate in the trade that produced lucrative profits from the Far East. The costs of trading exploded to unprecedented levels.

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[14] Gardner, *The East India Company*, 97.

[15] John Keay, *The Honourable Company: A History of the English East India Company* (London: Harper Collins, 1991), 34.

[16] S. R. H. Jones and Simon P. Ville, "Efficient Transactors or Rent-Seeking Monopolists? The Rationale for Early Chartered Trading Companies," *The Journal of Economic History* 56, no. 4 (1996): 908.

Rather than attempt to compete in this unstable environment, the members of the East India Company threatened to terminate their extensive network of outposts in India and the East Indies. Cromwell eventually backed off and reinstated the company's charter and monopoly privileges in 1657.[17] A new charter granted by Cromwell actually gave the company expanded regions in which it could exclusively trade and settle, which provided more privileges. The most noteworthy was the ability to deal as a sovereign entity with the Asian courts and their merchants, including the option of "making Peace or War with non-Christians."[18] The company's political position was solidified following the Restoration, with Charles II granting the company a new royal charter in 1661 that strengthened the language that pertained to the trading monopolies in favor of the company.

The East India Company, at its first half-century mark, had become a mature commercial enterprise with far-flung interests; it had expanded dramatically with the geographic locations that it had served and the diversification of goods that it traded for, in return for silver bullion and specie. The expense of extensively using silver and gold *specie* to trade for goods caused the company to operate with a deficit. During its initial four decades (1601-1640), there were only two years when the value of the company's exports exceeded its overseas payments.[19] The East India Company eventually found part of its famed prosperity by establishing concessions at Amoy, Tonkin, and Formosa to trade for tea from China. The company began

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[17] William J. Barber, *British Economic Thought and India, 1600-1858: A Study in the History of Development Economics* (Oxford: Clarendon Press, 1975), 28-9.

[18] Arnold A. Sherman, "Pressure from Leadenhall: The East India Company Lobby, 1660-1678," *The Business History Review* 50, no. 3 (1976): 347.

[19] Gardner, *The East India Company*, 44-5.

importing tea in 1657; by the end of the century, tea was by far the company's largest import. This sharp rise in profitability was also partly the result of the company's finding a market for opium in China, which it exported from India in its ships that returned with tea destined for England.[20]

The company's activities now centered upon India and China rather than the East Indies, where the Dutch, with their competing East India Company, had pushed the English out of the Moluccas and other Spice Islands by the end of the 1660s as the result of two brief but violent global Anglo-Dutch wars fought during 1652-1654, and 1665-1667. The East India Company's directorate committee had by now found itself overwhelmed in dealing with the steadily increasing instances of its employee servants trading on their own behalf while managing the company's trading interests with the same Asian traders. The committee became aware, in numerous instances, of the large percentages of profit that some of its agents had taken for themselves. The instance of the committee dealing with its agent, "Mr. Waite," at Batavia in 1683, was one of many dismissals during this period for unauthorized personal opportunism: "and the dismissal of Mr. Waite as agent at Batavia for the many abuses that we have suffered by him for the ungodly gains thereof for the percent he retained for himself."[21] The abuses of private trading easily gained momentum to other illicit personal practices, including that of corrupted management practices, as the company's agents, who felt their remoteness from London, used the company's business position to develop their

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[20] Gardner, *The East India Company*, 48.

[21] EIC Committee Letter to John English on HMS *Beaufort*, dated Oct. 23,1683, Dispatches to the East, *Letter Books, 1626-1753,* Series: E3/90/ff 124v-25. BL.

own personal interests wherever they could.

The London committee became increasingly occupied in dealing with alleged incidences of management corruption by its officials in India. Such an incident was the alleged financial malfeasances of one Thomas Frederick in 1719, a member of the council at Madras. Frederick, who had since returned home, was accused by others at the Madras concession of corruption during Frederick's former oversight of suspicious "falling returns and increased expenditures at Madras."[22] The committee involved itself for slightly over three months in taking testimony from Frederick and his accusers. Frederick, and other officials who were accused of similar misdeeds, were apparently absolved of the charges for lack of sufficient evidence. However, this incident caused the London committee to order "Clauses to be put in Covenants of all East India Company servants abroad obliging them to answer on oath enquiries about their management. Every President or Chief to stay three or four months after leaving his post to answer any complaints."[23] This policy provides a clear example of the London committee's struggle to gain some measure of its management control over distant officials. The more senior or high-ranking the employee, the greater the opportunities in which one could indulge to build their personal fortune. For example, Sir Robert Cowan, the company's governor at Bombay from 1729 to 1734, when he was dismissed for a range of illicit dealings that included loaning company funds to make his personal trades, arranging cargo

[22] EIC Committee Minutes, dated Sept. 3, 1719, Correspondence Reports: 1719-1727, *Minutes and Memoranda, etc., of General Committees and Offices of the East India Company,* Series: D/18/f 8. BL.

[23] EIC Committee Minutes, dated November 13, 1719, *Minutes and Memoranda etc. of General Committees and Offices of the East India Company,* Correspondence Reports: 1719-1727, Series: D/18: f13. BL.

space on other merchant ships in order to ship his illegally traded freight, arranging company insurance for his own benefit, acting as an attorney for other private traders and recovering bad debts in their behalf.[24]

The London committee consistently brought legal actions against employees trading fraudulently or in prohibited goods. An example of such actions was that brought against one John Gray in 1687, who had used the company's funds for fraudulent trades for his own behalf. The committee found that "it evidently appears unto us that the said John Gray hath contrary to the trust in him… deceived the Company of a great sum of money wherein he was entrusted and thereby rendered himself unworthy of our service."[25] The company found that it was difficult to recruit honest and capable employees to send to India. A contracted salary was insufficient in many cases to attract the caliber of employee that the company required for working in behalf of its interests at the distant locations where its trading was conducted.

One of the primary reasons that one hesitated to sign on for service with the East India Company was the realization that living conditions were quite hazardous in India, as the death rates for Caucasians were unacceptable to many Europeans.[26] Many company employees, desiring to leave South Asia as soon as they could financially afford to do so, were willing to risk smuggling privately traded goods

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[24] Om Prakash, "English Private Trade in the Indian Western Ocean, 1720-1740," *Journal of Economic and Social History of the Orient* 50, no. 2 (2007): 219-20.

[25] EIC Committee Commission, dated Sept. 7, 1687, deposing John Gray as Second in Council at Madras, Dispatches to the East, *Letter Books, 1626-1753,* Series: E/3/91/f 223. BL.

[26] Santhi Hejeebu, "Contract Enforcement in the English East India Company," *The Journal of Economic History* 65, no. 2 (2005): 509.

back to England, or even to embezzle the company by employing its funds to finance their private trading.[27] A flagrant example of the scope of opportunism was one that occupied the London committee's attention through the month of June, 1663. The committee took evidence of "various misdemeanors and wrongdoings committed at Bantam by John Hunter, Henry Page, Peter Cooke, and other factors."[28] As the evidence unfolded, it became clear to the committee that Bantam was a hotbed of corruption against the company as an equal number of additional factors there were also identified and accused of similar "misdeeds" of illicit opportunism, and were accordingly named in the scandal at Bantam.[29] The wide scale of personal corruption evidenced at Bantam in 1663, was one but a series of cases of illicit opportunism uncovered by the company with its concessions in the East Indies during the mid-1660s. Other than firing employees for such infringements, the London directorate found that there was little that it could do to prevent it, other than dismissing the incumbent and forcibly return the offender to England with a lien on the employee's wages. Even following the offender's return to England, it did not come as a surprise if the company was precluded from taking legal action if the servant had influential relatives or friends.[30]

EAST INDIA COMPANY: EMPLOYEE OPPORTUNISM

Servants were induced to seek employment with the East India Company not

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[27] Sherman, "Pressure from Leadenhall," 333.

[28] EIC Committee Evidence Taken, dated June, 1663, Dispatches to the East, *Letter Books, 1626-1753,* Series: E3/84/ff 140-141. BL

[29] EIC Committee Evidence Taken, dates June 19 through July 1, 1663, Dispatches to the East, *Letter Books, 1626-1753,* Series: E3/84: ff 141v-f 144. BL.

[30] Chaudhuri, *The English East India Company,* 87-8.

because of the salaries that the company paid, but to be sent to India in order to make one's personal fortune on the side, usually through private trading. During the final decades of the seventeenth century the East India Company had begun the incremental practice of allowing its officials, and eventually its other employees, to trade for themselves as long as they did not attempt to trade for goods in which the company also dealt.[31] This enabled the company's servants to make trades for themselves and even to trade on behalf of other employees.

Since its beginning the East India Company had practiced the firm policy of constraining its employee from trading illegally in goods within the company's home markets, which the company's ships carried between England and its Asian factories. The London committee consistently brought legal action against employees trading in illicit goods such as that brought against one William Blake in 1671, as shown by the resulting Lord Keeper's Decree, which alleged that Blake "had traded in prohibited goods."[32] Nonetheless, many of the company's servants in all ranks continued to devote themselves to illicit private trading at all levels of the numerous markets in India and throughout Asia, which, in turn, could preclude or minimize their attention and time from acting in the company's trading interests.

Trading by individuals was limited to certain commodities with intra-country and inter-regional markets in India and the Far East. From the beginning of its operations, the London committee established an organization to deal with company ships returning from the Far East to search for prohibited goods brought

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[31] Stern, *The Company-State*, 45.

[32] Lord Keeper's Decree, dated 1691, *India Home Office Miscellaneous Series,* H/33: 65-70. BL.

aboard by their captains and other crew members.[33] This dispensation simply legalized and tolerated the acts of smuggling and illegal trading that proliferated within the East India fleet that the company had long endured.[34] The London committee found itself regularly auditing the trading practices of its representatives in trading for themselves to the detriment of the company's profitability. The committee's minutes dated January 10, 1727, noted its concern: "Debate about trade at Madras. Consideration of percentages allowed by merchants to East India Company servants on goods purchased. Noted that these would increase the price of goods to East India Company. Immediate ban on these payments recommended."[35] Such practices led to much manipulation of the company's properties and services. An example was the case of a Madras merchant's letter to the captain of a company ship departing to Borneo in 1683, that instructed the captain on behalf of the "private account" of a company factor, Nathanial Gyfford, to have his private account items disposed of "for the most that you can ask for."[36] The archives of the East India Company are replete with examples of the added attention and work that was created when the goods of personal trading by employees became allowed, such as the problem of Nathan Higginson, Lieutenant General of India, in 1696, in attempting to have Higginson's privately traded goods delivered to him at Fort St. George:

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[33] EIC Commission, dated 20 March 1661, to John Coltman to search the Company's ships for prohibited goods, *Miscellaneous Series, 1600-1900*, H/4: 35-7. BL.

[34] Sherman, "Pressure from Leadenhall," 344-5.

[35] EIC Minutes dated January 10, 1727, Correspondence Reports, 1719-1727, *Minutes and Memoranda,* Series: D18/f 130v, BL.

[36] Thomas Bowery, *Papers of Thomas Bowery*, India Office Records, MSS. Eur. D. 1076: f 5. BL.

> This serves only to advise your Honor… that Capt. John Merry, Comd. of this ship, having himself declared… that his ship was soe full that he could not take in Sevl. Bales of goods upon freight, which were sent to him on board belonging to Mr. William Bowe and brings not his full tonnage to you… know what is left to be done.[37]

The author of this letter, Nathaniel Halsey, a Madras merchant, was informing Nathan Higginson, Lieutenant General of India, that the cargo space allotted to the general in the company's ship designated to carry the general's personal goods acquired from one William Bowe, was not sufficient, and requested further advice from the general as what was "left to be done" for moving the remainder of the goods. This is a primary example of the many additional complexities that the company encountered when it undertook to handle the private goods of its employees in addition to the quantities of goods that the company was required to move for its own account.

The London committee's reversal of its position toward private trading also created a great deal more work on its part to organize and regulate the employee private trade that it allowed. An example of the London directorate's work in this respect is the *Regulations for Private Trade by Commanders, Officers, and Seamen* that was published in 1702, that specified the goods that were permitted for private trade, with the amount of goods each individual of rank could trade. A section of this lengthy document informs:

> For every Hundred Tons the Ships they ferve in fhall be Lett, as follows: The Commander Three Hundred Pounds (value of trade goods), Chief Mate Sixty Pounds, Second Mate Forty Pounds… and to all other Chief Officers, as

[37] Letter from Nathanial Halsey to Nathanial Higginson, LT General of India, Council of Fort St. George, dated March 16, 1696, "Factory Records, Calcutta," *Copies of Letters Dispatched*, India Office Records, Series G/7/6-7. BL.

> Surgeon, Boatfwain, Gunner, Carpenter, Steward, Quarter-Mafter, each Fifteen Pounds… and to all other Seamen he Value of Ten Pounds only each Man.[38]

The London committee became quite generous with its ship captains, by the 1750s, for their personal trading privileges as seen in the committee's register which depicted the trading intentions of one Captain William Tyron, commanding *Septford,* bound for Bombay. The register shows that the ship's commanding officer, in this instance, was permitted to take with him fourteen different categories of items intended for his personal trading activities that were valued at £2,010. The registered list included 700 looking glasses, 170 lanterns, 30 boxes of stationery, 200 kegs of bolt iron and nails, and 90 pounds of cordage."[39] New developments within home markets or those overseas induced the committee to regularly publish updates to its regulations and to provide new regulations when it deemed that it was necessary to insure compliance by its distant governors and ship commanders.

A new dimension of the company's affairs, a difficult one affected by scandals, arose by the 1760s with the steady stream of former employees who had returned from India as millionaires, having illicitly capitalized on their opportunities for private trading. These individuals were known as "nabobs," whose quick enrichment enabled them to purchase political influence and enter London society.[40] The opulent activities of these *neuveau riche* company officials created an

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[38] EIC Court of Managers for the United Trade to the East Indies, *Regulations for Private Trade by Commanders, Officers, and Seamen,* dated Oct. 8, 1702, MSS, Eur. D. 1076: f 5. BL.

[39] EIC, Company's Register of Private Trade Outwards, 1767-1769, *Miscellaneous Series*, H/18/ff 242-9. BL.

[40] Nicholas B. Dirks, *The Scandal of Empire: India and the Creation of Imperial Britain* (Cambridge, MA: Belknap Press, 2006), 9.

added measure of envy among those outsiders in the public who were barred from participating in the East India Company's trading monopolies. Many nabobs also invested in the company and influenced its affairs to achieve further wealth for themselves. India became celebrated as the place for quick personal enrichment.[41]

EAST INDIA COMPANY: LETTERS OF INSTRUCTION

By the final decade of the seventeenth century the territory administered by the East India Company had increased to four major trading ports in India. A non-Asian port that the company was permitted to acquire was at Saint Helena Island, located in the South Atlantic, that served as a way-station along the lengthy route to India. In addition to Surat, the company established the port of Madras on the west coast in 1646, a factory on the island of Bombay south of Surat in 1661, and another factory at Calcutta on the west coast in 1690. The company had other trading concessions and ports scattered from the Persian Gulf and Red Sea and beyond the Indian Ocean, to China and Japan. Madras, Bombay, and Calcutta on the Indian sub-continent became the three great "presidencies" from which the company would conduct its far-flung activities for the next century and a half. The London committee steadfastly continued its endeavors to rule far-away concessions through the detailed instructions that it included in its dispatched General Letters of Instruction that conveyed its management standards. This practice influenced and encouraged the company's presidencies in India to follow suit in managing their respective regional agencies with the same standards. Consider the Calcutta council's letter of January 4, 1690, admonishing Nathanial Halsey, a chief trader:

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[41] Gardiner, *The East India Company*, 127-9.

> We have received your letter….with 16 Bales of silk and their invoice having opened the bales of B, you have C; D; E; F; G with it, which is a notorious cheat put on you, it being no better with several others bales opened, therefore until further examination you are hereby ordered not to deliver any money to the merchant on account of B, but keep it in your hands… We sent you this (letter) by Lawrence Beage, who we have ordered to assist you being better acquainted with the people of affairs in those parts.[42]

The Calcutta council, in this dispatch, intended to advise its chief trader, Nathanial Halsey, of its displeasure about his negotiations with an indigenous merchant for bales of silk. The council believed that Halsey's mistake was serious enough to rebuke him on record, but the council also desired to retain Halsey in its employ rather than to dismiss him as Halsey's mistake was one of inexperience. The council therefore instructed one Lawrence Beage, who delivered the letter to Halsey, to assist him in future negotiations and to act with Halsey in his subsequent business dealings. Retaining Halsey to gain further job experience was apparently cheaper than dismissing him and bearing the expense of bringing him home. As long as the London directorate held a reasonable measure of confidence in a manager's performance, the committee chose its restraint over that of dismissal. This was also the standard management practice of the Hudson's Bay Company.

It was through their respective "letters of instruction" that the two companies endeavored to administer the conduct and activities of their distant managers. Such letters were regularly dispatched to every trading concession where there was a local governor, chief trading factor, or other company official charged to conduct the company's business and to manage its interests. The letters informed,

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[42] EIC Calcutta Council Letter to Nathanial Halsey, dated 4th of January 1690, "Calcutta Factory Records," *Copies of Letters Dispatched, 1690-1693,* India Office Records, Series G/7/5. BL.

ordered, admonished, suggested, and questioned the chief local official about the company's activities that the official supposedly led or supervised. An example was the London committee's criticism in 1659 to one Jonathan Trevisa, chief trader at Hooghly, about his "large and extravagant expenses."[43] Such admonitions filled the dispatches that accompanied every company ship that departed for its lengthy voyage to India and other company concessions throughout the Far East. These letters of instruction were the basis, probably the only basis, upon which the London directorate of either company could endeavor to administer the far-flung affairs of its company.

The format of the typical "letter of instruction" employed by both companies were closely synonymous with one another. Such letters consumed several pages of stiff off-white parchment on which cursive was closely written. The East India Company, which was the significantly larger of the two companies, also had the correspondence committees of the governing councils of its four regional presidencies initiate identical formatted letters of general instruction to the chief officials of their respective factory concessions scattered throughout East Asia.

The letter of instruction addressed to Jeremiah Teachie at Chutanutte from the Calcutta committee in 1692 is a fairly accurate example of such dispatches that were prevalent in use by both companies throughout their numerous decades of trading activity. The cursive in the letter's salutation, as well as Teachie's location and date of the letter, are written in very large letters although sometimes the date was included below the signatory line at the end of the letter. Teachie is then

[43] EIC Committee Letter to Jonathan Trevisa, dated 1659, Dispatches to the East, *Letter Books, 1626-1753*, Series: E/3/f 85. BL.

addressed by the committee informing him of its receipt of his inward letter and informed him that the committee "thinks it strange that you should be so completale for want of money," that he apparently had requested.[44] The letter admonished Teachie about this request, as the company had given him a considerable sum "both for the company and permissive trade." The committee noted that it had also directed Teachie to "an able Merchant" with whom to trade, but it was wholly Teachie's fault that he elected to trade with a merchant of a lesser reputation.

The committee demonstrated its sensitivity to Teachie's sense of managerial independence when it then addressed the subject of Teachie's former bookkeeper, Mr. Meeke, whom Teachie had sent for from Rajamaule. The committee admonished Teachie that, "we are not a little concerned that you should presume on such actions without advising us." The committee went on to inform Teachie that, "we formerly wrote you very earnestly to Shorten your expenses but we find them so excessive great that they cant be allowed you more than we mentioned in our letter to you of 3rd of October." The committee then informed Teachie of its satisfaction with his arrangement with an Armenian merchant for not buying goods "above 3 or 4,000 Rupees." Teachie was again admonished in a following sentence, "you take opportunities to make things appear difficult to us to excuse yourself." A new paragraph informed Teachie that the price of saltpeter was high, but the committee encouraged him to "possibly supply us with a quantity."[45]

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[44] EIC Calcutta Council Letter to Jeremiah Techie, Chief Factor, Chutanutte, dated October 23, 1692. Factory Records, Calcutta, *Copies of Letters Dispatched, 1690-1693,* India Office Records, G/7/5. BL.

[45] EIC Calcutta Council Letter to Jeremiah Techie, dated October 23, 1692. India Office Records. BL.

Another paragraph was devoted to the inevitable "presents" (bribes) that Teachie needed to satisfy his dealings with the indigenous officials with whom he intended to trade. The committee cautioned Teachie to apportion his monetary gifts wisely; "instead of giving them to such persons as might be serviceable to your Honorable Companions, you spend their money." Another paragraph advised Teachie that if none of the company ships arrived in Calcutta with Vermillion, the committee will supply Teachie's factory with lead that he can trade. A final note from the committee advised its continued support in seeking a horseman to be brought to assist as a groomsman for Teachie's "Hon. Companions." The letter was signed in large cursive as "Your Loving Friends," with signatures of the members of the Council's correspondence committee with that of Job Charnock as the first signatory.[46]

In addition to the instructive nature of the committee's letter to Jeremiah Teachie, its contents revealed that the East India Company by 1693 was also allowing at least some of its official funds for "permissive trade." By the context of the language in the Council's letter, Teachie had been given or loaned funds to conduct his own private trading. The letter also revealed that Teachie, as a chief factor, was dealing with highly placed indigenous merchants or officials whom the East India Company valued by giving them "presents" which could be understood to be bribes, not to mention the services of a "horseman" to be a personal groomsman. The Council had apparently provided Teachie with substantial amounts of capital both to trade with and to provide bribes. It therefore did not hold

[46] EIC Calcutta Council Letter to Jeremiah Techie, dated October 23, 1692. India Office Records. BL.

back its bank of criticisms toward Teachie, who must have been quite familiar with the committee members. The monies and bribes referenced in the letter seem to be substantial to the point where this particular chief factor probably would have never been allowed the post if he was not a trusted servant of the company.[47]

Both London committees employed annual dispatches to exert a small measure of management control over their distant employees. A letter of instruction from the Hudson's Bay Company's London committee in 1727, provides an infrequent example of where the committee did exert control when it dismissed Richard Norton as chief factor at Prince of Wales Fort, and ordered him to York Fort to come under the instruction of Thomas MacLish, then governor of Albany factory:

> We observe in the accounts that you have sent us, that your overtrade hath been every year very small compared with that of our other factories… likewise that your expense of provisions hath been very large not with-standing which our servants complain that they have not always had their full allowance… you shall be removed to York Fort, and there to be under the instruction of Governor MacLish which we are certain will be very much to your advantage.[48]

Although the overseas distance between Hudson's Bay and London committee caused a time lapse of a year in which the directorate committee could communicate with its distant officials, this example of the committee's firm action to dismiss Richard Norton, apparently an inexperienced chief factor, in favor of him working under a trusted veteran official, Governor MacLish, probably resulted in an improvement in the company's operations. The London committee was careful in its

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[47] EIC Calcutta Council Letter to Jeremiah Techie, dated October 23, 1692. India Office Records. BL.

[48] Hudson's Bay Company (hereafter referred to as HBC) Committee's Letter to Richard Norton, dated May 25, 1727, *Outward Correspondence-Official* (from London), 1722-1737, Series A 6/5: 21. Hudson's Bay Company Archives, Winnipeg, Canada (hereafter referred to as HBC Archives).

criticism to Norton, to note that “we do not think that you have converted any of our goods to your own use…to defraud the Company, but believe…your overtrade and expenses hath been for want of your knowing perfectly the method of trade used at our other factories.” It was not often that the company could undertake precipitous action as with this instance of a fundamental shortfall caused by one’s inexperience. More often lack of performance was undoubtedly that caused by experienced officials who were clever enough to escape detection.

EAST INDIA COMPANY: THE INTERLOPERS

The East India Company was not without challenges despite its prosperity. It continued to draw bullion from England to trade for the spices, tea, and silks that the public wanted. The Chinese demanded at least two-thirds of the company’s offerings to be in silver. The fact that the majority of the company’s trade had to be accomplished with bullion instead of goods did not go well with its public image. There were many outsiders who were jealous of the five hundred or so shareholders who were receiving a steady twenty-five percent dividend from the company’s exclusive trading activities.[49]

There were many of those who, resenting the company’s monopoly over trade in the East Indies and acting on their own behalf, flouted the company’s legal rights to this lucrative trade. They were called “interlopers.” Philip Stern noted that there were several kinds of interlopers.[50] A number of interlopers were independent traders who claimed the commercial monopolies were illegal by

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[49] Gardner, *The East India Company*, 48.
[50] Stern, *The Company-State,* 44.

English common law and that their rights as Englishmen were patently infringed upon. Others objected to the governance of the company, claiming that it was not managed profitably and in need of reform. An example of this criticism from the public was the pamphlet published by an anonymous author under the title *Gentleman Long Resident in India*, who imparted, "our East India Company does not trade and exert themselves to the full extent of their charter; but if private traders had the refrained liberty to drive this trade to the full latitude it would admit of they would leave no part of India untraded to, especially all that are in the limits and jurisdiction of the British rights."[51] The pamphlet echoed the lingering criticism from the merchant public that the East India Company was too large and could not "afford to trade for so small a profit, as [only] private traders can."[52]

There was yet another type of interloper, a former or dismissed employee who was trading without a company license or assisting an outsider who wanted to trade in his own behalf. Stern went on to note that what made these turncoat interlopers so odious to the company was not only their rejection of its authority but their endeavors to establish their own independent commercial ties in Asian markets and to trade in their own right as Englishmen. Such individuals included prominently placed local administrators in the company, such as one John Petit, former deputy governor at Bombay in 1680. He was dismissed due to accusations of corruption, and as part of his defense, had rejected the company's interpretation of its Asian trading monopoly by asserting that inter-Asian trade was subject to the

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[51] Anonymous, *Gentleman Long Resident in India* (London: T. Lownds, 1764), 74-5, British Library (1609/583: T36000).

[52] Anonymous, *Gentleman Long Resident in India,* 74-5.

Asian jurisdictions where the trader resided and traded.[53] A company officer, John Johnstone, cashiered from the Calcutta council in 1764 for receiving presents from "Bengal native governments" while a member of the council, addressed the London committee in an attempt to vindicate his conduct by stressing that "myself and many other gentlemen were dismissed ….on account of having differed with the then [council] president" over interpretations of private trade.[54] Thus, while it was exceedingly difficult for the London directorate to actively administer its policies and practices through the endless stream of general letters of instruction put aboard every company ship departing the Thames estuary, eventually these instructions did influence the conduct of some of its local officials. Aside from carrying out the company's regulations, they also conveniently invoked the London committee's directives as the basis of having one's enemy or rival dismissed by accusing them of unwarranted private trading, or some other malfeasance. Richard Boothby, at Surat in 1644, filed a complaint that he was forcibly returned to England by two of his superiors, "maliciously arraigned for a delinquent," and that his goods were seized and sold against his will.[55]

The company's London directorate had eventually permitted its servants to engage in inter-Asian trade for themselves after the company was embroiled in a legal suit that began in 1682. Legal action was brought against Thomas Sandys, a prominent English merchant, who had invested in outfitting a ship with the

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[53] Stern, *The Company-State*, 44-5.

[54] John Johnstone, "Letter to the Proprietors of East India Stock,"1766, British Library (T. 795 [1]).

[55] Richard Boothby, *A True Declaration of the Intolerable Wrongs done the Richard Boothby* (London: 1644), 1029. G. 18. BL.

intention of dispatching it to the East Indies in an unauthorized voyage. Sandys made the argument that the company's charter for a trade monopoly of any sort was contrary to English common law, and therefore he had every right to trade as the company did, but independently in any legal manner that he chose. The fundamental issue that Sandys' defense raised caused its referral as a constitutional matter directly to the Court of the King's Bench, with the resulting case specified as *East India Company vs. Sandys*. Sandy's argument that there was a great length of common law precedent from the Magna Carta through laws invoked under Edward III and Elizabeth I that favored English commerce on the oceans without restriction and open to all Englishmen.

The company prevailed with its argument that only through its efforts had the Asian trade been realized, and that the trade thus existed because of the company's provenance, and therefore the company could enjoy this privilege; in this instance, the court ruled that the company with its trading privilege was not necessarily a monopoly.[56] In his ruling opinion the Lord Chief Justice Jefferies wrote: "foreign trade is not like our home trade, to which the word monopolies is properly applicable; for that cannot be totally excluded for any time, though never so small, by any act of prerogative."[57] Nonetheless, public outcries about this attractive monopolistic adventure to the East Indies were most prevalent and the intrusive notoriety of the East India Company, itself, had become a *cause celebre.*[58]

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[56] *East India Company versus Sandys*, 1682, *Pleadings and Arguments* in the King's Bench, 210. LR 3. a. 10. Codrington Library, All Souls College, Oxford. United Kingdom.

[57] Lord Chief Justice Jefferies quoted in Frank Evans, "The Evolution of the English Joint Stock Limited Trading Company," *Columbia Law Review* 8, no. 5 (1908): 344.

The judgment in favor of the company, however was quite stretched in applying its legal definitions, managed to protect the company from the growing list of public opponents wanting to share in the fortunes from the Far East that were envisioned to be arriving in the company's ships.[59]

The judgment did nothing to diminish the public outcry that Parliament was providing favors to a privileged few. It would be but a matter of time before the electorate would demand that Parliament act to open the Asian trade to all comers. This was a factor that eventually helped to bring about a fundamental change as to how the East India Company would continue its future operations in opening its markets to so-called "free-traders," other English merchants whom Parliament selected, by the early 1700s, to conduct trade in India independent of that of the East India Company. A typical list of free merchants whom Parliament had selected to trade in Fort St. George (Madras) in 1713 named certain individuals authorized to travel on the company's ships and to reside at Fort St. George.[60] The company did have some influence in the issue of how many free merchants that it had to accommodate, as seen by the London committee's recommendation to Parliament in 1722, that "no more free merchants be allowed to go to (this) season due to excessive numbers. Complaints received from Persia, Mocha, and Surat."[61] This was

[58] Stern, The *Company-State,* 46.

[59] "The Argument of the Lord Chief Justice of the Court of the King's Bench, Concerning the Great Case of Monopolies delivered in 1684, *Miscellaneous Series*, H/44: 193-95. BL.

[60] EIC Committee List of Free Merchants Going Out to Fort St. George, dated Feb. 2, 1713, Dispatches to the East, *Letter Book Series, 1626-1753,* Series: E/3/97: f 376v. BL.

[61] EIC Committee Minutes dated October 22, 1722, Correspondence Reports: 1719-1727, *Minutes and Memoranda*, Series: D18/f 72, BL.

but one step from the eventuality of Parliament completely freeing the markets that the East India Company had once discovered and developed for its exclusive trade. This raised the ominous question as to how the company could adapt to this evolving environment. One can imagine that it was not a pleasant consideration to contemplate.

EAST INDIA COMPANY: THE SPECTER OF TWO COMPANIES

The East India Company had endeavored to solidify its political position after its precarious experience during the Cromwell years by obtaining, whenever possible, legislative seats in Parliament and on government committees that exerted influence over the country's commerce. Another strategy that the company undertook to strengthen its position was to make loans to the crown and, sometimes, outright gifts. As the company had been allowed to accumulate large reserves of bullion in order to manage its exports, it could draw substantial quantities of money from its reserves to secure whatever assistance it might want from the government. This became a second means for improving the company's financial fortunes, in addition to gaining a valuable "interwoven" position in English commerce and foreign policy.[62] By the 1670s a close relationship with the Crown had been accomplished by the company. The monarchy was not the only target; any courtier who could possibly assist (or hurt) the company was offered money and gifts that had arrived from the East. Charles II received nearly £40,000 from the company during the last four years of his reign. The company's governor at that time, Josiah Child, has generally been credited by historians as the individual chiefly

[62] Sherman, "Pressure from Leadenhall," 335-6.

responsible for working out these sorts of alliances with the monarchy, but Arnold Sherman noted that "company officers were using money to influence the crown long before anyone had heard of Josiah Child."[63] Sherman went on to surmise that by the time James II became the monarch in 1685, the East India Company had been given "virtual sovereignty" over all English citizens who lived or traded east of the Cape of Good Hope to the Straits of Magellan.

Towards the end of the seventeenth century, the company again found itself in a precarious political position when William of Orange came to the throne in 1688 with the fall of the Stuarts. The company's directorate had little inkling that the Revolution would bring a foreigner, William of Orange, to the throne with his English wife, Mary. The newly arrived monarchs, having no particular loyalty to the East India Company, eventually bowed to public pressure for sanctioning a *second* East India Company to rival the current company. The newly charted company, known as the *English East India Company*, had promised to loan the monarchy two million pounds after the company was granted its charter.[64] Despite the favored position of the new company, there followed a number of years of bitter competition, which was ruinous to both enterprises. The common sense of *real politik* prevailed when their directorates agreed to amalgamate into a single joint-stock company after bribing Parliament with a loan of three million pounds.[65] The newly amalgamated company was granted its charter in 1709 as the *United Company of Merchants Trading to the East Indies* and became known thereafter as

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[63] Sherman, "Pressure from Leadenhall," 337.
[64] Gardner, *The East India Company*, 49.
[65] Dirks, *The Scandal of Empire*, 141.

the *United East India Company* in its trading activities.[66] This arrangement meant not only a financially strengthened company free from former rivalries, but also the involvement of Parliament in granting a new charter to give the amalgamated enterprise the stability of a new privileged monopolistic protected status.

With William, the Dutch born monarch, on the English throne, the political and commercial tensions that had existed for much of the seventeenth century between the two seafaring countries diminished considerably. This merger of interests allowed the United East India Company to operate far more freely in the Far East than its predecessors. A strategic agreement was reached for the two countries to divide their commercial interests in the East: the Dutch continued with their spice trade in the East Indies while the English were accorded the growing textile trade in India. By the 1720s, the new East India Company had overtaken its Dutch rival in revenue and profits.[67] Webster has described the early Eighteenth Century as the period that represented "the zenith of the East India Company" with respect to its fortunes, profitability, prominence to the British state, as well as to its activities in the Far East in opening up the nation's consumer markets on a large scale with the mass of goods that the company's ships brought to English ports, all of which made the company "nearly invulnerable to would-be rivals."[68] It would be fair to say that the East India Company at this point could be regarded as a protected corporate entity, a "national company," with its public and legal status quite above that of its predecessor joint-stock company chartered in 1600.

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[66] Webster, *Twilight of the East India Company,* 20.
[67] Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (New York: Basic Books, 2004), 19-20.
[68] Webster, *Twilight of the East India Company,* 21.

With respect to the activities of the East India Company in its newly allotted market sphere, the Indian sub-continent, Niall Ferguson has stressed that the English, had begun as but minor players on the periphery of a huge self-sustained economy that had existed for decades.[69] Complex trade treaties with the local rulers had to be negotiated wherever the English set foot in India. These challenges called for company factors and other employees who could deal expertly in the political and financial deals that were required in business, as well as to being adept at buying and selling.[70] Chaudhuri emphasized that there was little that the London directorate could do about its trading strategies and practices in India as quite often the course of events in Asia lay beyond the control of the company at home, which could do no more than endorse the policy adopted by its chief factors."[71] In effect, the factors and servants of the company who resided in Asia were "wholly beyond control of their London paymasters."[72] These employees, more frequently than not, were in the position to act freely for their personal gain. Illicit private trading was considered the most serious delinquency that could be perpetrated by a company servant. Other than firing an employee for such infringements, the company's directors found that there was little that they could do to prevent it.[73] Nonetheless, the company's directors continued to be adamant in their written sailing orders to the company's ship captains to confiscate unauthorized and smuggled goods found aboard their vessels; likewise, written instructions to their overseas governors

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[69] Ferguson, *Empire*, 23.
[70] Ferguson, *Empire*, 23.
[71] Chaudhuri, *The English East India Company,* 39.
[72] Ferguson, *Empire*, 21.
[73] Chaudhuri, *The English East India Company*, 87-8.

explicitly forbade unauthorized trading and prompted the dismissal of any employee who was identified as an offender. The company was empowered by Parliament in 1716 to issue a proclamation prohibiting any British citizen to trade in the East Indies under "foreign commissions or Colours."[74] This policy and the policies affecting the company's servants in the same regard, were consistently enforced by those in London as was regularly evident in the company's "Minutes and Memoranda of its General Committees."

A good example among numerous entries was the case of one Captain Tolson, in 1719, secretly bringing his own goods traded from Bengal, instead of those traded on behalf of the company. The goods were smuggled ashore during a port call at Saint Helena. The committee ordered the smuggled goods to be confiscated. This caused the committee to issue a "General Letter" to the governor and council at Saint Helena condemning the smuggling practiced there and ordering confiscation of all goods taken ashore without payment of customs.[75] It is evident that as late as 1722 that the London committee continued to be concerned about private trading when it ordered that a new copy be made of its report "for preventing private trade."[76]

Nonetheless, the company was committed to grant private trade privileges

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[74] EIC Proclamation, dated 18th Oct. 1716, *Miscellaneous Series*, *1600-1900*, H/78: 1-7. BL.

[75] EIC Committee Complaint about Capt. Tolson, dated Feb. 26, 1720, Correspondence Reports: 1719-1727, *Minutes and Memoranda,* Series: D/18: f 26. BL.

[76] EIC Committee Order, dated May 31, 1722, for Copy of Report from Committee for "Preventing the Growth of Private Trade in case original should be lost," Correspondence Reports, 1719-1727, *Minutes and Memoranda,* Series: D/18/f 69v. BL.

to its outward going employees. Such was the case of one Charles Douglas, in 1706, who was given permission to trade privately after he had submitted his plans for such trade to the committee for approval. An order of the Court of Managers permitted this individual "to invest 1,000 pounds of his own money in the trade of the *Stringer*,…that Douglas be allowed his part of the Produce of the said return cargo in the proportion which as one thousand pounds does bear to the rest of the cargo on board said ship."[77] The London committee had plainly taken a new position that it would grant private trading as long as it was on the terms it desired.

Because of its notoriety with the public and Parliament, the East India Company struggled to maintain confidentiality of its sensitive business and had formed an *ad hoc* committee to manage its confidential instructions to the company's ship captains. The company had to manage itself through the intermittent wars and quasi-wars with France that prevailed during the decades approaching the turn of the eighteenth century. The committee became so established that it acted as the company's war cabinet in coordinating the government's activities with those of its own in handling a series of Anglo-French mini-wars encountered in India in 1688-97 and 1702-13, as well as with indigenous up-risings that had begun in India in 1745 with the military connivance of the French.[78] Still, this arrangement did not shield the company from the public scrutiny that caused it decades of frustration with a seemingly endless stream of interlopers

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[77] EIC Committee Inserted Transcript of an Order of the Court of Managers, dated Dec. 20, 1706, Dispatches to the East, *Letter Books, 1626-1753,* Series: E3/96/f 6a. BL.

[78] C. H. Philips, "The Secret Committee of the East India Company, *Bulletin of the School Oriental Studies, University of London* 10, no. 2 (1940): 302-05.

whom the Hudson's Bay Company seemed to have avoided with relative success.

EAST INDIA COMPANY: METAMORPHOSIS

The East India Company had reached its zenith as a commercial trading company through the first half of the eighteenth century. The company had introduced tea to the English population, as well as the sought-after Indian textiles introduced by the company. A broad range of other Asian products that the company marketed in Britain had brought a deep awareness of the company to the public that enjoyed the comforts that the company had contributed to its daily consumption of products that were common to the public for personal use.[79]

The company's attributes as a trading entity changed dramatically during the 1750s with the emergence of political rivalries between a number of Indian states that challenged the Mughal Empire and its emperor. The company's relations with the Mughals and their trading concessions were disrupted by the turmoil created by numerous new local rulers appearing on both coasts of the sub-continent. The East India Company found itself financing and dispatching European soldiers and military equipment to defend its concessions, as well as honoring agreements with its Mughal partners to join them to fight against their insurgent rivals.

One particular uprising in Bengal in 1756, found the company's servants caught in a violent scene in Calcutta, where the local Mughal ruler, the Nawab of Bengal, mistook the English company's employees as conspirators attempting to join with the native insurgents in overpowering the Nawab's court. The unfortunate incident became known infamously as the "Black Hole of Calcutta," where over one

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[79] Webster, *Twilight of the East India Company,* 21.

hundred English men and women died overnight as the result of being confined in a severely cramped basement holding pen. Robert Clive, a young, clever, and ambitious officer of the company in Madras, was sent to investigate and restore the company's rights and property, by force if needed. Clive interpreted his instructions to the extreme, and organized a small *ad hoc* army composed of Europeans and indigenous insurgents that surprisingly defeated the Nawab's army at the Battle of Plessey in 1757. This was the first of several military adventures that Clive followed through with in establishing the regional supremacy of the East India Company as the sub-continent's dominant political entity and the company's privileged commercial position.[80]

Clive's series of victories, in effect, made the East India Company the *de facto* ruler of Bengal.[81] The company's London directorate now found itself not only pursuing its traditional trading activities but also administering and protecting what now amounted to an indigenous population of millions of inhabitants. Many of the company's employees now found themselves as administrators as well as traders. They took advantage of their dual status as local officials as well as traders to enrich themselves through corrupt practices with the public, which included the wholesale practice of taking "presents" or bribes both as traders and administrators. Clive had accumulated great wealth in a matter of months chiefly from the spoils of battle, and was undoubtedly looked upon as the greatest and most famous nabob that the company had produced when he returned to an admiring English public in 1760.[82] However, Clive and others in the East India Company were accused in

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[80] Gardner, *The East India Company,* 62-4.
[81] Webster, *The Twilight of the East India Company*, 22.

Parliament of gross illicit activities in making their huge fortunes, but little came of the legalities that were mostly undertaken by Parliament.[83] It was evident that the functioning of the company was seriously undermined by the increased corruption that occurred with Clive and his cohorts "after Plessey."

The scale of corruption within the East India Company that followed Clive went far beyond its London directorate's concerns about private trading and other illicit activities of personal opportunism with its ordinary employees. As the result of Clive's corrupt tenures in India, the British government concluded that the company's affairs in Bengal were too much for its servants to handle alone, given the realization that the company was on the verge of bankruptcy in 1772. The scale of corruption within the company during Clive's tenure had continue to grow. Coupled with the exorbitant military and administrative expenses of Clive's governorship, the company had come to live on credit from the British government.[84] Forced to turn to Parliament for an enormous loan to continue operating, the London committee had little choice but to accept the government's presence in its affairs along with the needed loan under the Regulating Act of 1773. The Act shifted the management of the company's possessions in India to come under the control of Parliament and the monarchy.[85] The London directorate and its distant governors and councils, in addition to their trading and dealings with the indigenous merchants on the sub-continent, also would thereafter directly represent the British government in the company's interests with the Mughals and their sub-rulers.[86]

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[82] Dirks, *Scandal of Empire,* 16.
[83] Dirks, *Scandal of Empire,* 19-20.
[84] Keay, *The Honourable Company*, 384.
[85] Dirks, *Scandal of Empire,* 18.

Thus began the metamorphosis of the company as a far-flung commercial trading entity to one of a powerful political and military organization acting as a sovereign on behalf of the British government. Eventually, through the Charter Act of 1833, the government chose itself to rule solely the Indian subcontinent for the next 114 years. The East India Company found itself stripped of its previous commercial trading rights. As the creature of its royal charters to trade exclusively in the East Indies, the East India Company effectively was no more.

HUDSON'S BAY COMPANY (1670-1821): AN INITIAL DISAPPOINTMENT

Seventy years after the establishment of the East India Company, the Hudson's Bay Company received its charter from King Charles II in May 1670, for a trading monopoly in furs throughout the watershed basin of Hudson's Bay. The lucrative experiences of the East India Company and that of other trading ventures, including the very profitable Russia Company, had caught the attention of the English aristocracy, which weighed in heavily with its participation in the new overseas trading companies then being formed. Evidently the only reason that two prominent merchants, John Portman and William Pretyman, were invited to join as investors was the realization that they were needed as members to trade the furs arriving in London. E. E. Rich, generally recognized as the pre-eminent historian of Hudson's Bay Company, emphasized the selectiveness of this small group of investors, who initially called themselves the eighteen "Adventurers." The company, by its newly granted charter, was entitled to the mineral and fishing rights as well

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[86] Gardner, *The East India Company*, 106.

as possessing the land and its exclusive right to the fur trade.[87]

Unlike the initial experience of the East India Company, the trading activities that were intended by the company's investors were not speculative. The Adventurers were well acquainted with the extensive French fur trade that had emanated from regions around Montreal and Great Lakes. Assured by the success of a preliminary voyage made to Hudson's Bay in 1668/1669 dispatched by a *pro forma* committee, Prince Rupert, the first cousin of Charles II, successfully pressed his sovereign for a charter of monopoly rights to the trading of fur pelts in what constituted the drainage basin of Hudson's Bay.

The courtier Adventurers managed to borrow the *Wivenhoe,* a naval vessel from the admiralty and received in time the newly built *Prince Rupert* for the first voyage to North America, that were dispatched on May 31, 1670. The ships carried an interesting assortment of items that the committee considered might be needed or useful to its initial group of explorers and traders:

> Such goodes as may be needful for Supplyeing a cargo for the next yeares expedition for Hudson's Bay, that is to say, two hundred fowling pieces & foure hundred powder hornes, with a proportional quantity of Shott fitt thereunto… two hundred brass kettles Sizable from two to sixteen gallons a piece, twelve grosse of french knives & two Grosse of Arrowheads & about five or Six Hundred hatchetts.[88]

In addition to the manufactured items they intended to trade for furs, the ships were loaded with bricks and other building material with the definite idea that these

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[87] E. E. Rich, *Hudson's Bay Company, 1670-1870,* vol. 1*, 1670-1763* (Toronto: McClelland and Stewart Ltd., 1960), 53-4.

[88] HBC Committee Entry, dated March 4, 1672, in E. E. Rich, ed., *Minutes of the Hudson's Bay Company, 1671-1674,* vol. 5 (Toronto: The Champlain Society, 1942), 27.

initial traders would build and occupy one or more trading facilities.[89] The investors had also appointed a resident "governor" to accompany the voyage, one Charles Bayly. He was a political prisoner in the Tower of London until extricated by John Robinson, who was a member of the company's governing committee.[90] The involvement of Bayly made it apparent that the company intended to establish a permanent settlement somewhere along the southern shores of Hudson's Bay.[91] The assignment of Bayly to supervise the distant operation marked the committee's initial realization that it had to entrust its enterprise in North America to the leadership of an individual who would be thousands of miles removed.

The *Prince Rupert* and *Wivenhoe* arrived in Hudson's Bay in September 1670, following a three-month voyage. The crews and passengers of both ships spent the long severe winter at Charles Fort, among the southern most points in Hudson's Bay. Throughout the winter and spring, the Indians came freely to trade. The ships made preparations to return to England in early July, 1671, when ice conditions on the bay permitted the ships to sail northward. Although Bayly had come to lead a settlement, he was unable to convince anyone else to stay and face another winter, so he returned on *Wivenhoe's* voyage back to London. While both parties had come back with a reasonable quantity of furs, Bayly's return with his party was a great disappointment to the London committee.[92] This was an intimation of how the winter season, lasting eight months on the shores of Hudson's

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[89] HBC Committee Entry, dated February 1, 1672, in Rich, ed., *Minutes*, vol. 5, 22-3.

[90] E. E. Rich, "Introduction," in E. E. Rich, ed., *Minutes of the Hudson's Bay Company, 1671-1674, vol. 5* (Toronto: The Champlain Society, 1942), li-ii.

[91] Rich, *Hudson's Bay Company*, vol. 1, 65-6.

[92] Rich, *Hudson's Bay Company*, vol. 1, 68.

Bay, would heavily influence how the company's employees would conduct their personal behavior and daily routine.

The London committee decided to dispatch a second voyage, which sailed with three ships in June, 1672, with Bayly again aboard. In addition to the *Prince Rupert*, the newly purchased ship, *Employ*, and a more suitable ship loaned by the admiralty, the *Messenger,* were outfitted with trading supplies that included guns, knives, hatchets, powder, shot, and brass kettles.[93] Bayly had again been instructed to establish one or more settlements. Building materials also had been stowed aboard for the purpose of building a new trading post at the mouth of the Moose River, about one hundred miles west of Charles Fort. A productive summer trading season ensued with the Indians, with *Prince Rupert* and *Messenger* returning to London heavily laden with furs. The *Employ* and its crew remained behind at Charles Fort on the Rupert River and stayed the winter with Bayly and his men. The presence of the French to the southeast was made known by an incident from the Indians habituating the nearby region of the Nottaway River, who had been "stimulated by the Jesuits" from Montreal.[94] Bayly served as the resident governor for a total of nine years, during which time he established the company's presence at the mouths of the major rivers flowing into James Bay, five in all. Bayly also developed a "factory" system that permitted trading activities to be carried on continuously from the trading post or "fort" at each location instead of from aboard a ship on the occasions that it would be anchored for intermittent trading.[95]

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[93] HBC Committee Minutes Entry, dated March 4, 1672, in Rich, ed., *Minutes*, vol. 5, 27.

[94] Rich, *Hudson's Bay Company*, vol. 1, 72.

The London committee had assumed early on that some private trade among its servants would prevail to some degree and provided their perspective on this eventuality when drafting the general orders of the preliminary voyage of the *Eaglet* and *Nonsuch*: "some small private adventures may also be carried by you and your men which wee do not refuse to allow but doe absolutely restraine all persons from trading themselves with the Indians because thereby our trade may be destroyed."[96] This practice became restrictive within a couple of trading seasons by the London committee's revised policy: "That all persons to be imployed Shall enter into articles or otherwise oblige themselves not to trade in beaver upon forfeiture of theyr goods & wages."[97] Yet, following its second year of trading, the London committee again reversed its policy by permitting private trading for beaver pelts, the commodity chiefly sought in trade. However, within another two years, by 1675, the London committee eventually made up its mind to strictly forbid private trading of any kind in furs and included these firm instructions in every sailing order and annual general instruction to every company ship and factory.[98] The committee had found through this "trial and error" experience of granting a measure of latitude for personal trading to its employees, that it could not control their compliance in pursuing the company's interests while tending to their own.

The London committee's decision to pursue legal damages against several

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[95] Peter C. Newman, *Company of Adventurers* (New York: Viking Penguin, 1985), 97.

[96] Rich, *Hudson's Bay Company*, vol. 1, 55-6.

[97] HBC Committee Minutes Entry, dated May 17, 1672, in Rich, ed., *Minutes*, vol. 5, 38.

[98] HBC Committee Minutes Entry, dated May 8, 1674, in Rich, ed., *Minutes*, vol. 5, 103.

accused employees who had returned to England aboard the company's ship in December, 1679, provides a good example of the seriousness that the committee members took against the fraud of smuggling illicit goods from Hudson's Bay:

> Upon the Report of Sr. John Hayes that he made a Discovery of Fraudes committed by those who return'd in the *Colliton* Yaucht(,)Ordered That Cololl. Meese do engage Mar. Ince the Sollicitor to prosecute the Offends. And attend Sr. James Hayes for his direction therein.[99]

This policy of zealous enforcement, once in place, remained in effect for the next 150 years, save for the infrequent occasion where the committee considered that it tacitly was left with no choice but to acquiesce in certain rare circumstances.

There was the case of James Knight in 1699, an ambitious chief factor who was exemplary in his service to the company, but who was notorious for conducting private trade. The London committee had almost dismissed Knight for his continued violations of the company's ban on private trade. However, the services of Knight as a "clear-head and courageous" leader acting heroically in the company's interests during several times of duress and stress caused by French incursions during the 1680s were eventually recognized by the directorate committee.

The committee relented from this firm non-negotiable policy when it became willing to accommodate and sell the fur pelts that Knight had personally accumulated and render the proceeds to "Madam Knight," who resided in London.[100] Rich pointed out that this unusual treatment accorded Knight, who started in the company as a shipwright, was due to the rare instance where a common worker in

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[99] HBC Committee Minutes Entry, dated December 23, 1679, in E. E. Rich, ed., *Minutes of the Hudson's Bay Company, 1679-1684*, vol. 8 (Toronto: The Champlain Society, 1945), 15.

[100] HBC Committee Letter to James Knight, dated May 31, 1717, *Outward Correspondence-Official* (from London), *1716-1726*, Series: A6/4/43. HBC Archives.

the company, through very exceptional performance, eventually rose to become one of the proprietors himself. He became a member of the London committee from 1700 to 1713.[101] The London committee was beholden to Knight for recapturing Albany Fort from the French in 1683, the company's last remaining trading factory in Hudson's Bay not held by the French.[102] Knight's exertions restored to the company its main trading concession. Albany Fort, along with a string of other factories at the bottom of Hudson's Bay, had been captured by the French during the summer of 1692.

HUDSON'S BAY COMPANY: THE CHALLENGE TO SURVIVE

The first decade of the Hudson's Bay Company had proved to be a fortuitous one. Trading posts had been established at four locations along the southern shore of the great bay. Six trading factories had been established along the southern shoreline of Hudson's Bay by 1674. The London committee declared its first dividend for its thirty-six shareholders in 1684.[103] But events thereafter, having begun in 1686, took a turn for the worse, where the existence of the young company was again severely challenged. The decade of the 1680s was marked by an intense rivalry with the French fur traders that led to violence by the French intent on dislodging the English from their maritime posts on Hudson's Bay. The English settlements were repeatedly raided. By the final decade of the seventeenth century all but Albany Fort of the English factories had been captured and occupied by

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[101] Rich, *Hudson's Bay Company*, vol. 1, 101.

[102] Newman, *Company of Adventurers*, 119.

[103] HBC Committee Minutes Entry, dated March 21, 1684, in E. E. Rich, ed., *Minutes of the Hudson's Bay Company, 1679-1684,* vol. 9 (Toronto: The Champlain Society, 1946), 217.

French raiding parties. Albany Fort had also been taken briefly but was retaken through the exceptional efforts and leadership by James Knight. Had Knight not retaken the fort, the company would have essentially been put out of business save for the option of trading directly from its ships.[104] These misfortunes were not reconciled until the settlement of the War of Spanish Succession (1701-1713) by the Treaty of Utrecht, when France agreed to the return of the captured trading posts. The proprietors of the company had struggled valiantly through the turn of the eighteenth century, making little profit and unable to pay any dividends.[105]

The Hudson's Bay Company was but a very small business entity compared to other joint-stock trading companies, especially with that of the East India Company, which was one of the largest commercial concerns in Britain. Edith Burley noted that the smaller North American company was highly vulnerable to the fluctuations of the fur and pelt markets in Britain and Europe but carried operational expenses that did not noticeably fluctuate in the same way. The London committee endeavored in every way to make its business more rational to the markets' movements. This included the committee's continuous attempts to discipline its distant employees to make them more productive and minimize the corruptive acts of personal opportunism, especially that of private trading by employees for fur and pelts.[106] Because of its small size, the company was particularly sensitive to illicit employee trading which competed directly with what supposedly the employees were hired to act in the interests of the company.

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[104] Newman, *Company of Adventurers*, 106.
[105] Robert, *Chartered Companies*, 108.

The individual chiefly responsible for the company's financial turnaround was Sir Bibeye Lake, whose financier family had achieved control of the voting shares of the tightly controlled company in 1697. Sir Bibye, with his controlling shares, had endeavored to make the company's activities as obscure as possible with the public, with the objectives of restoring the company's solvency and work in secrecy as much as possible. Lake's inclination for secrecy and his firm prohibition of private trading extended to every aspect of the company's activities, such as the weather reports made by the factors at their posts, the location of these trading posts and the trading practices with the Indians. Letters between the company's employees and their families were opened and censored. The passengers on company ships had their luggage searched before they were allowed to debark from their ship returning to London.[107] Company employees sailing to Hudson's Bay or returning to London, were searched for illegal trading items when traveling west, and similarly searched for contraband fur pelts when returning home, as in the case of one Dr. William Hall, a surgeon at York Fort, where its chief factor, Henry Kelsey, was instructed "to take into your custody all the books, papers, writings and effects of Mr. Hall and examine into them thoroughly and if you find that he has wronged the company… we do direct that you send him home on board Capt. Grofton thereof."[108] The Hudson's Bay Company permitted no privacy to its servants of any rank. The incident with the company's surgeon is indicative of the

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[106] Edith Burley, *Servants of the Honourable Company: Work, Discipline, and Conflict in the Hudson's Bay Company, 1770-1870* (New York: Oxford University Press, 1997), 4.

[107] Newman, *Company of Adventurers*, 134.

[108] HBC London Committee Letter to Capt. William Kelsey, dated 26th of May 1721, *Correspondence Outward,* Series: A6/4/102. HBC Archives.

paternal attitude with which the London directorate treated the company's employees.

Similar to the East India Company during its initial century, the Hudson's Bay Company habitually stressed the prohibition of private trade in their general instructions to their factors along the shores of Hudson's Bay. A letter from the London committee addressed to Kelsey and his council at York Fort thus informed Them, "we have often ordered that nothing be brought home but the company's cargo, yet we have certain information that a very great quantity of furs …were brought to whom as private trade in our ships the last year and sold to several furriers for some hundred pounds before wee could be ready with our sales. This is a vast prejudice for us."[109] By its constant repetition of the importance of prohibiting private trade in its letters of instruction to the company's governors and their councils in Hudson's Bay, the London committee was attempting to manage by "rote." This was perhaps the most valid means for the committee to have had at its disposal for attempting to *persuade* the company's overseas officials and employees to comply with the intentions of their distant directorate.

The company operated in relative obscurity from the public eye for the duration of Sir Bibye's thirty-one year tenure as a member of the London committee until 1730. The company never requested or received financial support from Parliament, unlike other overseas trading companies. No one could claim that the company was a burden on the national treasury, as was the case with the accusers of the East India Company and other joint-stock companies.[110] The

[109] HBC London Committee Letter to Capt. Henry Kelsey and Council at York Fort, dated 1717, *Correspondence Outward,* Series: A6/4/59. HBC Archives.

company had effectively kept itself from the view of the public and, therefore found itself rarely defending its monopolistic enterprise to interlopers and other envious outsiders. The size and profile of the Hudson's Bay Company was small, compared to the much larger East India Company with its great fleet of ships returning to England with huge quantities of cotton textiles and tea leaves that were widely consumed by the public.

HUDSON'S BAY COMPANY: REMOTENESS AND PERVASIVE SECRECY

The Adventurers of the Hudson's Bay Company encountered trading conditions in North America that were dramatically different from those experienced by the East India Company in its regions. The shorelines of Hudson's Bay, and that of its appendage, James Bay, were harsh wilderness. The nearest European settlement was that of French populated Montreal, a thousand miles to the southeast from the location of the company's initial trading depot located at the mouth of the Rupert River emptying into James Bay. The members of the first organized expedition and the crew of their ship *Nonsuch* pulled the vessel ashore and built a house before the river froze over early in December. The crew wintered there consuming the ship's provisions, supplemented by game that they shot periodically. By the time summer had arrived for their return home, they had encountered and traded with some three hundred Indians.[111]

Except for weather and sailing conditions in the northern region of Hudson's Bay and the Hudson Strait leading to the North Atlantic, there was little to deter the

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[110] Newman, *Company of Adventurers*, 134-5.
[111] Rich, *Hudson's Bay Company*, vol. 1, 61-2.

company's annual voyages in and out of Hudson's Bay so long as their ships did not enter the five hundred mile strait before early July and departed the Bay's southern shores for England by the latter part of August, or the first week of September at the latest. Even a mid-July transit of the Straits could be hazardous as related in a letter by James Knight, the prospective governor of York Fort arriving from England on a company ship, who reported, "The 17th of July we entered the Strait… it being very thick weather…we were forced into the ice… the wind blowing hard, we were encumbered in the ice for several days."[112] The cold and harsh weather extremes of Hudson's Bay and its North Atlantic approaches seem to have isolated the company's operations from the large numbers of interloping rivals, privateers and pirates who regularly pestered the East India Company.

The company's London committee regularly saw off their small fleets of ships, usually no more than four or five, with a day devoted to ceremonial farewells during the final week of May. A typical ceremonial sendoff of the company's ships from Gravesend in July, 1680, was recorded in its June 4th committee minutes: "They further Report that about Two O'Clock in the afternoon Wednesday last, the *Prudent Mary, Albemarle,* and *Cotillion* Sayled from Gravesend with a faire wind."[113] The practice of sending a ship to return the same year commenced in 1674, the fifth year of the company's operations.[114] Each ship's captain was accorded detailed sailing

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[112] James Knight, Letter to the London Committee, dated 19 September 1714," in K. G. Davies, ed., *Letters from Hudson's Bay, 1703-40* (London: The Hudson's Bay Record Society, 1965), 34.

[113] HBC Committee Minutes Entry, dated June 4, 1680, in Rich ed., *Minutes,* vol. 8, 79.

[114] HBC Committee Minutes Entry, dated April 2, 1674, in Rich, ed., *Minutes,* vol. 5, 94.

orders drafted and signed by the committee members.

It required at least eight, perhaps a bit beyond 12, weeks for a ship dispatched from the mouth of the Thames to arrive off the southern shore of James Bay. Some examples of this experience come from *Letters from Hudson's Bay, 1703-40,* edited by K. G. Davies, where the reader can compute the transit times. In the instance of the London committee's letter of instruction, dated May 19th, 1725, the day that the ship was dispatched, to Richard Stanton, governor at Albany Fort, Stanton, in his reply, noted that the committee's letter was received on August 13th, an interval of 12 weeks and two days.[115] The time of arrival was longer if the ship was destined to one of the company's factory locations on the western shores of Hudson's Bay, such as York Factory at the mouth of the Nelson River or Prince of Wales Fort at the mouth of the Churchill River. Once a ship arrived from England, it was critically important to unload the vessel as quickly as possible and reload it with the fur pelts accumulated over the past twelve months from trading with the Indians. A ship's optimum turnaround time to be dispatched home to England was a week or less. The motivation was a powerful one for a ship's captain to sail northeast on the return route as quickly as possible in order to pass safely through the Hudson Strait before ice made it impossible to transit by late September. These logistics affected every company ship entering Hudson's Bay. There was little room for error in one's judgment in the unloading and reloading operations by the local trading factor and in the ship captain's decision to weigh anchor and head north for the return voyage.

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[115] Richard Stanton, Letter to London Committee, dated August 24, 1725, in Davies, ed., *Letters from Hudson's Bay, 1703-40*, 103.

If a ship failed to make its return through the Hudson Strait before the ice cover made it impossible, it had to turn back and retrace its path to "the bottom of the Bay," and to prepare to winter over until early June when warmer temperatures allowed it to be refloated. The journal entries of Anthony Beale, factor at Albany Fort in the autumn of 1705, describe such a scene where the company's ship, *Hudson's Bay*, destined for its return voyage to England, went aground with its new load in the mouth of the river in early September. It required more than a week to unload the cargo, break the ship away from a sandbar, and then to reload it. Beale's journal entry for September 24 provides a glimpse of the tension of the fateful decision confronting the ship's commanding officer, "I understand by Captain Fullertine that they are afraid to go for England this fall." The journal entry of September 26 reflected Fullertine's decision to winter over at Albany Fort, "I called my council together that we might provide for the wintering of the …frigate." Beale's October 11 entry read, "Cold, raw weather and has fallen at least three inches of snow."[116] There was nothing that the London committee could do in order to involve itself as a participate in crucial decisions that affected the company's welfare in instances of this nature.

The severe winters on Hudson's Bay usually had a depressive effect on those company employees who "wintered over." The descriptions of the winter season experienced by James Isham in his *Observations and Notes on Hudson's Bay, 1743*, are poignant. One entry at York Fort is especially arresting: "four or five hours

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[116] Anthony Beale, *Albany Journal*, *1705-06,* in Glyndwr Williams, ed., *Hudson's Bay Miscellany, 1670-1870* (Winnipeg: Hudson's Bay Record Society, 1975), 13-9.

after the fire is out and the chimney still closed (to contain the warmth of the fire), the inside of the walls of our house are 6 to 8 inches thick of the ice, which is everyday cut away with hatchetts – three or four times a day we make Iron shot of 24 lbs. weight hott in the fire, and hang up at the windows of our apartments, yet will not hinder a two gallon Bottle of water freezing by the fire side."[117] Employees living in these conditions of hardship tended to drink alcoholic spirits in great quantities in attempts to make their daily routines more bearable. The drunkenness that prevailed among those employees who "wintered over" was widespread, and tended to continue into the warmer months despite the admonitions of the London directorate in its letters of instruction to the various forts on Hudson's Bay.

Drunkenness was a form of employee opportunism that could significantly inhibit the company's operations during the critical trading and shipping seasons. The sailing orders and instructions from the London committee to Captain George Spurrell commanding the company's ship, *Sea Horse*, convey the directorate's typically persuasive instructions concerning the control of liquor sent to its Hudson's Bay concessions: "Wee have in order to prevent our servants having liquors and other goods sent to them out of England than wee allow of, herewith give you a list of the particulars allowed by us to each servant and hereby order you to be very careful not to permit anything to be sent ashore at the Factory to any person whatsoever but what you find mentioned in said list."[118] A further example of the London committee's concern about employee drunkenness is seen in its letter of instruction, dated May 24, 1753, to John Potts and the Council at

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[117] James Isham, *Observations and Notes on Hudson's Bay, 1743*, E. E. Rich, ed. (Toronto: The Champlain Society, 1949), 173.

Richmond Fort: "In order to discourage immoderate drinking and Private Trade, wee strictly order that you seize all Spirituous liquors and other goods not belonging to the Cargo that are put on shore at your factory."[119] Next to private trading, drunkenness was probably the most serious malfeasance on the part of an employee. Such misbehavior diminished the employee's productivity to the company and affected the success of the company's trading operations at a location if a sufficient number of employees could not function because of drunkenness. The extreme sub-arctic environment of Hudson's Bay not only was hazardous to the company's shipping and logistics, its harsh winters tended to undermine the sobriety of the company's employees to function effectively on its behalf.

Another problem the London committee encountered seasonally with its returning ships was that of individuals wanting to return home early before the expiration of their contract. The contracts that the London committee made with each of the company's employees were usually from three to five years in length. After experiencing a "wintering over," it was not unusual for some employees to want to return home the following summer. The committee carefully controlled the passenger list of the ships returning home. A letter of instruction, dated May 15, 1730, addressed to Captain Theodore MacLish at York Fort, provided an insight about the committee's attitude about such requests:

> Thomas Rath wrote to us to come home as wee suppose unknown to you complaining of his often being out of order and that the Country doth not

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[118] HBC Committee Sailing Orders and Instructions to Capt. George Spurrell, dated May 15, 1730, *Correspondence Outward-Official* (from London), Series: A6/5/f 93. HBC Archives.

[119] HBC Committee Letter, dated May 24, 1753, to John Potts at Richmond Fort, *Correspondence Outward-Official,* Series: A/6/8/f 232. HBC Archives.

> agree with him…. if what he writes is not true and is only done with a design to be sent for home, wee would have you not permit him to return before his time is out… for wee are resolved not to suffer any servant to come home before his contract is expired without sufficient reason.[120]

It is evident that the committee did hold a measure of control over its servants as to who stayed in Hudson's Bay over the winter and who was allowed to come home. This was one of the few tools available to the London directorate to manage certain employees who wished to be released early from their contracts.

The London committee continued, through the first half of the eighteenth century, to place a major emphasis on prohibiting private trade by its employees. The committee notoriously issued strict instructions in its sailing orders and in its letters to the governors that they identify and confiscate all illegal goods smuggled ashore or loaded aboard ship. As early as 1674, the London committee endeavored to exert tight control of its ship captains. An excerpt of the committee's minutes for May 8, 1674 is informative: "that Strict charge bee given to the Commanders of the two Shippes now outward bound for discovereing any manner of privacy that may bee in the Said Shippes for Stoweing private trade in order to prevent the same."[121] Save for rare exceptions, such as the privileged case of James Knight who eventually became a member of the London committee, any company servant found guilty of private trade was ordered home and embarked on the first ship returning to England. The case of one Benjamin Harding at York Fort in 1726 was the subject of a typical committee order to the rest of the trading factories,

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[120] HBC Committee Letter to Capt. Theodore MacLish at York Fort, dated May 15, 1730, *Correspondence Outward-Official*, Series: A6/5/f 83. HBC Archives.

[121] HBC Committee Minutes Entry, dated May 8, 1674, in Rich, ed., *Minutes,* vol. 5, 103.

as found in the committee's General Letter, dated May 25, 1727, addressed to Joseph Myatt and his council at Albany Fort:

> one of our servants at York Fort, having wrote to his friend to send him several things with a design to carry on private trade, we have ordered him home for his said offense, which we would have you made known to all our servants with you in order to discourage them from so doing, and if at any time you shall discover any goods in the custody of our servants, we do hereby order you to send them home by the first opportunity.[122]

By constantly reiterating in its letters of instructions and sailing orders its firm policy of prohibiting private trade, as well as other regulations it wanted to enforce, the London directorate committee, to some small degree, influenced its ship captains and officials in Hudson's Bay to follow the management policies for its distant operations.

Nonetheless, it was apparent that through the 17th and 18th centuries, substantial quantities of illegal liquor were smuggled on the outbound voyages and that some cargoes of illicit goods usually made their way back to Britain with, or without, the knowledge of the ships' captains. Hence, the London committee employed "ship waiters" to station themselves in various harbors where returning ships were expected and to go aboard and search for illicit goods and employee personal items. An example of this practice was the hiring of Charles Wilmont and Jeremy Griffith in 1679 "to goe aboard the *John and Alexander* and to stay there to prevent all Frauds and Embezzlements."[123]

The endeavors by its London managers under Sir Bibye Lake to exert their

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[122] HBC Committee Letter to Joseph Myatt and Council at Albany Fort, dated May 25, 1727, *Correspondence Outward-Official*, Series: A6/5. HBC Archives.

[123] HBC Committee Minutes Entry, dated December 11, 1679, in Rich, ed., *Minutes*, vol. 8, 11.

managerial control extended to the company's employees at Hudson's Bay as well as to events in London with the royal court and Parliament. The measures of secrecy invoked by Sir Bibye tended to keep the company out of the public eye. This allowed the company to conduct its activities without outside interference for the most part during his tenure as governor. The intervention of James Dobbs in 1731, claiming that the company was not living up to its chartered responsibility in attempting to find a Northwest passage, was a widely known exception.[124]

As a measure of employing the company's overall policy of secrecy, the London committee promulgated strict instructions to all of its trading concessions that forbid the writing of personal letters by its servants to any outside party, including families, that conveyed information about the company and its activities. An example is a letter of instructions addressed in 1732 by the London committee to the company's factor at Albany Fort, one Joseph Adams and his council: "whereas we are informed there is correspondence from some of our factories with persons in London besides the governor and committee, we therefore order that none of our servants do send any intelligence, or carry on any correspondence with any person, whatsoever, in London or elsewhere, relating to the affairs of the company."[125] Even during earlier years, in its first decade, as in the case of Maxmillian Ketch, one of its ship captains, the company tended to strongly protect its privacy by insisting that its servants take loyalty oaths that in this instance included protecting "the secrets of the…company that should be given me in charge I will keep their

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[124] Newman, *Company of Adventurers,* 233.

[125] HBC Committee letter to Joseph Adams and Council at Albany Fort, dated May11, 1732, *Correspondence Outward-Official,* Series: A6/5/114. HBC Archives.

instructions I will observe to the utmost of my power."[126]

This is in significant contrast with the experience of the East India Company that had, since its inception, engaged in a broad range of political interface at almost every administrative level, especially Parliament, and its notoriety with the public. The company and its operations were much larger than that of the more nimble Hudson's Bay Company, which had managed under Sir Bibye Lake to keep its political profile low with its tactics of secrecy.

Another factor that contributed to the opaqueness of the company's affairs was that the shares of the company were closely held by a relatively small group of investors. The company paid its first dividend in 1684, to a select group of no more than thirty-seven shareholders.[127] The Hudson's Bay Company allowed its stock shares to be held only by an approved group of investors who tended to trade among themselves the shares of the company that might come made available for sale. The following example bears witness to such a transaction in 1682:

> Mr. Nico. Hayward one of this Committee acquaints this Committee that he has transferred £200 of his stock to the Right honorable George Earle of Berkely wch. The Committee approves of and desires the Secretary to waite upon him to his Lordship wth. the booke of Assignements wch. The Committee does grant.[128]

As noted earlier, the East India Company commenced its business with at least 125 shareholders from what source its much larger shareholder base would grow. The

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[126] Oath taken by Maxmillian Ketch, dated July 7, 1682, in E. E. Rich, ed., *Hudson's Bay Copy Book of Letters, Commissions, Instructions Outward, 1679-1694* (Toronto: The Champlain Society, 1948), 67.

[127] HBC Committee Minutes, dated March 24, 1684, in Rich, ed., *Minutes*, vol. 9, 219.

[128] HBC Committee Minutes, dated November 8, 1682, in Rich, ed., *Minutes,* vol. 9, 42.

number of initial shareholders of the Hudson's Bay Company numbered but eighteen. This permitted the directorate of the smaller company to administer its affairs more easily and, also, more obscurely from the prying eyes of outsiders.

The French again became a rival to the Hudson's Bay Company by the middle of the eighteenth century with their inland competition for the same fur pelts that the Hudson's Bay Company traders. The French had gradually extended their hegemony from Montreal to trading posts within several days travel from the Bay shoreline and had begun to intercept and trade with the Indians who were canoeing their furs downstream to the English trading forts. This interrupted eight decades of the company's employees' practice of trading at the water's edge of Hudson's Bay. Sir Bibye's policies had discouraged the company's servants from leaving their fort locations to prevent individuals from trading surreptitiously with the Indians.[129] The company's trading factors in Hudson's Bay now realized that they had to venture inland to ensure the company's survival. This led to the inland expansion of the company's trading activities. Without waiting for a reluctant and vacillating London committee to act, one of the company factors at Albany Fort, Joseph Isbister, established the first inland trading concession at a location on the Albany River, in 1743, called Henley House, forty miles south of Albany Fort.[130] This is an example of the inability of the London directorate committee to effectively manage when the survival of the company's trading called for timely strategic decision making. In this instance, the company's welfare was completely dependent upon the judgment of

[129] HBC Committee Letter to George Spence and Council at Albany Fort, dated 16 May 1751, *Correspondence Outward-Official,* Series: A6/8/129. HBC Archives.

[130] Rich, *Hudson's Bay Company*, vol. 1, 549.

its local officials, who had little to assist them in such points of decision other than the London committee's admonishments and suggestions in its letters of instructions.

Nonetheless, Peter C. Newman surmised that this change in the company's commercial strategy, spurred by French competition for the same markets of fur pelts, changed the company's culture from that of its servants being sea-faring or maritime employees to one of "becoming adept woodsmen and swift canoe travelers, gradually mastering their new environment."[131] The terrain of the bay shoreline had seemed unwelcoming during the early decades to most of the employees who came ashore, especially during the years of the French raids and the war years, which discouraged the company's servants from straying inland. The company's traders tended to keep to the shoreline, which had over time ultimately reduced the amount of trading that the company could conduct with the Indians. This new employee orientation would substantially change the nature of the company's operations and take the company's employees and their trading activities into the vast interior of Canada. A similar culture change had begun to take place with the employees of the East India Company during the 1750s. The company's servants had found themselves increasingly pressed into administrative roles, in addition to doing their trading business, to rule over large sections of the Indian populace captured on behalf of the British government as the result of Clive's military victory at Plessey in 1757. These new responsibilities were formalized by the Regulating Act of 1773.[132] The changes in the two corporate cultures, while quite

[131] Newman, *Company of Adventurers*, 210.
[132] Keay, *The Honourable Company,* 385.

different in their nature and scope, fundamentally changed their respective businesses and the methods of practicing them. These events shaped and took the companies into their longevities as successful, venerated enterprises.

HUDSON'S BAY COMPANY: THE MERGER OF A RIVALRY

The "pedlars" from Montreal, as the French tradesmen were called by the Hudson's Bay employees, continued to make substantial inroads in intercepting the downriver fur trade directed toward the various English factory forts at the river mouths along the bay shoreline. The company now embarked on a strategy to explore and establish trading posts to the limits of its basin empire described in the charter. The company attempted to train and reorient those employees from Great Britain, who were principally Scots, many of whom came from the Orkney Islands. But the Orkneymen proved to be "recalcitrant" in learning the ways of woodsmen and how to paddle canoes.[133] The company's factors had begun to hire indigenous Canadians, although these employees gave the company difficulty in controlling their trapping and private trading with the Indians. They were ill-disciplined and were inclined to pilfer and plunder. Nonetheless, the Canadians had much to offer as canoeists and experienced woodsmen, so the London committee concurred to have them employed, as the company had become heavily dependent upon such individuals to conduct the inland logistics required for handling fur pelts and supplies to and from the river locations in which a system of half-dozen inland trading "houses" had been established.[134] The company continued with its century-

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[133] Peter C. Newman, *Caesars of the Wilderness* (New York: Viking Penguin, Inc., 1987), 121.

old trading strategy, that of conveying its fur pelts to ships that came in and out of Hudson's Bay during the late summer months, but with one fundamental difference - the majority of the pelts had to be traded inland and brought to the port factories on the bay.

Although the French had never reached the shoreline of the bay, a different invasion of eastern traders and trappers appeared across the inland basin of Hudson's Bay, driven by the effects of the American Revolution. By 1779, the seasonal partnerships, which many of these pedlars had found convenient to form, had coalesced into a quasi-federated company called the Northwest Company that became intent upon competing with Hudson's Bay Company. The "Nor'Westers were uninhibited risk-takers who operated more or less free of a strict corporate structure. Despite the Nor'Westers enjoying a longer trading season, April to October, that the Hudson's Bay Company could not take advantage of, as its ships usually had to return to England in late August, the English held a fundamental advantage that they enjoyed a much shorter inland supply line. The Nor'Westers had to contend with moving supplies and fur pelts along an inland route that was at least one thousand miles to their Montreal entrepot.[135]

The rivalry between the North West Company and the Hudson's Bay Company became a struggle for their existence in ruinous competition with each other. By the turn of the nineteenth century, the fur trade was becoming prohibitively unprofitable for the London committee. The rivalry had produced

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[134] E. E. Rich, *Hudson's Bay Company*, *1670-1870,* vol. 2*, 1763-1820* (Toronto: McClelland and Stewart Ltd., 1960), 174.

[135] Newman, *Company of Adventurers*, 281-4.

many instances of bloodshed in what was by then called Canada or British North America, an expanse of wilderness territory that continued to remain lawless. As both companies struggled to literally defend themselves from the other, not only in terms of competition, but in killing off one another's employees, an imaginative deal was struck in 1821, where the two adversaries merged into one conglomerated entity keeping the name of Hudson's Bay Company, which Peter Newman called, "a marriage of great convenience."[136] This development was equaled by another about the same date, when the London committee had dispatched a new leader, George Simpson, to Hudson's Bay, who shortly became the company's overall governor of the entire territory claimed by Hudson's Bay Company. The presence and activities of Simpson radically changed the company's management structure, with the London committee no longer directly overseeing the company's various operations from afar. Instead the committee had turned to Simpson to handle the company's affairs in North America from his headquarters in Montreal, where he dominated and led the newly amalgamated Hudson's Bay Company to a series of unsurpassed successes during the following forty years. Shortly thereafter, following the British North American Act in 1867 that provided for Canadian independence, the company was bought out of most of its land ownership by Parliament.

THE PROBLEMS OF ENVIRONMENT AND DISTANCE

The opaqueness of the Hudson's Bay Company's operations benefitted substantially from the vicissitudes of its sub-arctic environment in North America. There were few interlopers, privateer, or pirates cruising the frigid waters of the

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[136] Newman, *Caesars of the Wilderness*, 193.

North Atlantic and the Hudson Straits, who cared to remain for any length of time in the harsh environment to prey or spy upon the company's ships laden with furs and pelts on their homeward voyages. This was essentially the same for any outsiders who wanted to land in Hudson's Bay to trap or trade in the extremely hostile temperatures and frigid weather that was characteristic of the sub-arctic maritime environment. Except for occasional incursions from the Montreal-based French traders from the south, Hudson's Bay Company employees normally found themselves as the sole European occupiers in Hudson's Bay.

The East India Company, in contrast, was not as fortunate with its climate experiences. The company's employees could bask in the sunshine and warm tropical temperatures of Southeast Asia and India, but still risk their health to the numerous infectious diseases that permeated these regions. These hazards to interlopers did very little, however, to preclude and isolate the company's operations from outside interference. The warm climates beckoned numerous interlopers of all kinds to flourish in these regions to steal from the company and compete with its employees. The very different natural environments, in which the two companies respectively operated, therefore substantially influenced their operations. The sub-arctic environment helped the Hudson's Bay Company to maintain itself from preying eyes and outside interference while the tropical environment in which the East India Company operated, was prone to generate the interest and presence of interlopers and other outsiders in spite of the risks of infectious sickness to most Europeans who entered these regions.

The fact that the cold extremes of its environment served the interests of the

Hudson's Bay Company while the attraction of warm climates helped to attract the interlopers and other outsiders that the East India Company despised, tended to keep private trading to a minimum for the former enterprise while compel the latter to eventually allow this form of personal opportunism not only among its employees, but to all comers. Yet both companies prospered despite quite different reasons. The Hudson's Bay Company benefitted from its relative isolation in sub-arctic North America and minimal contact with outsiders, which helped its goal of long term prosperity. The East India Company ultimately thrived because its government considered the company too critical to the economy and national interest of Great Britain to have the company in bankruptcy; from the British political perspective of the mid-eighteenth century, the company was considered "too big to fail."

Neither the East India Company nor the Hudson's Bay Company could overcome their fundamental weaknesses that their respective operations were conducted at distances too lengthy and remote to have been managed effectively by their London directorates. The managements of both companies came to realize this through their different "trial and error" experiences. The greatest challenge to the East India Company and the Hudson's Bay Company, from their perspectives as joint-stock trading companies, were the extraordinary overseas distances that separated the London directorates of both companies from direct and timely communication with their employees. Because of these conditions, there were very few effective measures available to either company to manage or control the behavior of their employees to perform their work in the best interests of the company as opposed to following their own personal interests. Chapter Three will introduce and examine the means that were available to each company for exerting control of its distant employees and assess whether these measures succeeded or failed.

CHAPTER 3

MEANS OF MANAGEMENT: A DOUBTFUL ENDEAVOR

Neither the East India Company nor the Hudson's Bay Company had charters that gave them true monopolies for exclusive trade. Both companies were faced with other European competitors whose competitive activities were legal internationally, and envious British merchants who were competing illegally. Among the principal chartered joint-stock companies operating during the seventeenth and eighteenth centuries, the East India Company was the largest in terms of number of employees, ships deployed, and the size of business conducted. The Hudson's Bay Company was the smallest.[1]

Although these companies pursued their operations in different areas of the globe, their organizations were quite similar in their management structures, which in both companies operated through salaried management directorate committees in London. As each respective committee member was a stockholder, there was a natural incentive for each to work as diligently as one could, in order to realize the dividend bonuses that would be generated when the company's operations were profitable. From a leadership perspective, this combination of personal incentives was enough to ensure that the companies' officers performed at a high level. Because the employee servants did not receive similar incentives to perform, there was a vast difference between the personal initiatives of the committee members

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[1] Ann M. Carlos and Stephan Nicholas, "Giants of an Earlier Capitalism: The Chartered Trading Companies as Modern Multinationals," *The Business History* Review 62, no. 3 (1998): 403.

and their subordinate employees.

This chapter will examine the effectiveness of the different means available to the respective companies for endeavoring to manage or control the efficiency of their distant employees. These measures included personal surety bonds, employment contracts, as well as the conventional inducements of wages and rewards of bonuses. Further, it will examine the various aspects of discipline and forms of inducement thought up by the companies' London directorate committees to spur honest employee performance and demonstrate why these measures lacked effectiveness.

EMPLOYMENT CONTRACTS AND BONDING

Both companies used employee contracts as their most frequent measure in attempting to ensure that the servant would endeavor to act in their best corporate interests. The contract spelled out its duration, normally three to five years, the salary amount to be paid, how the salary would be paid, the office or position the employee was to assume, and the type of room and board. If the employee candidate was to hold an official's position, such as governor, ship commanding officer, chief factor, and other supervisory positions, a financial bond was usually required. These bonds were usually quite large in amount for senior officers, such as those identified, but usually no money was actually received by the committee. The contracting parties would follow the legal procedure of turning to a surety intermediary who would guarantee paying the bond with an incumbent's default.[2]

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[2] Ann M. Carlos, "Principal-Agent Problems in the Early Trading Companies: A Tale of Two Firms," *The American Economic Review* 82, no. 2 (1992): 142.

Personal performance bonds, it was thought, were another measure to reduce personal opportunism. An example of the bond process was the contract made with William Lydall in 1674: "It is agreed with Mr. Wm. Lydall and he is now chosen by this Committee to bee governor in Hudson's Bay, to give 1,000 pounds Security for his true services for three years at 100 pounds per annum, Whereof 100 pounds is to be advanced to him for fitting himself for the voyage… all manner of trade in beaver to bee forbidden."[3] Other than paying £100 each year, Lydall and the company avoided the expense of the bond's principal.

Lesser surety amounts were required of officers of lower rank, such as that accorded to an East India Company factor, Richard Cox, who was assigned to Spahune in 1705, one of the company's smaller ports in Persia. Cox, who had a five-year contract, was required to make an annual surety payment of just £40.[4] In theory, bonding had the potential to preclude employee malfeasance as it insured the company against expensive violations of a servant's contract. Hejeebu noted that the East India Company never employed this method of employee control because it meant that the company had to undertake legal expenses and provide substantial proof to sue and collect from a surety.[5] Carlos and Nicholas found that the Hudson's Bay Company evidenced a similar pattern of not collecting from its employees' bond

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[3] HBC Committee Minutes Entry dated April 13, 1674 in E. E. Rich, ed., *Minutes of the Hudson's Bay Company*, 1671-1674 vol. 5, (Toronto: The Champlain Society, 1942), 97.

[4] East India Company (hereafter referred to as EIC) List of Bonds and Covenants of Bernard Wycherley and Richard Cox, dated Jan. 11, 1705, Letter-Books, 1627-1753, *Dispatches to the East,* E/3/96: f 186. British Library, London (hereafter referred to as BL).

[5] Santhi Hejeebu, "Contract Enforcement in the English East India Company," *The Journal of Economic History* 65, no. 2 (2005): 503-4.

sureties, but they attributed this to the lack of records of bond forfeitures by employees. They concluded that the Hudson's Bay Company's London committee was thus successful in controlling employee opportunism.[6] The realization that both companies apparently chose other methods, which are on record, to control employee opportunism would indicate that neither found employment bonding to be a practical means of management control. Hejeebu's conclusion that the bond process was too expensive and time-consuming for the East India Company could apply to the Hudson's Bay Company as well.

WAGES AND BONUSES

The question among historians of whether the two companies were paying wages that were sufficient to preclude the employee's self-interest for private trading is harder to define. Carlos and Nicholas provided evidence that employee salaries were supplemented by regular wage increases, bonuses and the prospect of promotion. The case of William Steward at York Fort in 1717, provides an example of the criteria that the Hudson's Bay Company was sufficient enough to award a salary increase of £2 to the £18 annual wage of Steward as, "[he] has been very serviceable to you and has endured great hardships in traveling to make peace amongst the northern Indians, and we being desirous to encourage all industry and diligence in our servants do order you to."[7] Hejeebu has noted that that for the East

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[6] Ann M. Carlos and Stephan Nicholas, "Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company," *The Journal of Economic* History 50 no. 4 (1990): 864.

[7] Hudson's Bay Company (hereafter referred to as HBC) Committee Letter to James Knight, dated May 31,1717 *Outward Correspondence-Official* (from London), , *1716-1726*, Series A6/4: 24. HBC Archives, Winnipeg, Canada (hereafter referred to as HBC Archives).

India Company officers, governors and trading factors, one's salary was considered "little more than a retainer."[8] It is evident that such incentives as bonuses did not work for the East India Company, as private trading was accomplished so easily in India and other places in Asia, far away from the eyes of the London committee. It was in this distant environment, Hejeebu noted, "Dreams of fortune from private trade attracted young men to the India service."[9]

The Hudson's Bay Company, which operated in more remote environments, did not experience the problem of private trading to the degree that the East India Company did. Compared to its contemporary, the Hudson's Bay Company was a small enterprise that served only one European market, that for fur pelts. Illegal trading was not on the same scale as that of the East India Company. Edith Burley noted that because the Hudson's Bay Company served a single market, it was highly vulnerable to the single market's fluctuations. It was extremely important that the company controlled its expenses. Therefore its London committee could be frugal with such an outlay of expenses in its budget.[10] Yet, there was the instance of the company awarding an additional £100 to John Nixon, the new governor at Charles Fort in 1680, which clearly conveyed its sense of the ultimate degree of hard work expected of him: "as an encouragement to you to use your utmost diligence in the service, wee do hereby grant… you the Salary of 200 pounds per annum to commence from your receipt of this our Letter instead of 100 pounds per annum

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[8] Hejeebu, "Contract Enforcement," 499.

[9] Hejeebu, "Contract Enforcement," 510.

[10] Edith I. Burley, *Servants of the Honourable Company: Work, Discipline and Conflict in the Hudson's Bay Company, 1770-1878* (Oxford: Oxford University Press, 1997), 4.

which was settled upon you when you first entered your employment."[11] Rich made the interesting observation that in this instance the committee had previously required from Nixon an exceptionally large surety of £5,000, which denoted a general uneasiness about him, as little was known about Nixon's background other than "he had served in the East Indies."[12] The committee apparently had second thoughts about the critical assignment that had been given to Nixon as governor of Charles Fort, and believed that Nixon needed to be shown the company's largess in an attempt win the new governor's utmost endeavors to successfully confront the challenges with his work that lay ahead.

A similar example of financial reward can be shown with the East India Company in the case of John Surman, an official who had done commendable service in India in 1719. The London committee voted an award of £5,000 "since he had no chance of improving his personal wealth while on East India Company business."[13] The minutes of the London committee noted that Surman had served commendably in Bengal, Madras, and Bombay in positions critical to the interests of the company that evidently did not permit or expose him to the opportunities for authorized private trading. The company therefore awarded Surman the supposed equivalent of the personal wealth that he could have gained had he enjoyed the opportunity.

However, the ranges of salaries and bonuses normally practiced by both

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[11] HBC Committee Letter to John Nixon at Fort Charles, dated May 21, 1680, in E. E. Rich, ed., *Copy Book of Letters Outward, etc., 1679-94* (Toronto: The Champlain Society, 1948), 10.

[12] E. E. Rich, *The Hudson's Bay Company*, *1670-1763,* vol. 1 (Toronto: McClellan and Stewart Limited , 1960), 82.

[13] EIC Committee Minutes, dated July 9, 1719, Correspondence Reports: 1719-1727, *Minutes and Memoranda, etc., of General Committees and Offices of the East India Company,* India Office Records: D/18: f 7. BL.

companies were apparently insufficient to stem their employees' attention from private trading. For an officer's good performance in shipping home a large number of fur pelts, the Hudson's Bay Company London committee commended one Anthony Beale in its Letter of General Instruction in 1725: "We received yours of the 16th of August last and hope that this year's trade has proven to your expectations. We believe you will endeavor as much as possible to promote our interest and for your encouragement to do so, did increase your salary from 50 pounds (being the wages you contracted for) to 60 pounds per annum."[14] It is doubtful that a wage increase of this nature preempted the captain from the numerous opportunities he encountered for enriching himself by permitting illicit goods to be smuggled aboard his ship for transiting to Hudson's Bay with unauthorized casks of spirits, or in returning to Britain with prohibited furs. The London directorate's minutes are replete with orders such as that of October 14, 1681, "Ordered that Mr. Ely (a designated 'waiter' for the returning ship) doe immediately goe onboard the *Albemarle* and make strict search for private Tokens and private trade, and that he causes that Shipp and the *Prince Rupert,* when she is cleared, to be carried to such convenient berths as he think fit."[15] There is little doubt that the captains of the company's ships were the most tenuous and weakest links in its management chain of communications for controlling illicit cargoes transiting between London and Hudson's Bay. These officers, individually entrusted with the welfare of the company's ships and their cargoes, traveled from port to port as the sole official

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[14] HBC Committee Letter to Anthony Beale, dated May 19, 1725, *Correspondence Outward*, Series A6/4: 194. HBC Archives.

[15] Committee Minutes Entry dated October 14, 1681, in Rich, ed., *Minutes* vol. 8, 131.

incumbent of the company's authority.

The sea-going officers encountered many more opportunities to handle illicit goods than the company's managers stationed a single land location, of which the mariners could take full advantage. These concerns were evident right from the beginning in 1671, the first year of the Hudson's Bay Company's operation, with its London directorate in dealing with the nature of the private cargoes returning on the first of its ships from Hudson's Bay. The committee ordered: "That Capt. Guillam and all others imployed this voyage bee examined what private trade hath bin by them or any of them in the Country, or by the mariners under them."[16]

In 1672, the committee was still not decided about all the aspects of private trading. It was clear that before the Spring departure of its ships bound for Hudson's Bay, the committee wanted to announce clearly its probation of private trading or taking beaver pelts: "That all persons to be employed Shall enter into articles (employment contracts) or otherwise oblige themselves not to trade in beaver upon forfeiture of theyr goods and wages."[17] By the early 1680s, it was evident that the London committee had firmly closed to door to employees trading for themselves in beaver, or taking any types of pelts: "The Secretary reporting that he has been on board the *George* ketch and made a search of what Goods were on board and found Severall beaver and other skins Ordered all the Goods on board the *George* ketch be brought into the Company Warehouse."[18] Occasionally the committee found that it

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[16] HBC Committee Minutes Entry dated Nov. 7, 1671, in Rich, ed., *Minutes*, vol. 5, 5.

[17] HBC Committee Minutes Entry dated May 17, 1672, in Rich, ed., *Minutes*, vol. 5, 38.

held no interest in the personal goods or items brought aboard by a returning employee and permitted their return to the professed owner.

The East India Company later found itself still plagued with the issue of private trade after its London committee had grudgingly acquiesced to allow its employees to partake in the trading of selected goods for themselves. As the following example demonstrates, the company still had to be wary of being short-changed by its servants' personal greed. In the committee's minutes of March 30, 1731: "Recommendations given on the revision of payments for private trade goods said to be undervalued, Barker and Brown both to benefit. Clause to be put in the Bengal letter (letter of instruction) forbidding payments on the Company's account at regional settlements without the Council's permission."[19] In this instance, the traders Barker and Brown were disciplined by demotion to the next junior rank. It would seem that the East India Company in its new leniency towards employee private trading, had created a different set of circumstances for being taken advantage of by employees. The problem was never eradicated or minimized; it simply morphed into a different aspect of personal opportunism.

If the companies were following the practice of paying good salaries and wages as contended by Carlos and Nicholas, it would seem that there would be little need for peaks of generosity other than perhaps the occasional salary adjustment. In the case of the East India Company, it is doubtful that any reasonably generous

[18] HBC Committee Minutes Entry dated November 1, 1683, in E. E. Rich, ed., *Minutes of the Hudson's Bay Company, 1682-1684,* vol. 9 (Toronto: The Champlain Society, 1946), 147.

[19] EIC Committee Minutes dated March 30, 1721, *Minutes and Memoranda, etc.,* India Office Records, D/18: f 43. BL.

salary amount could override the extreme attraction of accumulating personal wealth achieved by one pursuing some form of trading in one's own behalf.

THREAT OF DISMISSAL

Despite the contracts and bonding inherent with their employment, many servants probably ignored, for the most part, the policies, suggestions and admonitions dispatched by their superiors in London. After the turn of the eighteenth century, despite its continuing admonishments about the prohibition of private trade in its general letters of instruction, the London committee had come to realize that it had not been controlling personal opportunism in any significant measure, nor could it conceive of a means to employ that had not been tried before. By the 1750s, the committee was also bowing to political pressure from Parliament, which had been lobbied heavily by merchants excluded from the company's monopoly. A policy was therefore set in place to allow regional inter-Asian trading by outsiders as well as company employees as long as their traded goods stayed in India and Asia. Only the remittances from one's profits could be brought home.[20]

In order to facilitate its homeward bound employees in bringing their trading profits home safely, the company devised a "bill of exchange" arrangement whereby the employee deposited his currency with the company offices at the port of his embarkation in Asia for which he received a certificate attesting to the amount he was allowed for payment by the company upon his arrival in London.[21] This

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[20] Anthony Webster, *Twilight of the East India Company: The Evolution of the Anglo-Asian Commerce and Politics, 1790-1860* (Rochester, NY: The Boydell Press, 1988), 25.
[21] Webster, *Twilight of the East India Company,* 23.

arrangement for personal transfer of large sums of currency was also employed to accommodate employees on their outward journey, as well.[22]

This concession on the part of the London committee gave its members traction to manage, to some degree, the company's interests with its far away employees. This concession tended to become more liberal as time went on to the point where the company permitted certain of its managers to invest their personal funds along with those of the company in the voyages of the company's ships such as the case with one Charles Douglas, who was permitted to invest 1,000 pounds sterling of his own money in the trading voyage of the company's ship *Stringer* in 1706.[23] Yet the company's London directorate closely monitored goods that it would permit to be privately traded, and it regularly promulgated changes to the lists of goods that it permitted, such as those goods identified in its minutes of February 16, 1721: "Clause to be put into General Letter to Bengal forbidding East India Company servants at Patna to have private dealings in saltpetre, chintz or white piece goods under penalty of dismissal."[24] It was quite evident that the company was practicing what has become called a "carrot and stick" approach for employing sanctioned private trading as a management tool.

Both companies employed searchers or "waiters" to immediately go aboard returning company ships to inspect the ship for illegal goods being brought home.

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[22] EIC Committee Copy of a Bill of Exchange in favor of Thomas Whitaker, dated April 11, 1701, Letter Books, *Dispatches to the East,* E/3/94: f 153. BL.

[23] EIC Committee Order of the Court of Managers Permitting Charles Douglas to Invest 1,000 pounds of his own Money in the Trade of the *Stringer*, dated Dec. 20, 1706, Dispatches to the East*, Letter-Books, 1626-1753,* Series E/3/96: f 6a. BL.

[24] EIC Committee Order for Clause to be put into General Letter, dated February 16, 1721, *Minutes and Memoranda, etc.*, India Office Records, D/18: f 41v. BL.

This practice was invoked by both committees early on. As depicted by the Hudson's Bay Company employment of one Mr. Millington for this purpose, "That …to order ye person whom shall hee employ to see the said Goods landed and entered that the said person makes search throughout ye Ship for private trade that may be hid under ye fathom wood or Ballast or anywhere else in the Shipp."[25] Evidently, these inspectors were employed to "wait" for the expected ship's arrival at the port of entry. This can be seen in the case of two waiters by the name of William Cooper and Jeremy Griffith, by the committee's order on October 7, 1681: "It is ordered that William Bashford Cooper doeth goe on Board the *Albemarle* and that Jeremy Griffith doe goe on Board the *Rupert* to remain there as Wayters for the Company."[26] Both companies conscientiously practiced this measure of control over the ship captains that they employed, which amounted to a second barrier for prohibiting illicit goods to be landed in London. If the captains were corrupt in conveying smuggled goods, the "waiters" were to provide a final search of the ship for illegal cargoes.

By 1750, the East India Company had begun taking on administrative duties of the British government to the extent that the company could legally seize and incarcerate an individual in the many of the Asian territories that the company was trading. The company's dispatches were replete with the committee's dismissal notifications to those servants whom it deemed deserving of its displeasure in this

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[25] HBC Committee Minutes Entry dated Oct. 30, 1673 in Rich, *Minutes*, vol. 5, *1671-74*, 50-1.

[26] HBC Committee Minutes Entry dated Oct. 7, 1681 in E. E. Rich, ed., *Minutes of the Hudson's Bay Company*, 1679-1684, vol. 8 ((Toronto: The Champlain Society, 1945), 127.

regard. One of the more stringent orders that was dispatched to an employee was addressed in 1781 to one George Smith in Canton as "an illegal resident and trader," to leave China: "By these you will find they are orders to desire that you will voluntarily return to England on board one of the Honorable Company's ships of this Season; and that in case of your non-compliance, they are to seize and send you there."[27]

Under the policies that the East India Company now permitted with private trading, those employees who failed to conduct the principal's business to the London committee's satisfaction could be dismissed, which would remove the offender from the trading status that probably would have made him wealthy. The company underscored its intentions to tighten its management of employees under its more liberal policies toward private trading by announcing that those servants accused of corruption or mismanagement delay their homecoming from India until an investigation had been completed.[28]

Other than its initial experimentation with private trading for several shipping seasons during the 1670s, the Hudson's Bay Company attempted to strictly control this means of employee opportunism with its ships transiting between Britain and its fur trading factories on Hudson's Bay. An example of the company's selective private trading policies was the case with one of its ship captains, who had returned from Hudson's Bay the previous season, where a different arrangement

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[27] EIC Committee Letter to George Smith, dated February 3, 1781, Factory Records: China, *Copies of Letters Dispatched*, India Office Records, Series G/12/20 (26): ff 300-301. BL.

[28] EIC Committee Discussion about Madras, Dec. 8, 1719, *Minutes and Memoranda, etc.,* India Office Records, Series D/18: f 19. BL.

had existed. The London directorate committee ordered in the same meeting that it dealt with Walter Farr's petition, that "Captain Morris have his full wages paid him & aloe the balance of his accounts…together with fifty pounds in money in full satisfaction for his beaver at Plinmouth in the Companyes hands."[29] The London committee was vicariously experimenting with its attitude toward permitting some measure of employee private trading. These examples demonstrate the committee's learning curve for coming eventually to the decision to prohibit all forms of private trade, which it endeavored to strictly enforce in the ensuing decades of the company's operations. It is evident that the threat of dismissal did not work for the Hudson's Bay Company, and such action was largely abstained from by the end of the company's initial decades. Despite the legal instruments and other preventative practices that the company invoked with newly-hired employees, these distant servants usually chose to ignore the wishes of the London directorate to enjoy moments of personal opportunism, illicit or not, any time they desired to do so.

OATHS AND LOYALTY

Both companies sought to establish measures of loyalty among their distant servants. Their respective management styles mirrored one another as hierarchal structures with paternalistic attitudes toward subordinates. It was made clear in their letters of instruction that both London committees dispatched to their far away employees that one's loyalty and diligence was always assumed along with their hard work in making the company's assets productive.

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[29] HBC Committee Minutes Entry dated March 19, 1674, in Rich, ed., *Minutes* vol. 5, 89.

While usually not the case with the East India Company, the Hudson's Bay Company, for the most part, required oaths of loyalty from each newly-hired employee. A good example of the company's intent was the oath the London committee required of Captain Maxmillian Keetch prior to his sailing from the Thames estuary in 1682:

> I doe sweare to be true and faithful to our soverigne Lord the King & Company of Adventurers of England trading into Hudson's Bay. The Secrets of the said Company that shall be given me in charge I will keepe their instructions. I will observe to the utmost of my power and in everything I will Indeavour to promote the Interest & profit of the Company. So helpe me God.[30]

All company employees, including workers, took oaths of loyalty appropriate to their employment responsibilities usually before embarking on their initial voyage to Hudson's Bay.

Sometimes, in order to emphasize the committee's desire about employee behavior toward a certain issue, such as private trading, the committee would direct additional personal oaths to be administered. Such an instance was its directive to John Bridgar, Governor at York Factory, in the committee's General Letter of Instruction dated April 27, 1683: "and for the preventing of Frauds and Private Trade wee doe require you to cause all Officers employed under you…to take an oath which by the tenor of our Charter you have power to administer…for their fidelity & good behavior in the Company's service."[31] As the company's officers at their far away locations were so used to complete autonomy save for effect of the

[30] Personal Oath of Captain Maxmillian Keetch, dated July 7, 1682, in E. E. Rich, ed., *Copy-Book of Letters Outward, 1679-94*, (Toronto: The Champlain Society, 1948), 67.

[31] Letter to John Bridgar, dated April 27, 1683, in Rich, ed., *Letters Outward, 1679-94,* 88.

committee's annual general letter of instruction, they undoubtedly possessed more independence than the London directorate intended them to have. It is probable that personal oaths of loyalty had minimal or no effect on most employees in the remote environments in which they lived.

Carlos and Nicholas, as previously discussed, strongly believed that the Hudson's Bay Company was unique from the other chartered companies through its practice of obtaining most of its workers in Scotland, especially from the Orkney Islands. They contended that the London committee came to believe that these islanders were the most sober and steadfast of its employees, who could endure great privations. Together, with the committee's positive communications through periodic Letters of Instruction, Carlos and Nicholas endeavored to make the case that the company managed to develop a positive company culture and work ethic of the Orcadians throughout the eighteenth century that was not apparent with any other chartered company.[32]

Yet Peter Newman noted that the company's managers were "sharply divided" about the qualities of the Scottish islanders when he quoted one of the company's prominent managers, Samuel Hearne, "the Orkneymen are the quietest servants and best adapted for this country that can be procured. Yet they are the very slyest set of men under the sun and their universal propensity to smuggling, and clandestine dealings of every kind, added to their clannish attachment to each other, puts it out of the power of any one Englishman to detect them."[33] Jones and

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[32] Carlos and Nicholas, "Agency Problems," 875.

[33] Samuel Hearne quoted in Peter C. Newman, *Company of Adventurers* (New York: Viking Penguin, Inc., 1985), 180.

Ville countered with their own findings that, “Of course, the Hudson’s Bay Company correspondence was ‘replete with positive encouragement’ for managers and men….but its little homilies were insufficient to prevent desertion by senior staff, drunkenness on a stupefying and stupendous scale, gross immorality, and a desire by the Orkney men to escape the company’s service once that they had scraped together a few pounds.”[34]

Burley probably offered the most accurate observation about the company’s servants, whether they were Orcadians or not, when she commented, “At work they usually supervised themselves and frequently took advantage of the opportunities so provided to neglect their duty or engage in private trade…such action did not depend on ethnicity. It grew out of a common experience and in a common culture that distinguished Hudson’s Bay Company workers from their masters.”[35] It is difficult to comprehend a distant group of employees subordinating themselves to the desires of a directorate committee a continent away in the manner articulated by Carlos and Nicholas.

The tropical climates of the East Indies and much of the India sub-continent worked against the motives of loyalty expected of its employees by the East India Company. According to Hejeebu, these climates were not healthy for extended living for most Europeans. She calculated that the median length of service amounted to 11.3 years. Hejeebu, surmised that “Death explains the departure of a full 78 percent of those who left within the first five years.” The high risk of death in the

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[34] S. R. H. Jones and Simon P. Ville, “Efficient Transactors or Rent-Seeking Monopolists? The Rationale for Early Trading Companies,” *The American Economic Review* 82, no. 2 (1992): 907.

[35] Burley, *Servants,* 246.

company's service did much to undermine the degree of employee behavior sought by the company's London committee. Hejeebu went on to provide a second perspective: "Given that most young men joined the company between the ages of fifteen and nineteen, many did not live beyond the age of thirty."[36]

The motivation of most of those employed to undertake company service abroad was to use the contracted salary as a retainer to travel to India and undertake private trading as soon as possible. As a result, there was little loyalty involved between the East India Company and its distant employees in India and Asia. The East India Company did not wish to recognize these hazards to an individual's welfare, and attempted to ignore or pay little heed to one's health disabilities. This attitude can be seen in the dispatch from the Calcutta Council to Nathanial Halsey dated August 31, 1691: "now that you are recovered of your sickness Expect your utmost care & obedience in your quick dispatch of business."[37] In the place of loyalty was a contracted business arrangement, for the most part, followed assiduously by both parties. The ideal that motivated an employee, was for an individual to take the health risks of going to India and work to accumulate one's fortune through whatever private trading arrangement was allowed by the company, and return home as soon as possible. According to Hejeebu, this protocol consumed slightly more than a decade for the average employee if the individual did not die in the meantime.[38] The single incentive for these employees to perform their

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[36] Hejeebu, "Contract Enforcement," 508.

[37] EIC Committee Letter from Calcutta Council to Nathanial Halsey, dated August 31, 1691, *Copies of Letters Dispatched, 1690-169*3, India Office Records, Series G 7/5. BL.

[38] Hejeebu, "Contract Enforcement," 509.

contracted work satisfactorily was to avoid dismissal, which would prohibit the individual from further trading involvement in the markets from which one was endeavoring to make one's personal fortune.

PERSUASION

Neither of the London committees was assured that any of their performance incentives for their distant managers would be successful. The respective London directorates dispatched every ship with general letters of instruction. These lengthy dispatches contained specific directives, orders, and information to the governors and councils of their distant factories concerning the committee's intentions about how the trading concession should be managed and operated. Such matters in these dispatches covered personnel appointments, employees permitted to board the ship on the ship's return voyage, criticism or praise of the factory's performance during the previous year, and almost without fail, admonishments or critical comments about employee private trade, and other illicit activities such as smuggling and drunkenness. The dispatches also contained encouragements and commendations about the employees' work, and rewarding them, as described earlier. The respective London committees demanded written dispatches from their overseas principal officers each time a company ship returned home. These "inward dispatches" written by the chief trader or factor, contained answers to the questions that were addressed to him by his London directorate, which usually wanted statistical information about the factory's performance during the previous year. The dispatches also contained requests for the type of provisions preferred from London, and any personal requests from the employees that usually pertained to the employee's length of stay in Hudson's Bay. The chief factor was expected to write his return dispatches before the ship left on the voyage homeward, which was usually no more than a few days.

Both sets of company correspondence, "outward" and "inward," tended to set up a professional management system for applying the rules of conduct that the London directorates of both companies defined and sought from their distant employees. Neither committee had any direct or immediate means of enforcing the behavioral rules they promulgated through their dispatches, which were not read or acted upon until many months later, save for the threat of dismissal, especially with the case of the East India Company. But dismissal, if it did come to an employee, was not invoked until the illicit acts eventually came to light and were scrutinized by the committee. This could take an extended period of time, perhaps years, until a notice of dismissal or vindication was given. As an example, it required almost two years for the London committee to determine the outcome of the complaints of mismanagement against John Braddyll, a trading factor at Bombay, which were initially entered on the committee's docket April 10, 1721. It was not until November 22, 1722 that the committee could act in vindicating Braddyll following its receipt of his letter asking vindication that answered the charges against him.[39] The hapless Braddyll was again accused of mismanagement in Surat a decade later.[40] The respective London committees also extended this communications

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[39] EIC Committee Minutes on Debate of Accusations against John Braddyll, dated February 22, 1722 and November 22, 1722, respectively, Correspondence Reports, 1719-1722, *Minutes and Memoranda, etc.*, India Office Records, Series D/18: f 66, f 73v. BL.

[40] EIC Committee Letter of Vindication of Mr. John Braddyll against Mr. Henry Lowther Addressed to the Court of Directors, dated February 11, 1735, *Letters from*

practice with dispatches, called "sailing orders," to the captains of their departing ships, which were similar to the detailed general letters of instruction addressed to the companies' distant officials. The commanding officer of a company ship was usually the key conduit through which a private trader could illicitly arrange to convey the fruits of his personal trading back to his home in England. The sailing order from Hudson's Bay Company London committee to Captain George Spurrell, dated May 15, 1730, is indicative of the hundreds of such instructions given to its ship captains regarding the committee's apprehension of the illicit landing of ill-gotten goods from its distant servants: "you are not to receive any goods, parcels, or letters on board our ship but what shall be consigned to the company by the chief factor and council there and to follow all such orders as you shall from time to time receive from them."[41]

In the case of the Hudson's Bay Company, this arrangement with the returning ship's captain provided the *only* means of conveying one's personal gains, ill-acquired or not, back to England. This situation provided some measure of control by the company's London committee in marginalizing the private trading of its employees. Unfortunately for the London committee of the East India Company, it was risky, but not too difficult, for their servants in India to arrange for their private gains to be transported by non-company ships returning to England, as there were plenty of foreign and other English ships wanting cargo for their homeward voyage.[42]

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the Court of Directors, 13. BL.

[41] HBC Committee's Letter, dated May 15, 1730, to Captain George Spurrell, *Correspondence Outward-Official, 1727-1737*, Series A6/5: f 93. HBC Archives.

Such correspondence, over numerous decades, tended to at least warn against employee malfeasance. These instructional dispatches carefully explained the intents and wishes of the committee in great detail until supplanted by a more recent letter, usually arriving a year later, with the instructions either repeated or closely similar to the previous instructions. The committees' instructions were crafted to win the cooperation and obedience of those employee officers who read them. It was expected that the local officers who regularly received these letters of instruction would mirror the same relationship to the workers under their supervision. In view of the successful longevity of both companies, the persuasive language contained in these dispatches, which was repeated through the decades, did probably influence the behavior of their distant officials to comply to some extent with the desires and orders of their masters in London if there were no personal reasons not to do so. The London directorates therefore could not enforce their management styles in any immediate sense, but could only attempt to *persuade* their employees to follow the detailed directives through the repetitive dispatches that accompanied every company ship.

THE LONDON DIRECTORATE COMMITTEES

Both directorate committees carefully measured the performance of their employees. This was accomplished by collecting facts and statistics from each of their trading concessions, usually on an annual basis, and comparing their performances regarding factory output and other measures of performance. The minutes of Hudson's Bay Company's London committee dated December 4, 1673

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[42] Webster, *Twilight of the East India Company,* 32.

provide a good example: “that they having taken the weight of the beaver brought home in the *Prince Rupert*, the Same produced of coate beaver lbs. 5408: & of Skins lb. 1529: in the whole lb. 6937: which is lb. 367 more than the weight in the country [Hudson’s Bay] which is accordingly approved.”[43] In this instance, the committee had found that the total weight of the pelts and skins received in London was several hundred pounds heavier than the weights that trading concession’s chief factor claimed had been shipped in his inward dispatch that accompanied the returning ship. Apparently the committee members chose not to complain of the chief factor’s written inaccuracies in view of the pleasant realization that a surplus of furs had arrived. Both London committees were expert collectors of information that could be gleaned from their respective agents. The benefit of these continuous accumulations of knowledge, regardless of the age of the dated material, was generously applied in the never-ending stream of instructional outward letters that emanated from the respective committees.

But the intentions of the directorate committees were mainly negated by the great distances separating them from the companies’ employees. Because of this, their distant employees enjoyed significant degrees of autonomy that were quite different than what either company committee intended to permit. It is evident that the London committees were quite aware of this management hazard, but there was little that either company found that could be done about control of their employees. This realization is confirmed by the frank admission of the Hudson’s Bay Company’s committee in its “outward letters of instruction,” such as one dated July

[43] HBC Committee Minutes Entry dated December 4, 1673, in Rich, ed., *Minutes*, vol. 5, 60.

24, 1682, to John Nixon, governor at York Fort, that "wee must leave much to yours and the Captain's prudence and Conduct, not Doubting but ye will both doe that which in your understanding shall appeare to be the best for our service."[44] Local company officers of either company never completely submitted to the committees' insistence that they subordinate themselves as employees to the committees' managerial instructions.

It is evident that local officials of both companies undertook whatever measures, however independent, that they deemed was required to give initiative to themselves and the daily lives of the subordinate servants under their supervision. In the instance of the Hudson's Bay Company, such supervisory decisions meant ignoring their London committee's instructions during a long harsh winter season. When there was little cause for other company work to be accomplished, the supervisor dealt with the situation immediately at hand rather than that which had emanated from London. Maintaining employee morale during the long winter days regularly prompted a supervisor to permit the company's employees to hunt and trap for their own benefit, or at least to turn a blind eye.

Such environmental circumstances influenced the supervisor to favor the employee's personal interests and morale. The prospect of deciding what to do with the furs or pelts trapped by employees was normally months away before the company ship would arrive from London. A wise or seasoned supervisor would eventually preclude a problem with London by either discouraging the employee to smuggled his goods, or failing that, permitting the employee to trade with the ship's

[44] HBC Committee Letter to John Nixon, dated July 24, 1682 in Rich, ed., *Copy-Book of Letters Outward etc., 1679-94*, 57-8.

captain or seamen behind his back. An honest ship captain would report what goods from private trading were aboard his ship when handing over the ship's cargo manifest upon arrival in London. As with the case of either Captain Draper or Captain Powre, it is unclear to which of the two, whose ships both arrived on October 7, 1681, the committee responded: "That Capt. having informed the Company of severall goods on Board his Shipp which is private trade… Ordered that he doth take care they be on Shore and secured with the Company's Goods."[45]

The committee members would then mull over the attributes of retaining the illicit goods for the company's benefit or permitting the employee to receive them. In the case of returning servant, Richard Taylor, he was allowed some personal goods, but the company chose to retain certain other personal items: "Mr. Weymans is to cause 2 more moose skins to be delivered to Richard Taylor & 2 pr. Of Beaver Mittens to Same. Partly which they brought over with them."[46] The committee evidently decided that moose skins and personal articles made of beaver were contraband, but not significant to the company's interest, and permitted them to be returned to the employee.

The two London directorate committees placed a high value on the selection of the chief officials that they appointed in charge of their distant trading concessions. It was not simply for the sake of loyalty that the Hudson's Bay Company London directorate agreed to re-employ one Captain Zachary Gilliam as one of its ship captains: "The Committee having considered that he has been an old

[45] HBC Committee Minutes Entry, dated October 7, 1681, in Rich, ed., *Minutes,* vol. 8, 127.

[46] HBC Committee Minutes Entry, dated October 28, 1681, in Rich, ed., *Minutes*, vol. 8, 137.

servant and done the Company formerly good service have accepted of him and ordered said Gilliam to be taken into their service and Imployed."[47] The committee had confidence in Gilliam from his prior employment, and probably with little hesitation hired the captain for a new voyage. A similar case is exemplified by the London committee's rehiring of Hugh Verner, a former chief trading factor: "Hugh Verner presenting himself to serve the Company in that capacity he formerly served them in as chiefe at Rupert River whom they having full experience of his former abilities & faithfulness Doe agree with him for 40 pounds p. annum for four years."[48] Obtaining good knowledgeable employees with previous service, especially those with past supervisory experience, was the preferred method of hiring officials whose judgment could be trusted in faraway places.

The two companies still were required to be alert for incidents of questionable management by their officials at distant locations and to react, even if a great lapse of time had occurred. The East India Company did not hesitate to take precautionary measures, whenever the opportunity presented itself, to discharge an official in whom it had lost confidence as with the case of one Charles Zinzan, Second in Council at Bombay, in 1687, that the official "is a man so much in debt… we do not think fit to trust him further in our services."[49] The accusation ordered prepared by the East India Company's Calcutta council for dispatch to its chief and council at

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[47] HBC Committee Minutes Entry, dated January 11, 1681, in Rich, ed., *Minutes*, vol. 8, 170.

[48] HBC Committee Minutes Entry, dated March 13, 1682, in Rich, ed., *Minutes*, vol. 9, 83.

[49] EIC Committee Commission Appointing Thomas Mitchell as Second in Council at Bombay, dated September 28, 1687, Letter Books, *Dispatches to the East,* E/e/84:ff 198v-99.BL.

Borneo is another example of many of the admonishments and dismissals found in The company's general letters of instructions: "Committee to Balamtangan (draft): accusation of unauthorized exercise of authority designed to bring personal gain to the Chief and Council at the Company's expense."[50] Such accusations and admonitions were sent with relentless repetition to the distant trading concessions whenever either company had reason to suspect and act on local misfeasance, which more often than not, involved unauthorized personal opportunism or personal gain of some type. The case of one William Blake, against whom the committee brought suit for legal restitution for trading in "prohibited goods," was indicative of this practice.[51]

In delegating its management supervision to its far away officials, the respective London directorates faced the risk of collusive opportunism. Their local officials would be reluctant to expose their peers or subordinates for fear that their own illicit activities would be exposed. There was the unusual case of one Henry Lowther, the chief trader at Surat for the East India Company, who had attempted to dismiss his subordinate, John Braddyll for acts of corruption having been allegedly evidenced there. The London committee after receiving a letter of vindication from Braddyll, defending himself, ordered: "It appearing to us that our honorable matters and affairs in Surat have not been transacted in so upright and fair manner as ought to have been done then by the present Chief; we have thought proper to suspend

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[50] EIC Borneo Committee Order to Draft Accusation, dated 1774, Borneo Factory Records, *Letters and Consultations, 1684-1814, Examiner's Office Collection,* India Office Records, Series 275/ ff. 62-135. BL.

[51] Lord Keeper's Decree about a suit brought by the East India Company against William Blake, dated 1671, *Home Miscellaneous Series,* H/33:65-70. BL.

him from his station and appoint you [Braddyll] supervisor to enquire and examine into the same."[52]

The London directorate of Hudson's Bay Company experienced similar cases fraudulent exposures among its officers, as with the instance of George Geyer, Governor at Port Nelson, in 1688: "wee received many complaints against you here by some, whoa came home the last yeare of the Great Quantity of Beaver that you have Concealed to Shipe home for your owne use at private Opportunityes, and how you gave orders for a Purchase to bee found for you here, agt. You come home."[53] As stated earlier, the dismissal and return of a relatively high-ranking official required a great deal of time and expense. Such officials were likely to provide themselves with a legal defense, and attempt to have the committee rescind its order by lobbying highly-placed political friends and relatives. In this instance it is apparent that the directorate committee was acting in response to the "many complaints" received against the errant official in its negative decision.

CONCLUSION

The two London committees did achieve success in creating a corporate culture that was hierarchal and paternal in the methods of written instructions that it chose to address and treat their distant employees. The East India Company and the Hudson's Bay Company survived in their respective business environments

[52] EIC Committee Letter of Vindication of Mr. John Braddyll against Mr. Henry Lowther Addressed to the Court of Directors, dated February 11, 1735, *Letters from the Court of Directors*, 13. BL.

[53] HBC Committee Letter to Governor Geyer, dated June 2, 1688, in E. E. Rich, ed., *Hudson's Bay Copy-Book of Letters, Commissions, Instructions Outward, 1688-1696* (London: Hudson's Bay Record Society, 1957), 7.

when dozens of their contemporaries had failed. But their successful longevities cannot be attributed to the direct “hands-on” management style that their London directorates wanted very much to employ. The success of the East India Company and the Hudson’s Bay Company depended upon their servants performing their work effectively enough to ensure the endurance of both companies until the latter half of the nineteenth century, but the employees did not relinquish the liberties of their personal lives to the disciplined mantel intended by their London committees

CHAPTER 4

CONCLUSIONS

Both the East India Company and the Hudson's Bay Company sustained themselves for at least two centuries with their trading operations more or less intact. Yet both companies endured extensive amounts of employee opportunism. In order for the two companies to have achieved their success, they were somehow managed in ways that contributed to, and ensured, their longevities despite the various sieves of personal enrichment that were available to, and taken by their employees. As has been seen by the historians who contemplated this issue, there was no single method that the respective London committees of either company employed that could be specifically attributed to their success. Each company strategically thrived in its own environment, overcoming its own particular challenges, the most common of which was probably that of private trading. The two companies ultimately prospered despite quite different reasons for them to do so. The trading operations of each company, separated by immense distances from their London headquarters, operated continuously, if not always consistently, for some three hundred years. This begs two fundamental questions: 1) What were the challenges that had to be overcome by each company in order to manage employee opportunism?, and 2) How did each company attempt to minimize or control the endless motivations of their employees who were intent upon gaining unauthorized enrichments, which both companies considered the most serious threat to their profitability and survival?

LINES OF COMMUNICATION

The problem of distance, while common to both companies, held especially true for the East India Company as its markets were essentially on the other side of the world, some ten to twelve thousand miles distant from its London headquarters. It was impossible for the company, during its eighteenth-century trading operations, to send a ship to the Far East in less than a year, which meant that it would take two years at the earliest for its London directorate to see the ship return with any communication from its trading operations. The voyage from the Thames estuary to the bottom of Hudson's Bay was less than half the distance of that experienced by the East India Company, but travel to the sub-arctic basin of North America still required a voyage of at least three months. The Hudson's Bay Company's operations were further complicated by the arctic winter season that dominated the climate at the single northern entrance of Hudson's Bay, which touches the Arctic Circle. This climatic factor severely limited the sailing season in and out of the Bay to a matter of several weeks during the summer months.

There was therefore, an effective blackout of communications between the respective London committees and their overseas trading concessions. When dispatches did arrive at either end of their distant journeys, including even the relatively short three or four month round trip between Hudson's Bay and London, the issues depicted in them had probably already been overtaken by events. This situation was especially true with the East India Company. While the main trading concessions of the East India Company, such as Bombay, Madras, and Calcutta, had many ship arrivals throughout the year, the news contained in the dispatches delivered to them was always a year old. Nonetheless, the frequency of receiving and reading these out of date dispatches still probably gave the East India Company officials the advantage of being influenced more often by their London directorate committee than the once a year dispatches that emanated from the Hudson's Bay Company.

COMPANY OPERATING ENVIRONMENTS

The East India Company found it difficult to hire individuals of the caliber that its London directorate sought, even if it paid a substantial salary. The global regions to which the company was sending its officials were rife with contagious diseases of the tropics. The average tenure of an East India official was 11 years - either employees usually made their fortune through personal trading by that length of time, or succumbed to a disease that eventually brought an individual's demise. Once opportunities for employees to be given trading privileges opened, during the first half of the eighteenth century, it was no longer especially difficult for the East India Company to hire desirable individuals with the understanding that they were going to India to make their personal fortunes in addition to working in the company's interests. The hazards of employees encountering a fatal disease were initially largely ignored, although once they pocketed a satisfactory personal gain, the employee probably petitioned the company to return to England as soon as possible. It was difficult for the Hudson's Bay Company to find suitable individuals to administer its distant trading concessions, especially in view of the very harsh climate that they had to contend with for much of the year. Eventually this problem was lessened by promoting those workers who demonstrated exceptional service to the company during their work tenure.

Promoting from within became a common practice by the Hudson's Bay London directorate. The company also started hiring Canadian woodsmen by the 1770s, instead of workers with a maritime background who had traditionally been imported from England and Scotland. Hiring home-grown employees was not the case for the East India Company, which had to contend with the momentum of its employees wanting to quickly return to England in order to escape the dangerously unhealthy environment after making a suitable fortune. There were also numerous individuals with the Hudson's Bay Company who desired to escape the extremely cold and harsh climate of the North American sub-arctic.

INTERLOPERS

Interlopers and other outsiders in the public who wished to be included for the trading privileges held by the East India Company also posed a serious challenge. With their fortunes made, after spending five to ten years in the Far East, newly returned nabobs with their *neuveau riches* startled the public into wanting from Parliament the same trading opportunities that had been given to the servants of the East India Company. The company was continually under pressure to cede or share its trading monopolies with those who sought similar opportunities. This unrest continued to grow politically, and eventually threatened the survival of the East India Company when Parliament created a rival company that it allowed to have trading monopolies similar to those of the East India Company. Until Parliament allowed the two companies to merge in 1709, the original East India Company and its rival competed fiercely with neither of them experiencing profitability. Even following the merger of the two companies, the new United East India Company continued to feel pressure from outsiders and interlopers. They lobbied Parliament to strip the company of its newly renewed trade monopolies, which, by degrees, took effect during the ensuing decades.

This contrasts with the measures of secrecy invoked by Sir Bibye Lake and his immediate successors during the eighteenth century that enabled the Hudson's Bay Company to enjoy a remarkable degree of freedom from the political intrigue of Parliament and the eye of the public, which meanwhile, was lobbying Parliament to break the trading monopoly of the East India Company. However, it could be argued that the secrecy practiced by the Hudson's Bay Company was itself an act that encouraged its own culture of private opportunism.

SMUGGLING

One of the few opportunities, perhaps the only opportunity, that either company had to directly exert its control in enforcing its prohibition of personal employee gains from private trading, was that of halting the illegal cargoes coming ashore whenever a ship returned to drop anchor in the Thames estuary. The ship captains of both companies proved to be major obstacles for cooperating and enforcing company prohibitions against employees. Both companies hired their sea-going captains with set contractual wages. In most instances, a captain in company service demonstrated the same personal vices as any other employee, that of wanting to partake of an opportunity to acquire some form of financial gain. A ship captain could be easily bribed to allow almost anything to come aboard his ship and see to it that the illicit cargo was properly hidden. Such smuggling, in both directions, “outward and inward,” was widespread in both companies.

The one opportunity that the London directorate of either company had to control this illegal activity was on its side of the voyage while the ship was in the Thames estuary. As has been seen, the inspectors that the committees respectively hired were paid straight wages to do their inspections. There might have been quite a different outcome had the “waiters” been placed on some sort of incentive to share in the value of the illicit goods that they found, or to be paid by a piece rate on the illegal cargo items revealed. There was nothing contained in the primary sources of either company’s archives that indicated such practices were discussed, or by some means attempted. Hence, the arrival of practically every ship returning from the Far East or Hudson’s Bay, almost invariably contained a host of illicit goods to be brought ashore in small quantities and sold on the markets as those landed for sale by the company.

MALFEASANCES

The directorate committees of both companies were efficient at ferreting out instances of overt embezzlement and fraud among their distant employee servants. This was accomplished through their developed accounting procedures and systematic management practices of culling information from each of their trading concessions. By developing and using detailed inventories of trading goods and commodities traded that were perceived from scrutinizing various accounting books, the directorate committees of both companies could compare the performance of any chief trading factor with that of another. Before a ship of either company departed the trading fort or concession, the senior company officer or chief trading factor was expected to have a full report available for the dispatch of his record of activities in the management of the trading concessions and other activities on its premises since the previous ship had departed.[1]

It was difficult for the directorate committees to act effectively on any inconsistencies found or reported in the journals received by them. The only recourse possible was to give an edict of managerial disapproval, which could include dismissal of certain employees in the next letter of instruction to the senior officer of the trading concession. Such responses would have to wait until it could be dispatched with the next ship sailing to that location, which could mean a matter of months. This delay could take a year or more to deliver the directorate committee's admonition about a circumstance that offended the committee. Nonetheless, in this respect both companies effectively managed their accounting systems for creating a flow of information, if ever so slow, for disciplining (and rewarding) their distant, far-flung managers.

CONCLUSIONS

It is evident that neither of the companies' London directorates held any significant semblance of control over the normal activities of their respective distant operations. This allowed the chief trading factors of both companies tremendous discretion in acting on the detailed instructions from London that invariably arrived with each company ship. The determination of local and regional affairs of each company were squarely in the hands of the chief company official, who, in the case

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[1] Peter C. Newman, *The Company of Adventurers* (New York: Viking Penguin, Inc., 1985), 143-4.

of the East India Company, could be participating in dozens of trading concessions ranging from Persia to Japan. From the moment that the company's ship left the trading concession in Madras to return to London, until its arrival with new dispatches from England in the following year, the chief factor of a trading concession was entirely free to make what decisions and choices the individual chose to, in both the company's interest and with personal gains in mind as well. The official's personal behavior and priorities would become quite apparent to subordinates and would likely be emulated by many of them. The Hudson's Bay Company, even with its shorter communications blackout intervals of months instead of years essentially was confronted with the same problem of time and distance in the management of its agents in North America. This realization effectively negates the arguments by Carlos and Nicholas that these early modern trading companies were the precursors of modern multinational companies in that they "developed incentive contracts, oaths, bonds, and information flows on work performance, which are standard mechanisms for evaluating managerial effort in modern multinationals."[2] The evidence gathered here yields distinctively different conclusions.

It obviously behooved the respective London committees to appoint capable and loyal officers who would likely act independently and sincerely in its best interests by choosing not to follow the committees' standing instructions. Still, at some point, there always existed the tension with the employee concerning personal

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[2] Ann M. Carlos and Stephan Nicholas, Giants of an Earlier Capitalism: The Chartered Trading Companies as Modern Multinationals," *The Business History Review* 62, no. 3 (1988): 419.

interests and opportunism. The prohibition of private trade was an issue of utmost importance to the Hudson's Bay Company. Unlike its contemporary, the Hudson's Bay Company dealt only in a single market in Great Britain and Europe, one limited to the sale of fur pelts. Any of these goods brought to market by its employees or by interlopers could directly diminish the company's profitability. The company's London committee therefore had good reason to vigorously oppose any excess of fur pelts brought to market outside its purview. The London directorate unrelentingly pursued this strict prohibition policy through the many decades until Hudson's Bay Company merged with the Northwest Company in 1821. Fortunately for the Hudson's Bay Company, there were few interlopers who attempted to inject themselves in the fur trade in the North American wilderness.

As the East India Company grew in its operations, its London directorate eventually realized that private trading was the correct inducement for experienced and other qualified individuals willing to be sent to these unhealthy posts. The London directorate did not make this decision lightly. It was compelled to do so by degrees, and it fiercely resisted the persuasive momentum to permit private trading to its employees. The London committee simply found itself "outnumbered" in attempting to control the hundreds, if not thousands, of instances of interloping and employee opportunism. The committee also found it impossible to control the smuggling of personal trading goods transiting in either direction by its ship captains by their own participation in private trading, or smuggling trading goods and monetary *species* on behalf of others.

Ultimately, the London committee found that it did possess some measure of control through its "threat of dismissal" of an employee who failed to perform to its satisfaction. Employees, dismissed from trading privileges with the company, found their private trading to be short lived, as the individual no longer had a financial or logistics platform to support personal trading activities. Such a process, however, due to the great distances involved, could consume years of inaction before the denouement of an employee's unsatisfactory performance fully played out. Even then, it was not unusual for the committee to find out that the person discharged had relatives or friends in high political places who would object to the dismissal and seek to have the individual restored to his position or to receive restitution. Nonetheless, employee dismissal was invoked frequently enough for the London directorate to possess a credible tool with which to influence the behavior of its distant employees. The Hudson's Bay Company did not experience even this modest measurement of managerial control as it operated in the wrong climate to invoke a widespread dismissal policy. One can surmise that it would be a great deal more difficult to convince a prospective manager to travel to the wilderness and sub-arctic climate of North America, than having the individual commit to the temperate climates of Southeast Asia, especially when gaining the opportunity of making a personal fortune.

The two companies did share one managerial practice that, although limited as a specific control measure, was a somewhat effective managerial initiative that probably worked well for both – that of "persuasion." Through the 17th and 18th centuries, the London directorates of both companies relentlessly churned out their versions of the letters of instruction that were dispatched on every company ship leaving the Thames estuary for each distant trading location where they were expected to be read and obeyed to the smallest detail. The rote of these instructions with either company changed very little through the decades and was repeated with regularity in each succeeding letter of instruction.

The rote of the directives and orders found in the letters of instruction of either company resembled the rote, if not the format, that one would find in a church liturgy. A more purposeful analogy might be offered by the military historian, John Ruddiman, where he cited that the general orders and orderly books in Washington's Continental Army, "were a flexible genre that commanders carefully crafted to win cooperation and obedience from soldiers and to create a professional army."[3] The general orders of a standing army might well be compared similarly to the general instructions of the London committees of the two trading companies. The purpose of either of these sets of orders and regulations was to convince soldiers, or in this instance, workers, to follow such directives conscientiously, especially when there were no superiors about to enforce them. These general regulations and orders were repeated and used daily as a reference of acceptable conduct within an army, no matter where its location, or how dispersed. Soldiers were expected to conduct their individual behavior according to the army's general orders at all times, whether supervised or not.

The letters of instruction promulgated by the two trading companies were all but mirror images of each other, differing only in content and context; their formats

[3] John A. Ruddiman, "A Record in the Hands of Thousands: Power and Negotiation in the Orderly Books of the Continental Army," *The William and Mary Quarterly* 67, no. 4 (2010), 248.

were identical, even down to the salutations and closings. The two London directorate committees evidently were aware of what the other was doing, and probably gave assistance to one another of what regulations and orders to incorporate in a letter of general instruction. The telling clue here was that both committees invariably closed their respective lengthy pieces of correspondence with the identical closings, "Your loving friends," which hardly could have occurred as happenstance. The probability is strong that the employees of both companies did generally follow these rote instructions. The "little homilies," as described so disparagingly by Jones and Ville, were endlessly repeated in these letters of general instructions.[4] These so-called homilies were the gist of the essential points that the respective directorate committees wanted to convey to prohibit employee opportunism. Unless a distant employee was specifically engaged in a task favoring his own opportunism at a moment in his time, there was generally no other reason not to follow the desires and directions of the company, which were clearly and repeatedly spelled out in every letter of instruction. These dispatches arrived at least once a year in the instance of the Hudson's Bay Company, and probably more often at the principal trading concessions of the East India Company.

The significance of these letters of instruction by the two London directorates would fit comfortably alongside the observation offered by Burley in *Servants of the Honorable Company,* when she wrote, "The success of its [the Hudson's Bay Company] business depended on the fact that the servants did their

[4] S. R. H. Jones and Simon P. Ville, "Efficient Transactors or Rent-Seeking Monopolists? The Rationale for Early Chartered Trading Companies," *The Journal of Economic History* 56, no. 4 (1994): 907.

work well enough to ensure its survival, but the workers did not necessarily throw aside all personal and private to subsume themselves in this organization."[5] It can be seen that Burley's comments could also well apply to the employees of the East India Company. If, indeed, the positive work ethics credited to the Hudson's Bay Company by Carlos and Nicholas did actually come about, it would have been due more to the ongoing effect of the company's letters of instruction rather than the kinds of managerial control systems they identified and advocated. On the other hand, the activities of "persistent management malfeasance" that characterized numerous chartered trading companies at the time, as described by Jones and Ville, were not indicative of the Hudson's Bay Company, and only with the East India Company until it openly authorized personal trading by its employees.[6] Hejeebu's view is confirmed that the authorization of private trading was a "high-powered incentive" coupled with the threat of dismissal, resulted in a relatively successful control mechanism for employee performance within the East India Company.[7] This was not the case with the Hudson's Bay Company, as evidence demonstrates that the severe environmental factors did much to limit such opportunism, in addition to the ultimate "persuasion" of the company's letters of instruction.

This investigation has dealt with the assortment of management tools and practices that were available to the East India Company and the Hudson's Bay Company to control their very distant employees from illicit opportunism at the

[5] Edith I. Burley, *Servants of the Honourable Company: Work, Discipline, and Conflict in the Hudson's Bay Company, 1770-11878* (Oxford: Oxford University Press, 1997), 247.

[6] Jones and Ville, "Efficient Transactors," 904.

[7] Santhi Hejeebu, "Contract Enforcement in the English East India Company," *The Journal of Economic* History 65, no. 2 (2005): 498.

principal's expense. It suggests that the historiography about agency opportunism is filled with numerous ideas and suggestions that have conflicted with one another. There has been little in substance that has clearly pointed to any single management technique that was successful in halting, or effectively controlling, the personal opportunisms of the employee servants of either company. This study has found that the closest either of these two successful companies came to controlling their employees was accomplished through the rote of the letters of instruction promulgated by the companies' London directorate committees. But it was not on the terms of either London committee that this strategy actually worked, as their letters of instruction amounted to little more than instruments of persuasion that suggested certain standards of personal behavior to be accepted and complied with. Such acquiescence was at the personal discretion of each employee, who was heavily influenced by the climatic extremes and other environmental factors that brought about hazards to one's well-being and health.

The extreme sub-arctic cold amply served the interests of the Hudson's Bay Company in helping to minimize its exposure to the various aspects of employee opportunism that it was required to deal with. In the case of the East India Company, the warm climates of the Asian tropics conversely did much to help attract the interlopers and outsiders that both companies despised. Yet, for these quite different reasons, the two companies ultimately prospered. One company benefitted from minimal interference from the English public while the other was inundated with the interference of outsiders contrived by these environmental factors. It is fairly easy to understand how the smaller Hudson's Bay Company found itself left alone and allowed to thrive. It is more difficult to fathom how the East India Company shared the same fortunate outcome without its recognition and status as a national economic icon by the British public. The East India Company, as an employer of thousands and a source of immense personal wealth for hundreds of others by the final decades of the eighteenth century, was simply too large and pervasive in the markets and economy of Great Britain to be allowed to fail. Parliament was continuously on the scene to ensure the company's success as a commercial trading entity.

Neither company could overcome the mutual challenge that their respective overseas operations were conducted at distances too lengthy and remote to have been managed effectively by their respective London directorates. Both companies came to realize this fundamental weakness through their respective "trial and error" experiences. Due to these constraints, there were no measures that either company could invoke to exert any reliably effective control over their distant employees. Both London directorate committees gave leadership and worthwhile direction and advice to their distant concessions. But the two companies were compelled to depend upon the experienced good-will and faithfulness of their distant employees in order to have survived as successful enterprises.

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Emory University
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CAREER EMPLOYMENT
ExpressTrack, LLC
Retired May 2007 as Chief Executive Officer from the logistics company founded by the incumbent for handling and transporting rail-oriented perishable produce (2001-2007).

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Administered and operated seven regional and short-line railroads in bankruptcy for the U.S. Department of Justice (1993-2001).

Canadian National Railways
Administered five marketing product and sales groups. Won coveted "honor roll" status for quality marketing achievements two years in succession (1988 and 1989), as surveyed by Chilton's *Distribution* Magazine, the only instances for which the Railroad was so recognized (1972-1992).

CSX Railroad
Responsible for the night operations of two major railroad terminals. At Chicago, incumbent reduced overtime by 16% while handling a 12% increase in rail traffic. Extensive background in freight car design and development (1965-1972).

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