London School of Economics and Political Science

The English East India Company's Transition to a Permanent Capital, 1600-1685

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Declaration

I certify that the thesis I have presented for examination for the PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

I declare that my thesis consists of 56,971 words.

Statement of inclusion of previous work

I can confirm that one section of chapter 3 was the result of previous study (for an MSc. (Research)) I undertook at the London School of Economics and Political Science.

Abstract

With the New General Stock (1657), the English East India Company (EIC) acquired a permanent capital. Before then, its stocks were to operate for a set number of years before being liquidated. After then, the share capital of EIC stocks remained in the Company in perpetuity. This transition was important for developing the Company's empire and English financial markets. It was also important for the history of the modern business corporation. This thesis provides a new explanation for the transition.

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And I'd like to thank my dear friend Charlie Udale. I have enjoyed every one of our many debates and discussions and chess matches, and I look forward to those to come. You deserve special thanks for asking me some pressing questions which, it turned out, defined the research trajectory of the thesis. You have a sharp and mechanical mind, and I have benefitted immensely from it.

As a master's student in LSE's economic history department, I knew that I wanted to write a thesis set in England during its revolutionary period, 1642-1660. After reading around, I found the historical riddle that is the English East India Company's transition to a permanent capital. Little did I know that for the next six years it would be the overriding intellectual interest in my life. So, finally, I'd like to thank fate for bringing me to such a rich historical question, with such a rich literature and such a rich trove of records to support me in answering it.

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Introduction:

Before 1657 the English East India Company (EIC) had financed its ventures through a series of terminable stocks. At the end of each term the investors were to be given back their investment and the Company leadership was to go to the market to raise a fresh subscription.[1] With the New General Stock (NGS) launched in 1657, the Company gradually acquired a permanent capital. From then, the share capital no longer had a pre-determined expiration point and the capital had been 'locked in', as the shareholders no longer possessed withdrawal rights.[2] By making this transition from terminable stocks to a permanent capital, the EIC had overcome 'perhaps the most important obstacle in the way of a long-range policy,' in the words of one historian, and, in the words of another, 'the corporation passed, with little recognition of the change at the time, from its medieval to its modern basis.'[3]

Terminable stock finance was customary in partnerships and it troubled the EIC with a problem typical of partnerships.[4] Terminable stocks were, in theory, useful for investors to mitigate agency risk. Predetermined expiration dates supplied investors with a guaranteed exit as well as the return of their investment at par, plus profits, barring a shipwreck or some other inherent vice to the long-distance trade.[5] Furthermore, because the leadership had to go to the market time and again to raise a fresh subscription, it was important that they were regarded by current and future investors as dutiful custodians of the stock.[6] Equally, terminable stock finance was a hindrance to the Company investing in highly specific assets.[7] Because the Company had to liquidate periodically, the time horizon of the Company's

[1] Ron Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, The Princeton Economic History of the Western World (Princeton University Press, 2020), 296–97.
[2] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760* (Cambridge University Press, 1978), 412–13, 415.
[3] Niels Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade* (The University of Chicago Press, 1974), 148, https://hdl.handle.net/2027/heb03155.0001.001; Sir W.W. Hunter, *A History of British India* (Longmans, Green, and Co., 1900), 2:102–3; George Louis Beer, 'Cromwell's Policy in Its Economic Aspects. II', *Political Science Quarterly* 17, no. 1 (1902): 63, https://doi.org/10.2307/2140380.
[4] Naomi R Lamoreaux and Jean-Laurent Rosenthal, 'Corporate Governance and the Plight of Minority Shareholders in the United States before the Great Depression', in *Corruption and Reform: Lessons from America's Economic History*, ed. Edward L. Glaeser and Claudia Goldin (University of Chicago Press, 2006), 130, 133–35.
[5] Vahé Baladouni, 'Accounting in the Early Years of the East India Company', *The Accounting Historians Journal* 10, no. 2 (1983): 65–66.
[6] W.R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720* (Cambridge University Press, 1910), 2:89–123; Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 309.
[7] 'Specific assets' refers to assets which cannot easily be repurposed for other uses. Oliver E. Williamson, 'The Theory of the Firm as Governance Structure: From Choice to Contract', *The Journal of Economic Perspectives* 16, no. 3 (2002): 171–95.

investment strategy was necessarily constrained. In consequence, as the enterprise came to require a more substantial and enduring presence in south Asia, finance by terminable stocks was increasingly inappropriate.

With a permanent capital the Company's investment strategy could expand further into the future, and durable commitments to highly specific, long-term assets, like colonial and military infrastructure in Asia, could be made more feasibly.[8] Moreover, the Company could stand to relax some of its internal controls over share transfers, lessening the time it took for transfers to be completed, and thereby improving share liquidity.[9] The liquidity of EIC shares would, in fact, be critical if the Company was to sustain a joint stock with a permanent capital. Once it had a permanent capital, the shareholders could exit their investment only by selling on the secondary market. The development of a robust market in secondary shares was accordingly, in Dari-Mattiacci et. al (2017)'s words, an 'economic necessity' of the transition.[10]

And as Dari-Mattiacci suggest, it is perhaps unsurprising that it was over the latter third of the seventeenth century, and not before, that the EIC emerged as a colonial and military power in Asia and an elemental component of the rapidly maturing financial sector in London.[11] Without a permanent capital it is hard to imagine the EIC ever becoming what Stern has coined a 'Company-State'.[12] The Company could not have realised its political vision, as described by Stern, without the capacity to commit large sums of capital for a long, but indefinite, period of time to its colonial and military projects. Indeed, it was the need to do so that instigated the Dutch East India Company (VOC)'s transition. Likewise, without a permanent capital it is hard to imagine how the EIC could have played such a pivotal role in the English financial revolution to come. The EIC was important to English financial

[8] Dari-Matiacci et. al make this point in their 2017 paper. Giuseppe Dari-Mattiacci et al., 'The Emergence of the Corporate Form', *The Journal of Law, Economics, and Organization* 33, no. 2 (2017); Richard Squire, 'Why the Corporation Locks in Financial Capital but the Partnership Does Not Symposium: Conference on Margaret Blair's Contributions to Our Understanding of the Role of Corporations in the Economy', *Vanderbilt Law Review* 74, no. 6 (2021): 1787–834.

[9] The connections between a permanent capital – itself a consequence of 'strong entity shielding' – and share liquidity are sketched out in Hansmann, Kraakman, and Squire's legal history of the 'rise of the firm'. Henry Hansmann et al., 'Law and the Rise of the Firm', *Harvard Law Review* 119, no. 5 (2006): 1333–403.

[10] Giuseppe Dari-Mattiacci et al., 'The Emergence of the Corporate Form', *Journal of Law, Economics, & Organization* 33, no. 2 (2017): 200.

[11] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017; James M. Vaughn, 'John Company Armed: The English East India Company, the Anglo-Mughal War and Absolutist Imperialism, c. 1675–1690', *Britain and the World* 11, no. 1 (2018): 101–37, https://doi.org/10.3366/brw.2017.0283; PGM Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756* (Macmilland and Co. Ltd., 1967), 119 ,739; Larry Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason*, First paperback edition (Cambridge University Press, 1993), 45.

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

development both as a key contributor to the emerging share market in London as well as a key institutional investor in long-term government debt.[13] As I have already alluded to, a successful transition to a permanent capital was contingent on there being a robust market for secondary shares. In fact, a permanent capital facilitated the rise of the secondary market. Since investors could no longer withdraw their capital, it allowed the Company to take less of an interest in the individuals buying and selling its shares.[14] Furthermore, the practice of investing the entirety of the share capital in long-term government debt, which began in 1698, would not have been possible with a terminable stock structure.[15] A permanent capital was of course not sufficient for those outcomes. It was necessary, however.

The principal aim of this thesis is to provide a new analytical narrative of the EIC's transition. The narrative given here focuses on *how* the Company managed to acquire a permanent capital when it did. It explains why the transition did not occur earlier and attempts an answer as to how the Company navigated key constraints in its corporate governance, its political relationship with the Crown, and its financial structure to eventually make the transition.

More specifically, this narrative elaborates how the EIC acquired a permanent capital gradually in the absence of formal capital lock-in through its charter. A share capital is said to be 'locked in' when the firm's investors no longer have rights to withdraw firm assets.[16] Blair (2003) showed that capital lock-in is an essential component of 'strong entity shielding', which is considered by corporate theorists as the cornerstone of the modern corporate form.[17] Strong entity shielding is the inverse of limited liability: it protects the firm's assets from the creditors of its owners.[18] Any narrative of an early modern transition to a permanent capital must establish the conditions of capital lock-in.[19]

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[13] Dickson's seminal work highlights the importance of the EIC's transition to a permanent capital as a key primer for the later financial revolution in government debt. Sussman's recent study of the City of London shows the importance of pre-1688 financial development to England's later financial success. Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756*, Chs. 3 and 4; Anne L. Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble* (Cambridge University Press, 2009); Nathan Sussman, 'Financial Developments in London in the Seventeenth Century: The Financial Revolution Revisited', *The Journal of Economic History* 82, no. 2 (2022): 480–515, https://doi.org/10.1017/S0022050722000134.
[14] Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade*.
[15] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 434.
[16] Margaret M. Blair, 'Locking in Capital: What Corporate Law Achieved for Business Organizers in the Nineteenth Century', *UCLA Law Review* 51, no. 2 (2003): 388–89.
[17] Blair, 'Locking in Capital'.
[18] Henry Hansmann and Reinier Kraakman, 'The Essential Role of Organizational Law', *The Yale Law Journal* 110, no. 3 (2000): 387–440, https://doi.org/10.2307/797521.
[19] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 194.

At the centre of the EIC's transition is a sizable evidentiary hole, however. The charter given to the Company by Cromwell in 1657 is lost.[20] In the absence of the charter, some historians have assumed it locked in the EIC's share capital.[21] Meanwhile, others have considered capital lock-in to have been accomplished gradually and internally, via negotiations within the Company's corporate governance, or by changes to its accounting practices.[22] This disagreement (tacit, so far) between the two camps has direct implications for corporate theory, which explores to what extent the modern business corporation was a creation of the state versus private initiative, and which looks to history to justify its determinations.[23] In my appraisal of the extant documentary record surrounding Cromwell's charter, given in chapter four, I conclude that it is quite unlikely that Cromwell's charter made the Company into a permanent capital. Consequently, the most important objective of this thesis – and where it has the potential to contribute the most – is in its account of how the Company made its transition internally.

This thesis is not the first to give such an account, however. Several histories of the Dutch East India Company (VOC)'s transition have been written, approaching it from various angles, but in effect only one deals with the EIC's transition in depth. It too, treats

[20] William Foster, 'Introduction', in *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659* (The Clarendon Press, 1916), xvi.

[21] Philip J. Stern, *Empire, Incorporated*, First (The Belknap Press of Harvard University Press, 2023), 93; Stern, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India*, 56; William A. Pettigrew and Tristan Stein, 'The Public Rivalry between Regulated and Joint Stock Corporations and the Development of Seventeenth-Century Corporate Constitutions', *Historical Research* 90, no. 248 (2017): 349, https://doi.org/10.1111/1468-2281.12172; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 219; Philip Lawson, *The East India Company: A History* (Longman Group UK Limited, 1993), 40; Hunter, *A History of British India*, 2:138.

[22] I say 'implicitly' because those historians did not phrase their positions in terms of corporate theory. In effect, however, that is what they were saying. Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 412; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:132; R.A. Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two: Evidence', *Accounting, Organizations and Society* 25, nos 4–5 (2000): 365–69, https://doi.org/10.1016/S0361-3682(99)00033-1.

[23] For a summary of the central fault lines in corporate theory, see Millon (1990). For examples in the literature, see Williamson (1981), Mahoney (2000), Hansmann, Kraakman and Squire (2006), Ciepley (2013); Ireland (2017); and Zhang and Morley (2023). David Millon, 'Theories of the Corporation', *Duke Law Journal* 1990, no. 2 (1990): 201, https://doi.org/10.2307/1372611; Oliver E. Williamson, 'The Modern Corporation: Origins, Evolution, Attributes', *Journal of Economic Literature* 19, no. 4 (1981): 1537–68; Paul G. Mahoney, 'Contract or Concession--An Essay on the History of Corporate Law Symposium: Business Law Education: Preparing the Corporate Lawyer', *Georgia Law Review* 34, no. 2 (1999): 873–94; Hansmann et al., 'Law and the Rise of the Firm'; David Ciepley, 'Beyond Public and Private: Toward a Political Theory of the Corporation', *American Political Science Review* 107, no. 1 (2013): 139–58, https://doi.org/10.1017/S0003055412000536; Paddy Ireland, 'Finance and the Origins of Modern Company Law', in *The Corporation*, 1st edn, ed. Grietje Baars and Andre Spicer (Cambridge University Press, 2017), https://doi.org/10.1017/9781139681025.013; Taisu Zhang and John D. Morley, 'The Modern State and the Rise of the Business Corporation', *Yale Law Journal* 132 (2023 2022): 1970.

the transition as a process internal to the Company, via changes to its accounting.[24] Bryer (2000a, 2000b) traces the rise of capitalism in England writ large through changes in accounting techniques in the seventeenth century.[25] The EIC's transition to a permanent capital makes up a major case study in support of that effort. Bryer traces the tumultuous relationship between the EIC shareholders and directors before 1657, and notes the significance of changes to corporate voting and dividend policies in ameliorating that tension – ground that this thesis also covers.[26] Most significantly for Bryer a new rule, passed in 1661, to issue dividends of out of profits alone, marked the transition to a permanent capital.[27] This new rule changed the way the Company kept its accounts which, in turn, gave the leadership new incentives to focus on the rate of return on capital, rather than the rapid distribution of surplus, as it had before then. In practice, the EIC did, in fact, pay dividends with funds besides profits. But, as Bryer writes, 'the management was now responsible for a social capital for the value of the capital advanced'.[28]

These changes are undoubtedly important elements of the story. However, I consider them part of a broader principal-agent problem in the Company's corporate governance, which itself was part of a broader set of problems, pertaining to the political security of the monopoly charter and the evolution of the Company's capital structure. In this respect, I follow Dari-Mattiacci et. al (2017) and Gelderblom, de Jong, and Jonker (2011) in my conception of the problem.

Dari-Mattiacci et. al (2017) posit there are two agency dimensions to the problem of the transition to a permanent capital. The first pertains to the firm's corporate governance. When the investors concede withdrawal rights by agreeing to have the firm's capital locked in, they forfeit a significant degree of control over their invested capital to the firm's

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[24] Paul Frentrop, *A History of Corporate Governance, 1600-2002*, trans. Ted Alkins (Deminor, 2003), 73–75; Oscar Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640', in *Origins of Shareholder Advocacy* (Palgrave Macmillan, 2011), http://ebookcentral.proquest.com/lib/londonschoolecons/detail.action?docID=742000; Johan Matthijs de Jongh, 'Shareholder Activists Avant La Lettre: The "Complaining Participants" in the Dutch East India Company, 1622–1625', in *Origins of Shareholder Advocacy* (Palgrave Macmillan, 2011); Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640'; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017; Paul Frentrop, 'The Dutch East India Company: The First Corporate Governance Debacle', in *The Oxford Handbook of the Corporation*, ed. Thomas Clarke et al. (Oxford University Press, 2019), https://doi.org/10.1093/oxfordhb/9780198737063.013.2.

[25] R. A. Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part One: Theory', *Accounting, Organizations and Society* 25, no. 2 (2000): 131–62, https://doi.org/10.1016/S0361-3682(99)00032-X; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.

[26] Chs. 2 and 3 of this thesis.; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 351–55.

[27] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 368.

[28] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 368.

managers. Consequently, the investors are more exposed to expropriation from the firm's managers. If the investors do not believe that the managers will employ the share capital honestly, in pursuit of the investors' desired ends, then the investors should not concede withdrawal rights. The second pertains to the political and legal security of private property rights, both for the firm and the population writ large. If the investors do not have faith in the security of the firm's property, they will not concede withdrawal rights.

Gelderblom, de Jong, and Jonker (2011)'s study of the VOC's formation provides a crucial third dimension to the problem: finance. They show that the VOC's organizational form emerged in response to 'design flaws' which brought the VOC up against capital constraints. If these constraints had not been overcome, it would have resulted in the premature collapse of the VOC. Consequently, they conclude 'legal form followed economic function, not the other way around'. I arrive at a similar conclusion, though instead of 'legal form' I characterise the EIC's transition in terms of its 'contractual form' following its economic function, a minor but significant difference. Similar conclusions aside, what matters for the conception of the problem is their emphasis on financial constraints. The only reason the VOC and EIC's transitions matter to us at all is because they managed to be financially viable. Moreover, the financial dimension provides an urgent source of demand for a solution to the problem of the transition.

Pursuing the problem according to these three dimensions provides a more circumspect analysis than could an analysis of accounting alone. First, it cannot be taken for granted that the changes highlighted by Bryer would last and become embedded in the Company's corporate constitution. The general shareholders' meeting, called the General Court, could have voted to undo these policies. The new vote allocation system did open a pathway to ensure the General Court did not do so, but it remains to be shown if and how that was achieved. Chapter five of this thesis reconstructs the structure of EIC stockholding at various cross-sections during the period of the transition. This data, derived from the EIC's general ledgers, allows us to observe how the balance of power within the General Court changed such that it could secure the transition to a permanent capital.

Second, the EIC's transition has historical significance because it was financially viable. This too cannot be taken for granted. It was quite possible that the EIC might fail to resolve the central tension between using profits to issue dividends or retain earnings. The second chapter of this thesis recounts how this conflict had exacerbated efforts at running joint stocks for longer terms. After 1668 this tension stood to become even more acute, as the Company received Bombay from the Crown, which had considered the colony a 'great burthen and expense'.[29] Yet, this tension did not, in fact, become more acute.

Two financial developments proved critical. Share liquidity improved substantially, and the Company's capital structure came to be underpinned by debt. Share liquidity provided the investors with another, less-disruptive means to exit the Company. Rather than withdraw, one could sell. Furthermore, improvements to share liquidity should follow the acquisition of a permanent capital. As Chaudhuri notes, as the time horizon of the Company's going concern stretched further into the future, so rose the scope of future revenues to be factored into the stock price in the present.[30] Additionally, with the share capital safely locked in, the efforts the Company expended on monitoring and regulating trades in its shares was likely to fall.[31]

A historical connection between the transition to a permanent capital, EIC share liquidity, and English financial development has already been made by several historians (see Davies, 1952; Dickson 1967, pp. 118, 739; Chaudhuri 1976, pp. 419-420; Neal 1991, p. 45; Harris 2009; Murphy 2009, p. 16).[32] Figures for the increasing volume and frequency of EIC share transfers during the transition have been extant in literature for some time.[33] Chapter five of this thesis corrects a minor miscalculation in those figures, showing the volume of stock traded per year was in fact much higher. It also produces a network visualisation of EIC stock transfers between 1659 and 1679, demonstrating the rise of the market for EIC shares during the Restoration. Most important to the task at hand, it contextualises the evolution of the EIC share market alongside changes to its corporate governance. It argues that the evolution of the EIC share market was both a cause and consequence of the transition to a permanent capital.

Continuous access to credit, meanwhile, offered a solution to the competing claims to the Company's profits between issuing dividends and retaining earnings. Chaudhuri (1978)

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[29] John Keay, *The Honourable Company: A History of the English East India Company*, Paperback (Harper Collins, 1993), 134.
[30] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 417–18.
[31] Hansmann and Kraakman, 'The Essential Role of Organizational Law', 401–4.
[32] K. G. Davies, 'Joint-Stock Investment in the Later Seventeenth Century', *The Economic History Review* 4, no. 3 (1952): 283–301, https://doi.org/10.2307/2599423; Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756*, 118, 739; Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 419–20; Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason*, 45; Ron Harris, 'Law, Finance and the First Corporations', SSRN Scholarly Paper no. 1330459 (Social Science Research Network, 20 January 2009), https://papers.ssrn.com/abstract=1330459; Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble*, 16.
[33] Bruce G. Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution* (Princeton University Press, 1996), 167.

and Dari-Matiacci et. al (2017) have drawn connections between the acquisition of a permanent capital and the incorporation of debt into a mainstay of the Company's capital structure.[34] Chaudhuri writes that the EIC 'had no firm accounting basis' for its decisions to issue dividends but 'was influenced by the level of current liquidity and the prospects of immediate cash flows'.[35] Credit allowed the Company to grow its circulating capital and to give dividends simultaneously. Dari-Matiacci et. al contend that the longevity of the new permanent capital allowed the EIC to 'leverag[e] up its now stable equity structure to fund a sharp acceleration in investment', particularly in colonies.[36] Indeed, in 1678 the Company valued its 'dead stock' – fixed capital, such as forts – at £216,483.[37] By 1685, that value had risen to £719,464.80 – 194% of the paid-in capital (£369,895.25).[38] These valuations were not based on their 'worth to the trade' but 'the total outlay upon' them.[39] Chapter six of this thesis shows how this evolution of the EIC's capital structure was, like improvements to EIC share liquidity, both a cause and consequence of the transition. With new borrowing data, also derived from the EIC, chapter six shows how contingent this development was on events external to the Company, namely the 1672 'Stop' of the Exchequer. In doing so, it provides empirical evidence for assertions made previously by Chaudhuri.[40]

Third, Bryer's thesis does not account for how the capital was locked in. As stated above, capital lock-in is the corporate institution that disallows investors from withdrawing assets from the firm. It is considered a necessary condition for a permanent capital.[41] Consequently, no history of the transition to a permanent capital can be complete without establishing the conditions of capital lock-in. In corporate theory, there are two competing theories as to how a share capital can be locked in. Hansmann, Kraakman, and Squire (2006) posit that 'special rules' in organizational law are necessary.[42] I call this the 'legalistic approach'. Blair (2003), however, suggests entity status alone is necessary, that lock-in can

[34] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 218–20; Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 412, 425–26.
[35] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 423.
[36] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 220.
[37] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:138.
[38] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:138 n. 6.
[39] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:145.
[40] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.
[41] Giuseppe Dari-Mattiacci, 'Capital Lock-in, Liquidity, and the Separation of Ownership and Control', SSRN Scholarly Paper no. 3452250, Rochester, NY, 28 August 2019, https://doi.org/10.2139/ssrn.3452250; Squire, 'Why the Corporation Locks in Financial Capital but the Partnership Does Not Symposium'.
[42] Hansmann et al., 'Law and the Rise of the Firm'.

be organised internally, within the company's corporate governance.[43] I call this the 'governance-focused approach'.

Chapter four endeavours to establish if and when the EIC locked in its share capital, and how. Whether the legalistic or governance-focused approach is right depends on the type of legal document that locked in the share capital. As Gelderblom, de Jong, and Jonker (2011) show for the VOC, the corporate charter and the preamble to the joint stock should be considered alongside one another in order to adequately discern the nature of the Company's corporate governance.[44] The corporate charter is the agreement between the state and company that states the purpose of the company and delimits its rights and privileges. The preamble is the contract between the company and its investors, by which the terms of investment were established. Unfortunately, as mentioned above, Cromwell's charter is no longer extant. Records of discussions about its contents however do survive and are accessible in E.B. Sainsbury's 1655-1659 volume of the *Calendar of Court Minutes* of the EIC. The 1657 preamble to the New General Stock (NGS) survives in full.[45] The March 1665 preamble does not, though its essential contents are recorded in a footnote, taken from when it could be observed, as late as 1925.[46]

Chapter four establishes a plausible case for the March 1665 preamble to have locked in the share capital. Harris (2020)'s study of the EIC implicitly suggests that we should find the EIC share capital to have been locked in by the preamble, rather than the charter, for it was in innovations to joint-stock management that 'innovative organizational action… was going to take place'.[47] Chapter four finds empirical support for this view in regards to the transition to a permanent capital.

Finally, Bryer's history says nothing about the political context of the transition, which had consequences for the security of the Company's monopoly charter. The credible commitment of the Crown to the monopoly has been considered by historians as a topic of considerable interest and importance (see Harris 2013, Dari-Matiacci et. al 2017, and Bogart and Angel 2019).[48] Moreover, the transition's connection to the later English financial

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[43] Blair, 'Locking in Capital'.
[44] Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640', 39–42.
[45] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, A Calendar of Court Minutes Etc. of the East India Company, 1635-1679 (The Clarendon Press, 1916), 5:173–75.
[46] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667* (The Clarendon Press, 1925), 90.
[47] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 295.
[48] Ron Harris, 'Could the Crown Credibly Commit to Respect Its Charters? England, 1558-1640', in *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism* (Cambridge University

revolution means that it is an important case study for institutional economic history (see North and Weingast 1989 and North 1990). Chapter three takes up the question of credible commitment to the charter. It does not look to changes in the constitution during the Civil War and Interregnum (1642-1660) for its explanation. Coffman (2013) shows that the constitutional changes during the revolutionary period were perhaps consequential for a time, but, because they did not become embedded, were of limited lasting value.[49] The expansion of England's military apparatus and ambitions under Cromwell did persist into the Restoration and beyond, however. Chapter three makes the case that the EIC's newfound role as saltpetre-supplier for the Crown improved the security of its charter.

In sum, the explanatory framework undertaken in thesis considers three domains: corporate governance, credible commitment of the Crown, and the Company's financial structure. It seeks to see how and why each of those domains became more amenable to the transition. In conceiving of the problem this way, it seeks to bring our conception of the EIC's transition to a permanent capital into alignment with what historians of the Dutch VOC have shown to be the key component variables of the VOC's transition.[50] Consequently, the thesis offers new material for historians of the early modern trading companies, management scholars and corporate theorists, and historians of English empire and finance.[51] In attempting its answer, it builds on the research of historians of the EIC, historians and

Press, 2013); Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017; Dan Bogart and Marco Del Angel, 'Monarchs, Institutions, and the East Indies Trade', *Working Paper*, 2019, https://economics.harvard.edu/files/economics/files/monarchs_paper_oct252019.pdf.

[49] Coffman, D'Maris et al., eds, *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism* (Cambridge University Press, 2013), 76–103.

[50] Frentrop, 'The Dutch East India Company'; Oscar Gelderblom and Joost Jonker, 'Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595-1612', *The Journal of Economic History* 64, no. 3 (2004): 641–72; Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640'; de Jongh, 'Shareholder Activists Avant La Lettre: The "Complaining Participants" in the Dutch East India Company, 1622–1625'; Oscar Gelderblom et al., 'The Formative Years of the Modern Corporation: The Dutch East India Company VOC, 1602-1623', *The Journal of Economic History* 73, no. 4 (2013): 1050–76; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017.

[51] Oscar Gelderblom and Francesca Trivellato, 'The Business History of the Preindustrial World: Towards a Comparative Historical Analysis', *Business History*, Routledge, 17 February 2019, world, https://www.tandfonline.com/doi/abs/10.1080/00076791.2018.1426750; 'The Routledge Companion to Management and Organizational History', Routledge & CRC Press, accessed 1 July 2025, https://www.routledge.com/The-Routledge-Companion-to-Management-and-Organizational-History/McLaren-Mills-Weatherbee/p/book/9780367656300; Ioanna Iordanou, 'The Origins of Organisation: A Trans-Methodological Approach to the Historical Analysis of Preindustrial Organisations', *Business History* 66, no. 7 (2024): 1689–711, https://doi.org/10.1080/00076791.2023.2181957; Sussman, 'Financial Developments in London in the Seventeenth Century'.

theorists of corporate governance, institutional and organizational economics, and historians of English finance.[52]

Argument and outline:

Before 1657 the EIC was rife with conflict between its directors and shareholders and was on unsteady terms with the state. In consequence, agency risk was both high internally and externally, hampering attempts to run longer stocks. But in 1657 the progressive vote distribution scheme and the elimination of in-kind dividends aligned the interests of the Court of Committees and General Court. Furthermore, the EIC's new role as a provider of saltpetre to a newly militarised England secured the Company's place in the English political economy. After 1657 the Company was therefore on better footing for its transition to a

[52] Hunter, *A History of British India*, vol. 2; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, vol. 2; Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade*; Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*; Gary M. Anderson et al., 'The Economic Organization of the English East India Company', *Journal of Economic Behavior & Organization* 4, no. 2 (1983): 221–38, https://doi.org/10.1016/0167-2681(83)90008-2; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'; Ron Harris, 'The Institutional Dynamics of Early Modern Eurasian Trade: The Commenda and the Corporation', *Journal of Economic Behavior & Organization* 71, no. 3 (2009): 606–22, https://doi.org/10.1016/j.jebo.2009.04.016; Stern, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India*; Philip J Stern, 'English East India Company-State and The Modern Corporation: The Google of Its Time?', in *The Oxford Handbook of the Corporation* (Oxford University Press, 2019); Stern, *Empire, Incorporated*; Sashi Sivramkrishna, 'From Merchant to Merchant-Ruler: A Structure–Conduct–Performance Perspective of the East India Company's History, 1600–1765', *Business History* 56, no. 5 (2014): 789–815, https://doi.org/10.1080/00076791.2013.847427; L.H. Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688* (Cambridge University Press, 2017); Pettigrew and Stein, 'The Public Rivalry between Regulated and Joint Stock Corporations and the Development of Seventeenth-Century Corporate Constitutions'; Edmond Smith, 'The Global Interests of London's Commercial Community, 1599–1625: Investment in the East India Company: Economic History Review', *Economic History Review* 71, no. 4 (2018): 1118–46, https://doi.org/10.1111/ehr.12665; Rupali Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company* (Harvard University Press, 2018); Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*; Michael C. Jensen and William H. Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure', *Journal of Financial Economics* 3 (1976): 305–60; Eugene F. Fama and Michael C. Jensen, 'Separation of Ownership and Control', *The Journal of Law & Economics* 26, no. 2 (1983): 301–25; Eugene F. Fama and Michael C. Jensen, 'Agency Problems and Residual Claims', *The Journal of Law & Economics* 26, no. 2 (1983): 327–49; Frank H. Easterbrook, 'Two Agency-Cost Explanations of Dividends', *The American Economic Review* 74, no. 4 (1984): 650–59; Stephen A. Ross, 'The Determination of Financial Structure: The Incentive-Signalling Approach', *The Bell Journal of Economics* 8, no. 1 (1977): 23–40; Sanford J. Grossman and Oliver D. Hart, 'Corporate Financial Structure and Managerial Incentives', in *The Economics of Information and Uncertainty* (University of Chicago Press, 1982); Sanford J. Grossman and Oliver D. Hart, 'An Analysis of the Principal-Agent Problem', *Econometrica* 51, no. 1 (1983): 7–45, https://doi.org/10.2307/1912246; Davies, 'Joint-Stock Investment in the Later Seventeenth Century'; Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756*; Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason*; Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*; Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble.*

permanent capital, though obstacles remained. In 1664, according to the first preamble, the shareholders were to have the opportunity to withdraw their capital. None did. Then a new preamble, which likely locked in the share capital, was signed in March 1665.

Going forward, the fate of the transition rested on the consent of the General Court. The progressive vote scheme provided a way to control the General Court, which, if established, could head off liquidation votes. Control was established by a small group of investors by 1671. The process for approving share transfers was then relaxed, and an increasingly efficient secondary market for Company shares developed. Selling, rather than withdrawing, became an attractive way to exit the stock, and, it would have seemed, was likely to remain so. The Company's colonial investments, its secure monopoly, and its history of giving large dividends all suggested a long future. High share prices, substantial investment by the leadership, and a strong history of cash dividend declarations signalled good financial health.

Meanwhile, the EIC's capital structure had changed, making it ever more important that it have continuous access to credit, for both the sake of the Company and its leadership. The NGS never raised additional equity; it funded itself entirely by retained earnings and debt. We cannot be sure why the Company did not take in more equity, though it is certain that doing so would have diluted the controlling interest's power in the General Court. With control came exposure, however. Ambiguous notions of limited liability exposed the directors to the risk of unlimited liability. Furthermore, if the Company's share prices suffered, so too did the controlling interest. Fortunately, the Company's assets and trade expanded considerably after the Second Anglo-Dutch War (1665-1667), despite a financial crisis and the Third Anglo-Dutch War (1672-1674). These expansions were of course underpinned almost entirely by debt. Access to continuous credit was therefore an existential concern for the Company and its directors.

Counterintuitively, the 1672 Stop of the Exchequer provided the EIC with such access. When the Crown defaulted, London's highly exposed goldsmith banking sector collapsed. In the lurch, money moved swiftly into EIC bonds, for which the Company offered on-demand redemption like a bank would deposits. With this credit, all of it short-term, the EIC then had a flush source of finance for its annual working capital. Despite financial crisis and war, its trade expanded, it invested more in Bombay, and it gave dividends. The share price climbed. The Company could supply the Crown with much-needed loans, both in cash and saltpetre – loans the Crown could no longer get from elsewhere.

By 1678, the Company had a debt-to-equity ratio of 1.85; had declared dividends amounting to 285.5% of the share capital since 1657; had lent the Crown £290,000 since 1669; had borrowed in ten years over three times as much as the City of London had in forty; and still redeemed bonds on demand. By that year, it was better for every financial stakeholder – the Company, the directors, the shareholders, the Crown, the lenders – that the stock continue in perpetuity. By 1678, the likelihood of reversal was so low that the EIC could, in effect, be regarded as having achieved a de facto permanent capital.

This thesis is organised into four substantive chapters and a conclusion. Chapters Two and Three cover much of the same ground as Bryer (2000b). Chapter Two covers the first forty years of the Company to reflect the central problems it faced as it struggled to run longer and longer stocks. Rather than analysing this period of the Company's history through its accounting practices, it does so through the core principal-agent relationship between shareholders and directors. Perhaps its most important contributions are the application of Mishra (2018)'s recent work to questions of corporate governance and capital management during the EIC's pre-transition phase.

Chapter Three shows how poor EIC corporate governance performance had become during the Civil War and Interregnum, and traces how the introduction of new leadership led to important changes in both its corporate governance and its position vis-à-vis the English political economy.

Chapter Four analyses the evidence surrounding Cromwell's charter and the preambles to the New General Stock to establish when and how the Company locked in its share capital.

Chapter Five analyses the evolution of the stockholding and vote holding structure, and the secondary market for EIC shares. Using a new dataset of EIC stock ownership developed from the Company's account books, it illustrates shifts in the stockholding and vote holding structure over time. A directed network analysis of EIC stock trades further demonstrates how the share market developed as internal regulations on share transfers were relaxed.

Chapter Six examines the EIC's borrowing over time, using another new dataset developed from the EIC's account books to show the rapid increase in debt after 1664. It shows that debt, rather than equity or retained earnings, underpinned the EIC's balance sheet expansion in the period and proposes that this was facilitated by the failure of goldsmith bankers in the 1672 'Stop' of the Exchequer. Notably, it finds that, between 1671 and 1676, the EIC paid its dividends through borrowing rather than earnings.

The thesis concludes with reflections on alternative explanations for the transition and the implications of the EIC's transition for corporate theory.

Chapter 2: Struggles in floating longer joint stocks, 1600-1640

The Company's first forty years were years of formative experimentation. The Company's trade strategy evolved markedly, from one premised on simple carrying voyages, to one premised on maintaining two interdependent hub-and-spoke networks of factories in northwest India and southeast Asia. Naturally the new trade strategy required more capital, and consequently the Company experimented with a new method of capital organisation. At first it had raised share capitals on a per-voyage basis. But from 1613, the new trade strategy having been decided upon, the Company began to raise joint stocks that would fund voyages as well as a network of factories abroad for periods of several years.

Both experiments would fail, though not necessarily because the premises behind them were incorrect. What in 1613 was a new trade strategy became the basic structure of the Company's trade strategy thereafter. Likewise, the Company continued to attempt longer-running joint stocks until it found itself with a permanent capital, the subject of this thesis. As Chaudhuri put it, the new trade strategy 'posed problems of communication and organization which in magnitude and complexity surpassed those previously known in English foreign trade', and the Company as it was then could not manage those problems.[53] Precisely why is the subject of this chapter. From a study of the Company's first forty years, the essential challenges of the transition can be deduced and then used to guide the analysis to follow in the chapters succeeding.

This chapter provides a synthesis of the seminal and recent historiography covering the EIC's first forty years, through the lens of Williamson's theory of corporate evolution. Chaudhuri and Scott have illuminated the central facts of the Company's first forty years, with respect to its trade as well as its financial and constitutional evolution.[54] Harris has done extensive work on the structure of the Company's corporate governance during this time as

[53] K. N. Chaudhuri, *The English East India Company : The Study of an Early Joint-Stock Company 1600-1640*, with Internet Archive (London ; New York : Routledge/Thoemmes Press, 1999), 14, http://archive.org/details/englisheastindia0000chau.

[54] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:89–116; Chaudhuri, *The English East India Company*; K.N. Chaudhuri, 'The Development of the English East India Company With Special Reference to Its Trade and Organisation, 1600-1640' (Ph.D., University of London, School of Oriental and African Studies (United Kingdom), 1961), https://www.proquest.com/docview/2185922067/abstract/79A8F2E22DCB4855PQ/1.

well as offered a model of how the Crown was able to credibly commit to the EIC's monopoly charter in the early seventeenth century.[55] Mishra's in-depth archival work has done much to reveal the nature of shareholder politics within the Company's corporate governance and the relationship between the Company and the state during the reigns of the early Stuarts.[56] Baladouni and Bryer and Dobija have written extensively on the early history of the Company's accounting practices, of how the Company kept its books and how its corporate governance evolved to improve the reliability of its accounts.[57] These sources provide the historical material upon which this chapter rests.

To order its synthesis the chapter uses Williamson's theory of corporate evolution. Coase posits that firms will be formed when the costs of contracting (transaction costs) in the marketplace are greater than within an organization, like a firm.[58] Williamson builds on Coase by positing that firms evolve by contractual innovations made to manage internalised transaction costs.[59] In Williamson's theory, the chief source of new transaction costs is investment in specific assets, assets that cannot easily be repurposed to other ends. Williamson proposes that as a firm's investments become more 'specific', new transaction costs will be internalised within the firm's corporate governance. In turn, the firm will need to calibrate its governance structure to achieve a new equilibrium. Those that do so survive, and their governance structures become models for emulation. The modern business corporation, the most effective form of business organisation in history, is thus the latest iteration of a long and arduous evolutionary process of firm organisation.

Whether an asset can be repurposed determines the degree of its specificity. A specific asset cannot easily be repurposed without losing much of its value, whereas an unspecific asset can. 'Physical' asset specificity arises when the asset is 'site specific'; and 'human asset specificity… arises in a learning-by-doing fashion', or, put differently, when the human capital in which the firm has invested rests on foundations of experiential

[55] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 291–330; Harris, 'Could the Crown Credibly Commit to Respect Its Charters? England, 1558-1640'.
[56] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*.
[57] Baladouni, 'Accounting in the Early Years of the East India Company'; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'; Dorota Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability: Standing Orders of the East India Company, 1600-1621', SSRN Scholarly Paper no. 1159928, Rochester, NY, 1 March 2015, https://doi.org/10.2139/ssrn.1159928.
[58] R. H. Coase, 'The Nature of the Firm', *Economica* 4, no. 16 (1937): 386–405, https://doi.org/10.2307/2626876.
[59] Oliver E. Williamson, 'Transaction-Cost Economics: The Governance of Contractual Relations', *The Journal of Law & Economics* 22, no. 2 (1979): 233–61; Williamson, 'The Modern Corporation'; Williamson, 'The Theory of the Firm as Governance Structure'; Oliver E. Williamson, 'The Economics of Governance', *The American Economic Review* 95, no. 2 (2005): 1–18.

knowledge.[60] Investment in specific assets puts the buyer and supplier of said asset into a 'bilateral exchange relation', in which neither has much recourse to other buyers or suppliers. Thus, the investment 'locks in' the buyer and supplier into a transaction. It would thus behove both 'buyer and seller' to 'make special efforts to design an exchange relation that has good continuity properties'.[61] But because 'agents also pursue private goals', and all agents have 'bounded rationality', and because of the impossibility of completely specifying in contracts all future uses of the firm's resources for all eventualities and contingencies, the firm that invests in new specific assets stands to be met with transaction costs from opportunism and incomplete contracting.[62] Therefore the firm that invests in specific assets must adapt its governance structure to absorb these new costs. Failure to do so will result in its demise.

This maps nicely onto the history of the EIC's first forty years. What were the Company's factories but highly specific assets? The Company's factories could not be easily repurposed without losing much of their value, as their value was geographically dependent. When the Company's trade hub in Bantam was cut off by Dutch blockade, its trade suffered immensely. Although it could and did shift its operations to the eastern seaboard of India, doing so took time and was costly. Moreover, the value of its factories was tied to specifically developed human capital, in the form of agents with experience in the region.

Crucially for the purposes of this thesis, the new trade strategy also made the shareholder's investment in the EIC share capital more specific, too. The share capital of a long-distance trade company was de facto locked in so long as it was in use far away from the company's headquarters; a necessary condition for liquidating the share capital was simply that the share capital first had to be returned to the location where it was originated. Dari-Mattiacci et. al call this form of bilateral dependency 'natural lock-in of the capital'.[63] Understood in Williamsonian terms, the longer a share capital was employed, the more involved were the shareholders and directors of a long-distance trading company in a bilaterally-dependent relationship. It follows that there was more scope for transaction costs to arise from opportunism (or suspicions thereof) and incomplete contracting.

What was crucial for the Company's attempts to run longer joint stocks was that these costs were passed onto the general shareholders in two dimensions. First, the new trade

[60] Williamson, 'The Modern Corporation', 1546.
[61] Williamson, 'The Modern Corporation', 1546.
[62] Williamson, 'The Modern Corporation', 1548, 1550–51.
[63] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 202.

strategy also made the Company even more dependent on Crown support, for the monopoly charter and for diplomatic support. This dependence thus made the general shareholders even more sensitive to fluctuations of faith in the Company's political position. Second, the new trade strategy meant more capital had to be committed for a longer time before yielding returns. The historiography of this period shows that this central fact of the new trade strategy led to conflict in the EIC's corporate governance. Shareholders became increasingly distrusting of the directors, while the directors became increasingly flummoxed by activist shareholders. Some of this conflict could have been buoyed by 'a wide margin of financial strength and the active support of the State', suggests Chaudhuri, but neither was forthcoming.[64]

With returns slow and without a corporate governance that ameliorated the shareholders' agency risk while improving the directors' ability to manage, the shareholders reached for their strongest bargaining tool: control over the supply of the share capital. In consequence, the EIC struggled to run longer joint stocks. This suggests that if it was to make the transition to a permanent capital, its corporate governance would need to evolve to accommodate transaction costs associated with investment in asset-specific commercial infrastructure abroad. Furthermore, the political security of the Company's monopoly would need to improve, as would the depth of the English capital market.

This chapter proceeds accordingly. The first subsection covers the evolution of the new trade strategy. The second covers the Company's increasingly unreliable relationship with the Crown as the new trade strategy was foundering. The third covers the structure and troubles of the Company's corporate governance during its first forty years. The fourth covers the Company's increasing incapacity to float longer joint stocks. The last section concludes.

1. *The new trade strategy*

Before the EIC, the English already had a company – the Levant Company – active in the eastern spice trade via the Mediterranean Sea. But 'in 1599 the Levant company (sic) had fallen into difficulties, and the Dutch seized the opportunity'.[65] In response, several Levant

[64] Chaudhuri, *The English East India Company*, 58.
[65] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:91.

Company merchants sought to form a new company to undertake the riskier route east, around the southern tip of Africa.[66] They were joined by English privateers and Russia Company merchants in founding the EIC. From the outset, the EIC reflected the interests of its founders. The Levant Company merchants, who, according to Scott, 'no doubt contemplated withdrawing their resources from the Indian trade when the outlook in the Mediterranean became less overcast', and the privateers, in particular, were inclined toward a capital organisation of terminable stocks that would support a simple carrying-trade strategy.[67] These preferences would change as the nature of the enterprise became more apparent.

Chaudhuri's work on the formative years of the EIC's trade strategy periodises these formative years into three groups.[68] First, between 1602 and 1607, the trade strategy was simple, involving simple carrying voyages between Bantam and London. This phase led to the opening of a factory in Bantam, where the Company would headquarter its southern operations for the next fifty years. Then between 1608 and 1612, the Company's trade strategy shifted north and west, to the Red Sea, where it participated in trades that were historically the remit of the Levant Company. This phase led to the opening of a factory in Surat, in northwest India, where the Company would headquarter its northern operations for the rest of the century. The third phase began in 1613 and persisted through the rest of the century, as by then the 'essential facts' of the EIC's trade policy were settled.[69]

The new trade strategy involved three central elements, with three hub-and-spoke networks. The three hubs were London, Surat, and Bantam. The interdependent commercial components of the new trade strategy were the 'direct' trade (carrying goods between London and Asia), the inter-port trade (profiting by arbitrage in the South Asian port trade), and the 'country trade' (profiting by arbitrage in the overland Indian trade).[70] Calico and indigo would be shipped from Surat to London, while pepper and other spices would be shipped from Bantam to the same. Meanwhile, Bantam would supply Surat with spices and so forth that were wanted in the north Indian country trade, and Surat would supply Bantam with calicoes and indigo. London, Bantam, and Surat thus provided the main hubs in the EIC's trade strategy. From each of those hubs branched out spokes connecting the hubs with other

[66] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:92.
[67] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:97.
[68] Chaudhuri, *The English East India Company*, 16.
[69] Chaudhuri, *The English East India Company*, 38.
[70] Chaudhuri, 'The Development of the English East India Company With Special Reference to Its Trade and Organisation, 1600-1640', 15–16.

smaller but supportive markets. Goods from abroad would go through London and then be re-exported to markets in Europe, such as in Danzig, Hamburg, Amsterdam, and Venice, among others. Surat was the hub for Company factories in Persia, factories on the Indian subcontinent, inland and inaccessible by water, participating in the country trade, and also for the Company's business in Masulipatam, on the eastern seaboard of the Indian subcontinent, called the Coromandel Coast, which was an advantageous outpost for participation in the south Indian port trade. Finally, Bantam was the hub for factories in Siam, Macassar, the Moluccas, and Japan.[71]

The three trades had to work synergistically. London needed a diverse array of Asian commodities to sell at home and in Europe. Surat and Bantam and their associated factories needed capital, typically in the form of bullion, for the Company to participate in them meaningfully.[72] The guiding idea behind the strategy was that, by maintaining participation in the port and country trades year-round, the Company could inure itself to seasonal swings in prices as well as lessen the amount of time it took outfit ships for voyages back to London.[73] This strategy also had a third benefit. By profiting in the regional trades, the Company could accumulate capital in its factories and therefore afford to export less bullion from England, a practice for which it was often criticised.[74]

In practice, the opposite occurred. In absolute terms, the Company's export of bullion increased markedly, though it can be said that between 1610 and 1620 the ratio between the export of goods and bullion was lower than previously. After 1620, however, that ratio increased again, reaching a new height of 25:1 in 1629.[75] This would weigh upon the ability of the Company to maintain the new trade strategy, as we will see.

Once the new trade strategy had become doctrine, the challenge was thus how to sustain it.[76] The factory system was both fragile and costly. The Company stood to profit in the inter-port trade by making a profit on arbitrage opportunities, lessening its exposure to price variability, and shortening the turnaround time between ships arriving at the factory and

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[71] Chaudhuri, 'The Development of the English East India Company With Special Reference to Its Trade and Organisation, 1600-1640', 21.
[72] Chaudhuri, 'The Development of the English East India Company With Special Reference to Its Trade and Organisation, 1600-1640', 24, 29.
[73] Chaudhuri, *The English East India Company*, 16.
[74] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:102.
[75] K. N. Chaudhuri, 'The East India Company and the Export of Treasure in the Early Seventeenth Century', *The Economic History Review* 16, no. 1 (1963): 25, https://doi.org/10.2307/2592514.
[76] Chaudhuri, 'The Development of the English East India Company With Special Reference to Its Trade and Organisation, 1600-1640', 18–19.

departing for London.[77] This took time and capital and made the Company rather vulnerable to interruptions in both. Whether it could yield the promised returns was contingent on whether it could be sufficiently plied with capital from London and whether external challenges, such as weather, European rivalries, and South Asian politics permitted it to work.

As it happened, in the years between 1620 and 1640, which Chaudhuri describes as 'years of crisis,' the Company was met by an onslaught of external challenges.[78] The Thirty Years War, conflict with Spain and France, economic depression in Europe, and bouts of the plague disturbed markets in Europe.[79] The most devastating external challenges came from the Dutch and the Indian climate, however.

Conflict with the Dutch beginning in 1618 over markets in the Spice Islands led to the Company being effectively shut out of its Bantam trade network. The conflict was supposed to have ceased with the signing of an Anglo-Dutch Defence Treaty in 1619, requiring both the Dutch and English companies to contribute military goods and services for purposes of mutual defence. This treaty did not suit the English well. Whereas the VOC had pursued a bellicose trade strategy involving considerable investment in military infrastructure, the EIC sought to keep the ratio of investments in fixed capital, such as forts, low in order to accommodate speedy returns to its shareholders.[80] The EIC had neither the political mandate nor the political backing, nor the flush capital market, that the VOC could draw upon to pursue such a strategy.[81] By 1627-1629, the Company had pared down the number of ships it sent to Bantam to two per year.[82] Likewise, a major famine in Gujarat in 1630 meant the devastation of the Surat trade hub, both through the loss of perssonel who perished and the collapse of local markets.[83]

During the 1620s the trade thus declined, and returns to the shareholders were scant in consequence. Whereas the Company had dispatched fifty-five ships between 1610 and 1620, between 1620 and 1630 it dispatched a total of forty-six.[84] The trend continued the next

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[77] Chaudhuri, *The English East India Company*, 16.
[78] Chaudhuri, *The English East India Company*, 56.
[79] Chaudhuri, *The English East India Company*, 56.
[80] D.K. Bassett, 'Early English Trade and Settlement in Asia, 1602-1690', in *The East India Company, 1600-1858: Trade, Power, and Finance*, vol. 4 (Routledge, 1998); Chaudhuri, *The English East India Company*, 57.
[81] Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade*, 114–20; 126–31; Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640'; Gelderblom et al., 'The Formative Years of the Modern Corporation: The Dutch East India Company VOC, 1602-1623'.
[82] Chaudhuri, *The English East India Company*, 65.
[83] Keay, *The Honourable Company: A History of the English East India Company*, 116.
[84] Keay, *The Honourable Company: A History of the English East India Company*, 113.

decade, when the total fell to thirty-five. Meanwhile, the annual internal rate of return fell from 21.75% for the First Joint Stock (1613-1617) to 0.8% for the Second (1617-1632).[85] As Chaudhuri puts it, the Company's new trade strategy had led it into a 'vicious circle' in which 'a large proportion of the capital sent tended to be swallowed up in factory and shipping charges, leaving too little for home investment'.[86]

2. *Agency risk in the Company's corporate governance*

Since the initiation of the new trade strategy, the principal-agent relationship between the shareholders and directors had been deteriorating. It did so as a consequence of the new transaction costs inherent in running longer-joint stocks in pursuit of a complex trade strategy.

At the centre of agency theory is the fact of a 'separation of ownership and control,' which poses problems and requires solutions.[87] In a joint-stock business organization, one group supplies the share capital for the stock, while the other manages and employs it. This division inevitably creates a principal-agent problem: the managers, or directors, who employ the capital have more power over said capital than the investors who provide it. There is a possibility that the directors might exploit their position for personal gain at the shareholders' expense.[88] Without institutional guardrails or other mechanisms to align the incentives, the investors might not invest at all. So, the directors and shareholders together create rules to align incentives and provide means for monitoring the directors.

The EIC's corporate structure was divided into two chambers: the Court of Committees (hereafter 'Committees'), which served as the board of directors, and the General Court, the meeting of the general shareholders. The Committees managed the Company's daily

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[85] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:125–26.
[86] Chaudhuri, *The English East India Company*, 18.
[87] Eugene F. Fama, 'Agency Problems and the Theory of the Firm', *Journal of Political Economy* 88, no. 2 (1980): 288–307.; Jensen and Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure'.; James S. Ang et al., 'Agency Costs and Ownership Structure', *The Journal of Finance* 55, no. 1 (2000): 81–106..; Ann M. Carlos and Stephen Nicholas, 'Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company', *The Journal of Economic History* 50, no. 4 (1990): 853–75.; Ann M. Carlos, 'Bonding and the Agency Problem: Evidence from the Royal African Company, 1672-1691', *Explorations in Economic History* 31, no. 3 (1994): 313–35, https://doi.org/10.1006/exeh.1994.1013; Ann M. Carlos and Stephen Nicholas, '"Giants of an Earlier Capitalism": The Chartered Trading Companies as Modern Multinationals', *The Business History Review* 62, no. 3 (1988): 398–419, https://doi.org/10.2307/3115542.
[88] Jensen and Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure'.

operations, directed the use of its capital, and controlled access to Company information.[89] The General Court, comprising the generality, influenced Company governance by hosting corporate elections for governors, directors, officers, bylaws, and certain financial decisions, such as whether to liquidate the stock, and making new procedures. Notably, the charter did not prescribe these roles to the respective Courts. They were negotiated between the two, which, according to Chaudhuri, is 'apparent when we look at the bylaws and actual proceedings of the two Courts as recorded in the Court Minutes'.[90] This point is central to understanding the evolution of EIC governance. In particular, the General Court had to give its consent to be governed. It did so by threatening liquidation and withholding from reinvesting.

Before 1650 each shareholder was given one vote in the General Court regardless of the size of their stockholding.[91] In theory this egalitarian voting scheme granted the generality substantial power.[92] But the Committees forbade voting privately by ballot – dismissed as 'secret voting' – in favour of raising hands.[93] Voting by hand allowed the Committees to be aware of factions brewing within the generality and to maintain control over the General Court by intimidation.[94] Intimidation could come from both within and without. In 1619 for example James I sent Lord Digby to address the General Court, expressing the Crown's support for the incumbent governor, Maurice Abbott. The goal was to ensure continuity within the Company, framing EIC governance as a 'matter of state' rather than that of a company of 'private merchants'.[95] Mishra suggests this intervention may have been coordinated with Abbott, who, before Digby's arrival, had appealed to the General Court to justify his re-election, stating the Company needed a 'person of countenance to qualify matters with jewelled terms'.[96] After Digby's statement, shareholder John Holloway presented a proposal for voting by ballot box – a proposal for which he had rallied support

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[89] John Shaw, *Charters Relating to the East India Company from 1600 to 1761* (Government Press, 1887), https://archive.org/details/dli.csl.7770/page/n49/mode/2up. 20.
[90] Chaudhuri, *The English East India Company*, 32.
[91] Harris writes that the 1609 charter instituted the £500 per vote voting scheme. But Scott writes that the 1661 charter was the first charter to institute the £500 per vote voting scheme. The 1609 charter as printed in Shaw (1887) does not record any mention of the £500 per vote voting scheme. That the company persisted in voting by hand suggests that the scheme did not begin to be implemented until 1650, in the preamble to the United Joint Stock. Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*. 305.; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, vol. 2. 131.; Shaw, *Charters Relating to the East India Company from 1600 to 1761*.
[92] Later, the EIC would change its voting rules so that every £500 of stock earned a shareholder an additional vote, 'soe the Stocke may governe the Stocke'. Bryer, 351.
[93] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*. 84.
[94] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*. 84-85.
[95] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 92–93.
[96] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 92.

and even built a prototype. But the Crown's intervention shifted the atmosphere against Holloway, as one gentleman shareholder 'did judge the author thereof [Holloway] worthy of blame, that did present to interrupt the course intended by so gracious from his Majesty…'.[97] The ballot box was not adopted, leaving the question of whether it would have been if the Crown had not interfered. A vote for the ballot box could have been perceived as opposition to the Crown.

Possibly due to public voting, the composition of the Company leadership proved resilient to change.[98] The City elite merchants consistently dominated the Committees and governorships. Between 1601 and 1635 only six individuals served as governor, only six as deputy governor, and only five as treasurer – all of them City merchant elite.[99] The annual incumbency rate – the percentage of individuals holding a position who then retain it from one year to the next – never dropped below 62.5% and at times reached 79.1%.[100] These rates persisted despite, in Sir Dudley Digges's words, 'jealousy conceived here at home', by the generality of the Committees, 'and sundry faults imputed and bruited, without just ground'.[101]

The EIC shareholding base was already a heterogenous one. The City merchants who dominated the Committees and governorships 'invested large sums' and had their own 'interest in the Indian trade' because of their 'being directly engaged either in the sale of commodities at home or in re-exports to foreign countries.[102] But what Harris dubs the 'joint stock track' required the EIC's merchant leadership to bring in other investors who viewed the Company primarily as a financial, rather than commercial, venture.[103] This group included aristocrats, gentry, women, and shopkeepers, and smaller merchants. In Rabb's analysis of 1,318 EIC members over its first twelve years, 95% came from these other groups.[104] Membership in the EIC was available to anyone who completed an apprenticeship with the Company, paid the membership fee of £50 for 'mere merchants' and £100 for others, or received a gratis membership from the Court of Committees.[105] Different investors thus

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[97] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 94.
[98] Chaudhuri, *The English East India Company*, 33.
[99] Ibid.
[100] Mishra, 42.
[101] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 100.
[102] Chaudhuri, *The English East India Company*, 33.
[103] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*.
[104] Theodore F. Rabb, *Enterprise and Empire: Merchant and Gentry Investment in the Expansion of England, 1575-1630* (Harvard University Press, 1967), 104. Cited in Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 302.
[105] Chaudhuri, *The English East India Company*, 33; Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*.

had different capacities at their disposal, which would matter when it came to the types of dividends – whether in-kind or cash – that were given.

Moreover, in addition to this heterogeneity, as the Company's trade strategy entered its new phase in 1613, the gap between what the Court of Committees understood about the trade and what many of the general shareholders believed about it began to widen. In particular, time preferences with respect to dividend declarations began to diverge. In Chaudhuri's words, 'the principal weakness of the Company' was that 'a large number of its shareholders were unable to shake off the idea of making a quick profit on the East India trade', an idea which had been 'encouraged by the results of the early Separate Voyages' and also 'the seventeenth century practice of a quick turnover of capital'.[106] Meanwhile the 'greater merchants' (or elite City merchants) who directed the Company 'were perfectly aware' of the new schedule for dividend returns implied by the new trade strategy. Evidence for this point can be found, in fact, in warnings made by the Company leadership with regard to over-investing in fixed capital in 1615 and 1618.[107] Time and again, according to Chaudhuri, the City merchants proved their commitment 'when [the] trade was slack or making a loss', whereas the non-City merchant majority 'expressed their dissatisfaction and clamoured to withdraw their capital'.[108]

Between 1609 and 1620 an influx of gentleman-investors heightened tensions between the chambers. Between 1609 and 1620, when the EIC was at its most profitable, granting memberships to aristocrats and well-connected gentlemen became common.[109] The record of profitable returns attracted figures from high reaches, such as courtier Sir Francis Bacon. Beyond profit, membership offered social status and the chance to keep tabs on the politically salient Company.[110] Meanwhile, the EIC leadership welcomed aristocrat members for two reasons: to increase its political influence at court and to bring in wealthy, powerful members who could supply more capital.[111] But these investors were not like the City elite merchant leadership. In *The City and the Court, 1600-1643*, Ashton writes of the EIC's gentleman investors: 'Now there can be no question that among those marginal investors who desired quick and spectacular returns on their share capital the courtier investor occupied a prominent position'.[112]

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[106] Chaudhuri, *The English East India Company*, 56.
[107] Chaudhuri, *The English East India Company*, 57.
[108] Chaudhuri, *The English East India Company*, 33.
[109] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 65–66.
[110] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 69–70.
[111] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 66–69.
[112] Robert Ashton, *The City and the Court, 1603-1643* (Cambridge University Press, 1979), 128.

Gentleman investors – even those given memberships – tended to want to participate in Company governance. In 1619, for example, 'a group within the generality' sought to put 'different people in control of the trade'. The Committees described this group as 'such gentleman that have been taken into the Company by courtesy'.[113] According to Mishra, the gentlemen sought 'greater transparency in the Company's affairs and the opening up of the Company's government to include new people'.[114] They called for better access to financial records, a minimum annual turnover of the Court of Committees, and quotas for gentlemen and shopkeepers on the Committees' subcommittees.[115] Eventually the Company created a 'special committee' for some gentleman, who were to be given 'greater access to meetings and records, but few day-to-day responsibilities'.[116]

Gentleman investors – courtier investors in particular – also made the Committees vulnerable to the Crown. In 1628, the courtier shareholder Sir Thomas Smethwicke 'deliver[ed] a violent attack on the policies of the directors, seeking stringent limitations to [the Committees'] power to allocate stock'.[117] Smethwicke demanded an end to the practice of running concurrent joint stocks and demanded that going forward the Company publish valuations once a year.[118] Ashton suggests Smethwicke's denunciations had 'the full support of Charles I' and were linked to an attempt to have the Crown 'admitted as an adventurer and credited with £10,000 worth of stock'.[119] Moreover, according to Bryer, Smethwicke's views were also 'highly representative of the generality on the management of their capital'. [120] Smethwicke also brought the House of Commons against the Company. After years of persistent petitioning, by 1640 he had won the ear of the House of Commons, which agreed to take a petition against the EIC from him.[121] As a consequence of that petition, the EIC was required to turn over 'all books, letters, etc. concerning the management of the east India Trade' to the Commons. According to, 'Parliament's willingness to countenance Smethwicke's petition' was 'a way to attack the company', serving 'a painful blow at a time

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[113] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 89.
[114] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 86.
[115] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 86, 95–96.
[116] The gentlemen were: Sir Edwin Sandys, Sir Dudley Digges, Sir John Wolstenholme, Sir William Russell, Sir William Smith, Sir John Suckling, Sir John Merric, and Levinius Munk. See: Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 95.
[117] Ashton, *The City and the Court, 1603-1643*, 127.
[118] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 353.
[119] Ashton, *The City and the Court, 1603-1643*, 127.
[120] Subsequent sections will show that at times the generality pushed for concurrent joint stocks, though plausibly out of desperation rather than preference. Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 353 n.1.
[121] Robert Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653* (Verso Books, 2003), 346.

when the company was attempting to raise money for a new joint stock and was already having difficulty maintaining the public's confidence'.[122]

One key fault line in the EIC's corporate governance was over dividends. To protect liquidity when the trade slumped and the shareholders demanded dividends, the Company would give in-kind rather than cash dividends. In-kind dividends were typically paid in commodities the Company had in surplus in its stores in London, such as pepper, indigo, or calicoes, and were paid according to wholesale rates inflated by the Company's monopoly.[123]

In-kind dividends, however, stood to benefit some of the Company membership more than others. The monopoly patent allowed the EIC to withhold supply to boost prices in England. In doing so, the Company would have inflated the nominal value of in-kind dividends. Assuming demand did not increase along with the influx of supply released by the in-kind dividend, wholesale prices would therefore have fallen, thereby reducing the real value of the dividend as soon as the dividend commodity left the Company warehouse. In response, some in the generality accused the City merchant leadership of self-dealing. According to Scott, in 1629 'there was a long discussion, lasting three hours' about the issuance of in-kind dividends, and 'it was eventually decided, "in order to give contentment to the gentry", that the distribution should be made in money'.[124] The practice, however, continued until 1657, when a new bylaw banned the giving of in-kind dividends.[125] Though it is true 'the adventurer who accepted such a division had the opportunity of making a further profit on the realization of it', the capacity to 'realize' the in-kind dividend was not equal.[126] The City merchant investors had their own extensive networks of buyers to whom they could sell the commodities divvied out to them, and the non-merchants, presumably, did not.[127] Furthermore, the City merchants had the financial stability to wait out any fall in the price of the divided commodity, while the shopkeepers and widows, presumably, did not. This 'practice… produced a considerable amount of friction'.[128] In the words of Smethwicke:

[122] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 346.
[123] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, vol. 2. 110.
[124] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:110.
[125] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–99.; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 362.
[126] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:99.
[127] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:110.
[128] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:110.

> 'they take the Company's goods among themselves at their own prices. The Governors and Committees (as it seems) have some private ends and desire not the good of the present adventurers….'.[129]

The Committees could have eased shareholder anxieties by improving the transparency of Company accounts. But the Committees became more inclined to conceal Company information as its business became ever more complex and harder to explain to the short-term-minded generality.

Baladouni's and Dobija's histories of the Company's accounting practices show that as the Company's enterprise became more complex, it took steps to keep its membership away from the Company's accounts. As the business became more complex and, in particular, as returns failed to be made at the pace expected by the shareholders, the accountants came to suffer more and more abuse and scrutiny from the general membership. In turn, the Company took steps to insulate its accountants from that pressure. A thorough system of auditing was developed to reassure the general shareholders of the accounts' validity, but the design of this system still left open the possibility that the accountants, who were employed by the Court of Committees and not by the general membership, were or at least could be compromised. In 1635, the Committees shut the general membership out from seeing the accounts entirely.[130]

In the early years the directors allowed shareholders some access to the Company's accounts, and members of the generality even participated in maintaining them. In the Company's first thirteen years, each of the voyages had its own capital and made different levels of profit, and for each stock 'three-to-five shareholders' volunteered as auditors.[131] For a time the generality could even take the Company's journals – stores of commercial and financial information – home with them, and the Accountant General did not have his own office.[132] But this system became increasingly inefficient as the number of concurrent stocks and the volume of trade grew.[133] Auditing was a time-consuming responsibility, for '[t]he auditors not only verified account balances but were also expected to express an opinion if they found anything in the transactions that warranted additional consideration by the Court

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[129] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 354.
[130] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:112.
[131] Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability'.
[132] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 48.
[133] Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability'.

of Committees'.[134] Thus as the Company's trade expanded and its administration was outsourced to salaried professionals, the generality gradually became more like passive, rentier investors, and the Committees increasingly restricted their access to the Company's information.[135]

In 1614, coinciding with the launch of the first multi-voyage joint stock, the Accountant General was given his own private office, and 'a few years later… was ordered not to let any letters or journals be taken out of the house without special permission'.[136] After some of the Company's journals were 'lost', access was further restricted: shareholders could only view them under the supervision of a director.[137] But in 1628 this did not prevent Smethwicke from 'toss[ing] through the books' and making 'his own valuation', causing the sitting governor to concede that Smethwicke was 'perfecter in the books than the Governor himself'.[138] According to Bryer, in November 1634, the EIC accountants undertook a project to make their own valuations of all of the preceding stocks to date, 'to head off the "ravelling and diving of Thomas Smethwicke and his friends'.

Smethwicke did not get the chance to check the accountant Jeremy Sambrooke's work, however. Beginning in 1633 the Committees allowed the generality access to only their individual shareholder's accounts, and not the Company's.[139] According to Baladouni, when in 1634 'it was proposed by a member of the Generality to appoint a special committee of twelve shareholders to examine the Company accounts, the idea was rejected with contempt by the governing body'.[140] Consequently, in 1635, with the Third Joint Stock, saddled with debt and with 'an insufficient amount of liquid resources', 'the [C]ommittees were forced to take the extreme measure of concealing the amount of the liabilities from the generality'.[141] Accusations of abuse of power by the generality against the Committees followed.

By the 1630s the management of the EIC's accounts had been firmly taken over by the Committees. In the early years of the Second Joint Stock, a slate of bylaws titled *The Lawes or Standing Orders of the East India Company* were printed, clarifying the roles

[134] Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability', 11.
[135] Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability'.; Ireland, 'Finance and the Origins of Modern Company Law'.
[136] Baladouni, 'Accounting in the Early Years of the East India Company', 67.
[137] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*. 47.
[138] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 354.
[139] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 114–15.
[140] Baladouni, 'Accounting in the Early Years of the East India Company', 68.
[141] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:112.

within the Company, including the management of accounts.[142] These bylaws granted the Committees significant power over auditing. The Company's financial oversight was divided among three offices, which, for the most part, were staffed by individuals chosen by the Governor and Committees: 'the Governor and his Deputy, and Thirteen Committees at the least … shall proceed to an election of new officers, and establishing of their wages'.[143] The *Accountant General* was charged 'with the responsibility of maintaining the "Great Bookes"', where all Company transactions were recorded.[144] The *Auditors General*, a pair of individuals, audited the Treasury's accounts and the various warehouses before forwarding them to the Accountant General. Lastly, the *Auditors in the Court of Committees* – a group of six – reviewed the Auditor Generals' work and investigated discrepancies.[145]

According to Dobija, '[the Auditors in the Court of Committees] arrangement prompted questions… regarding the independence of the appointed auditors and the fairness of the auditing process'.[146] Auditing was a demanding task, and the generality were cynical that any effort on their part would amount to much, for 'even if [auditors had been] selected by the General Court, [the auditors] had to collaborate closely with the Court of Committees to perform their work'.

Voting out unsatisfactory directors in corporate elections proved harder in practice than in theory. The directorate also proved adept at keeping the generality from looking into the Company's accounts. Nevertheless, under terminable stocks the generality could wield considerable power through its control over the supply of share capital. According to Harris, under terminable stocks 'the real challenge was… to draw additional investment to the joint stock of each subsequent voyage'.[147] Terminable stocks thus limited the agency of the directors. It was always possible that the generality might respond to perceived mismanagement or threats to dividends by demanding liquidation and insisting on earlier *ex*

[142] 'The Lawes or Standing Orders of the East India Company', accessed 1 February 2024, https://quod.lib.umich.edu/e/eebo/A21082.0001.001?view=toc.
[143] 'LIII. The Governor and his Deputy, and Thirteen Committees at the least, who shall be present in their ordinary place of meeting, on Four and Twenty of June yearly, or within three days next following, shall proceed to an election of new officers, and establishing of their wages, by the order of the Balloting box, or by erection of hands, as unto the greater number of them present shall seem most convenient'. 'The Lawes or Standing Orders of the East India Company'.
[144] Baladouni, 'Accounting in the Early Years of the East India Company', 69.
[145] Baladouni, 'Accounting in the Early Years of the East India Company', 70.
[146] Dobija, 'Emergence of Corporate Contract Set, Governance and Accountability', 11.
[147] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 296.

ante expiry dates for the next stock.[148] Alternatively, current stockholders might choose not to subscribe to the next stock at all.

By 1620 the generality had begun to express its dissent from the directors' plans and policies by leveraging control over the share capital. That year, shareholder Sir Dudley Digges wrote to fellow gentry shareholder Sir Dudley Carleton that 'factions and dissensions in the Company… have almost torn the body in pieces'.[149] The Crown had once again backed the incumbent governor, Maurice Abbott, though this time through an official letter rather than a courtier. Abbott was re-elected. But, according to Digges, instead of contesting the governor's election, the generality began withholding subscription payments, using its leverage of the share capital to influence the Company's corporate governance.[150] By 1624 'the financial difficulties… had… become acute'. Many shareholders had fallen into arrears on their subscription payments. By 1624 there remained between £80,000 to £92,000 in unpaid subscriptions. They were probably hesitant to pay in because 'it was said… that no man's adventure "was now worth money"'.[151] There were increasing calls to liquidate the stock, and 'charges of corruption in the administration… that had previously been rare, became frequent'. During these 'years of crisis', the generality's preference for short-term terminable stocks became apparent. Scott writes, 'no sooner had the [First] Persian Voyage been started, than pressure was brought to bear on the governor and committees to wind up the Second Joint Stock'.[152] By 1629, the debt had risen to 'between £250,000 and £300,000', and only the need to repay this debt kept the Second Joint Stock from being liquidated at a loss.[153]

3. Political uncertainty

The troubles of the new trade strategy were compounded by political uncertainty at home. The EIC business model depended on its having a monopoly to the East Indies trade from the Crown. It also needed the Crown for diplomatic support. In the 1620s, when the new trade strategy was faltering, the Company also found itself without the degree of diplomatic

[148] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 299.
[149] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 100.
[150] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 100.
[151] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:108.
[152] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:110.
[153] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:110.

support from the Crown that it would need to make the new trade strategy work. In the 1630s the Company's political problems worsened. After a failed bid to join the Company, Charles I allowed a merchant venture in the EIC's trade zone to proceed, at the behest of one of his courtiers. In consequence, in the face of waning political support, in the 1620s and in the 1630s the EIC's general shareholders sought to quit the trade and, failing that, to quit the joint stock in which they were invested.

Harris provides a model for discerning whether the Crown could credibly commit to the EIC monopoly, joining the political history of the EIC monopoly to extant theories in economics and political science.[154] Harris gives three avenues by which the Crown in the late sixteenth and early seventeenth centuries could have credibly committed to its monopoly charters: reputation, institutions at the organizational and constitutional level, and the support of influential interest groups. Harris's credible commitment mechanisms are for the most part emergent mechanisms. Reputation is further established with each repeat transaction. Constitutions and constitutional theories, meanwhile, must be 'entrenched' to have any effect. Factors internal to the charter-receiving business that promote credible commitment also are influenced by time. Harris posits that a long-distance trading company, for example, initially would have been at greater risk of expropriation by the Crown than the other, more limited forms of chartered business organisation. But over time, Harris writes, this risk would fall, as more and more of a proportion of the firm's accumulated assets were held offshore. Furthermore, the more developed was the long-distance trading company's system of factories, political alliances with local powers, and trade strategy, the more did it have a first-mover advantage over interlopers in the present or future. The value to be gained from reneging on or failing to enforce the monopoly charter would thus fall, as the costs of doing so would rise.

It is clear from Harris's short study of the Crown's commitment to the EIC's charter that the reputational and organizational mechanisms had to have done most of the legwork. The prevailing constitutional theory – absolute monarchy – was not conducive to ensuring the Crown could credibly commit to its charters. Moreover, the common-law courts under Sir Edward Coke were not necessarily inclined to support the Company, nor were the House of Commons or Lords.[155] Furthermore, the EIC leadership, though a powerful interest group, over time came to hold less sway at Court. Consequently, then, it makes sense that the EIC's

[154] Harris, 'Could the Crown Credibly Commit to Respect Its Charters? England, 1558-1640'.
[155] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 212.

first forty years were at least plausibly years of deep political uncertainty. The reputation mechanism needed time to develop, and the EIC's enterprise also needed time to form.

It is perhaps better then to characterise credible commitment in terms of degree. Central to this literature is the suggestion that the monarch was sovereign and unconstrained.[156] But inevitably the monarch depended on material, political, and ideological support for its reign to be viable. The degrees to which the Crown could credibly commit to something then can be understood as the degree to which its freedom of action was constrained by needing to tend to these bases of support.

Although EIC monopoly patents look like static documents, they were treated as containers for future negotiations between the Crown and Company.[157] Their terms allowed for different interpretations, and how the Company and Crown interpreted those terms depended on their own evolving self-interest. The Company needed royal authority and support, beyond mere monopoly rights, to conduct aspects of its business in Asia. The Crown, meanwhile, needed finance, and also to balance its own foreign policy objectives, sometimes aligning with the Company's, sometimes not. There was also a third element in these negotiations, the generality of the Company, which was meant to vote on any uses of the share capital that went beyond the scope of the trade. The Company leadership and Crown, and, implicitly, the generality were thus involved in 'ongoing negotiation' and 'despite some hiccups', writes Mishra, 'the norm was for Company and Crown to work together, with each relying on the resources of the other'.[158]

The line between the Company as a private enterprise and an instrument of the state was sometimes blurred, sometimes to the advantage of the Company, sometimes not. In 1614 the EIC requested the scope of its patent be expanded to include the right for its factors to impose martial law on Company employees while abroad. No mere private citizen or entity could have such a right, so royal permission was necessary. According to Mishra, James I awarded this privilege to the Company without complication. But this new privilege 'represented no less of a collapsed distinction between Company and state', a distinction the Company was keen to uphold in other contexts.[159] Eight years later, after the EIC had joined local merchants in defeating the Portuguese at Hormuz, for example, James I and the

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[156] Douglass C. North and Barry R. Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *The Journal of Economic History* 49, no. 4 (1989): 803–32.
[157] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 149–77.
[158] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 177.
[159] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 152–55.

powerful courtier the Duke of Buckingham, then the Lord Admiral, demanded a cut of the spoils. As Steensgaard writes, 'It is… obvious that the East India Company did not follow the official English foreign policy' – 'from the very first the Company's policy was dictated by its own [interests], not by England's place in the international system'.[160]

The EIC was wary of allowing the Crown to have too much sway inside the Company. We can see this in the acquisition of Sir Thomas Roe as its royally appointed ambassador in 1614. The Company needed a royal ambassador to negotiate with the Mughal emperor. The Company chose Roe and committed to fund his expenses while in the Mughal court. James I endorsed the Company's decision, giving Roe a formal appointment from the Crown. The EIC had gotten its wish, then. But, Mishra writes, the EIC leadership was unsettled by its acquisition, for 'an ambassador chosen and funded by the Company and appointed by the king might one day become an ambassador funded by the Company and chosen and appointed by the king'.[161]

Typically, in exchange for the Crown's support for the EIC's monopoly privileges it would require services in return from the Company. In 1617, for example, James I permitted Sir James Cunningham to erect a Scottish East India Company. The legality of this permission was questionable, though because Scotland and England were separate political entities, despite sharing a king, there was at least some legal scope for the new patent. In any case, ultimately in 1618 James I rescinded Cunningham's patent. This outcome was not necessarily a consequence of the EIC's petitions against it, however. Rather, doing so suited James I's own goals to support the Russian trade. He required the EIC to join the financially wavering Muscovy Company in funding 'joint ventures' for the next eight years and in financing a loan to the Russian tsar on behalf of the Crown, in effect a loan to support the political relations of the Muscovy Company with its host.[162]

Crucially for our purposes, negotiations were not merely between the Company leadership and the Crown, but also implicitly included the generality, which was considered as a proxy for the broader public. On paper, the EIC's corporate governance required the Company leadership to bring decisions pertaining to money matters, such as loans to the Crown, for a vote in the General Court. There, the generality was to have the opportunity to vote on the uses of the capital that went beyond the scope of the business of trade. In

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[160] Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade*, 116.
[161] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 154–55.
[162] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 162–72.

practice, the Company leadership sometimes skirted the General Court and gave loans to the Crown in secret.[163]

When the leadership did bring the Crown's request to a vote in the General Court, it introduced a less predictable element into the negotiations. If the request for a loan was denied, the Crown would, plausibly, suffer reputational damage, whether because its subjects had rejected a request made of them by the sovereign, showing insubordination, or because it could be seen to have been extorting the public. Such was the case in 1618, when James I requested a loan of £20,000 from the Company. The Company leadership did not want to pay the loan, as it had just given a loan on behalf of the Crown to the Russian tsar. So, it threatened to put James I's request to a vote in the General Court, which was likely to reject it. Consequently, 'the Privy Council backed down'.[164]

In the 1620s the Crown's foreign policy was at odds with the Company's demands for vengeance against the Dutch, who by 1623 had not only severely disrupted by EIC business, but had murdered EIC agents in what was called 'the Amboyna Massacre'. The Amboyna Massacre then set off a crisis of political identity in the Company.

From its point of view, James I and Charles I did not provide adequate vengeance nor restitution for the slaughter of EIC agents at Amboyna.[165] First, James I offered to become a member of the EIC, in order to completely entwine his interests with the Company's.[166] For reasons already stated, the Company resisted this offer. Then, James I issued an arrest warrant for Dutch ships, but nothing ever came of it, the reason being, according to Steensgaard, 'that the general foreign political interests took precedence over those of the Company'.[167] After James I's death in 1624, with Charles I ascending to the throne in 1625, these trends worsened. The 1625 Treaty of Southampton was similarly helpful to the Dutch, at the expense of the Company, and it precipitated a crisis of identity in the General Court.

The Crown's wavering support, or at least perceptions of it, dismayed the generality.[168] Consequently, in 1627 a small committee of directors and highly invested general shareholders met to discuss the future of the trade.[169] The committee decided to quit the trade. They made it a point to lay their decision at the feet of the Crown, and not the

[163] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 174.
[164] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 174.
[165] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 243.
[166] Chaudhuri, *The English East India Company*, 31.
[167] Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade*, 119.
[168] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 246.
[169] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 249.

condition of the trade or a lack of resources to maintain it. After the Company decided to quit the trade, Charles I made some motions in favour of the Company's wishes. Two Dutch ships were arrested in Portsmouth, and he withheld a determination on whether the Amboyna trial should be held in the Hague or in London.[170] But ultimately, Charles's arrest of the ships was not enough to settle the Company.[171] The generality was particularly unsettled. In 1628 the general shareholders skirted the Company leadership and submitted a petition for political support from Parliament to the Commons. Parliament, however, proved unamenable to their petition. It was clear the political path forward laid with the Crown.[172] This fact is well-illustrated by the fact that the Company did not join other merchants and merchant organisations, like the closely affiliated Levant Company, by not paying tonnage and poundage.

It is notable that Charles I, too, understood the essential importance of the General Court in the EIC's corporate governance. In response to the Company's manoeuvres, Charles I sought to gain a foothold of influence in the Company via the generality. He sent an envoy, Lord Carlton, to address the General Court, dangling the promise of future benefits to them so long as the Company fell in line with the Crown's interests. First, he proposed that the Company make him a member.[173] As James I had reasoned, doing so would so tie the Company's fortune to his, resolving any uncertainty about commitment to the Company. But, as before, the Company would not have Charles I as a member. Charles I then sought to influence the generality by co-opting one of its members, Sir Thomas Smethwick. Smethwick was known for his agitations against the Company governance, in particular the scope for the leadership to self-deal at the expense of the shareholders and also the limited access to information and decision-making given to the generality.

After the Company did not make Charles a member nor grant him the £10,000 loan he had requested, Charles I released the Dutch ships to the Dutch Republic. Naturally, this hurt the Company's faith in the Crown's political support. What made the episode even worse was a rumour, purportedly confirmed by one of the Company's informants, that Charles I had done so at the behest of a bribe from the Dutch.[174] Charles I's releasing the Dutch ships hurt

[170] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 250–51.
[171] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 252.
[172] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 251–55.
[173] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 256–57.
[174] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 257–60.

investor morale. The leadership worried over its future ability to raise stock and the greater likelihood that its adventurers would withdraw their capital from the investment.[175]

4. Struggling to float longer joint stocks, 1600-1640

Despite an initial spate of success bred optimism, from 1620 onward it became increasingly hard for the Company to float longer running joint stocks. Like the formation of its trade strategy, the history of the EIC's corporate finance up to 1640 can be periodised in three periods. First, from 1600-1612 the Company raised share capitals on a per-voyage basis. In other words, the investment was only meant to last as long as it took for a ship to go to the Indies, retrieve commodities, and return to London, where those commodities would be sold and the proceeds then returned to the shareholders, along with their invested capital.[176] There were twelve of these voyages. A total of £517,784 capital was subscribed across them, and they yielded an average return of 255%.[177] The second phase began in 1613, with the formation of the First Joint Stock, which had a capital of £418,691 and was to run for eight years.[178] The change in name reflected a change in scope. Joint stocks would not only send out capital to retrieve commodities but also to outfit Company factories abroad. The fixed capital was then to be sold to the next joint stock, as had been the practice for whatever capital was leftover during the period of ad hoc voyages.[179] The First Joint Stock yielded a 187% internal return.

The third phase began in 1617, with the raising of the Second Joint Stock, which was meant to go for fifteen years.[180] Optimistic after a profitable decade, 954 investors subscribed a total £1,629,040 to the new joint stock. With the struggles of the EIC's trade, the Second Joint Stock, however, was not fated to succeed. Its failure initiated a period of backsliding from running longer stocks.

The five Company's ventures between 1617 and 1640 yielded only a modest cumulative profit of 627.5%. But much of this modest profit between 1617 and 1640 came from three one-off single-voyage stocks rather than multi-voyage joint stocks. In 1628,

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[175] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 263.
[176] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 296–97.
[177] Chaudhuri, *The English East India Company*, 22.
[178] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 302.
[179] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 297.
[180] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 302.

'when the outlook was judged too uncertain to justify the investment of capital for a term of years', the Company launched the First Persian Voyage with a capital of £125,000.[181] This was followed by the Second Persian Voyage in 1629 with a capital of £150,000, and the Third in 1630 was an estimated capital of £100,000.[182] If only the Second and Third Joint Stocks are considered, the cumulative profit between 1617 and 1640 falls to 47.5%, averaging just 2.06% annually. And some of this profit was artificial. The cumulative yield from the Second Joint Stock (12.5% in fifteen years), for example, came not in cash but in credited shares in the Third Joint Stock.[183]

In 1633 the Company launched its Third Joint Stock, intended to run for only three years, until 1636.[184] Company management argued a new joint stock was necessary because 'on the arrival of ships from India bringing goods consigned to all three Voyages, the confusion of accounts was such that it would have been impossible to make a fair division'.[185] But it is not obvious why investors would commit to another medium-term – 'seven or eight years' – joint stock when the short-term voyages had proven more profitable and safer.[186]

In fact, very few investors contributed new capital. A closer reading of Scott does not suggest Chaudhuri's contention that 'in the early 1630s, confidence had returned to the Company', which for Chaudhuri was evidenced by its 'succeeding in raising new capital'.[187] The Third Joint Stock's nominal capital was largely artificial, with £313,630 (74.5%) transferred from existing shares in the Second Joint Stock, and the First, Second, and Third Persian voyages. Shareholders in the First Persian Voyage were credited with a share in Third Joint Stock equivalent to 20% of their share in the voyage, while shareholders in the Second received 30%, and those in the Third were given 40%.[188] And shareholders in the Second Joint Stock were credited a share in the Third Joint Stock equivalent to 12.5% of their share in the Second.[189] As a result, 'the Third Stock had an insufficient amount of liquid resources and large loans had to be made to carry on the trade', causing the debt to swell to

[181] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:109.
[182] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111, 126.
[183] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111.
[184] James Ole Winjum, *The Role of Accounting in the Economic Development of England: 1500-1750* (Center for International Education and Research in Accounting, 1972), 333.
[185] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111.
[186] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:115.
[187] Chaudhuri, *The English East India Company*, 19.
[188] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111.
[189] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111.

£400,000.[190] With a paid-in capital of just £107,070, the Third Joint Stock raised less money paid-in than any other joint stock in Company history but its successor, which had a capital of just £105,000.

5. *Conclusion*

The Company's first four decades reveal the difficulties of marrying a complex trade strategy with a suitable capital structure. The shift from separate voyages to multi-year joint stocks was a logical response to the demands of factory-based trade in Asia. Yet the Company's inability to sustain these joint stocks underscores how fragile the foundations of early corporate finance could be when set against distant markets, slow returns, and uncertain political support. From a Williamsonian perspective, the decisive fact was the investment in specific assets. Factories, experienced agents, and the capital tied up in multi-year ventures all bound the Company into bilateral relations from which exit was difficult. The costs of monitoring, opportunism, and incomplete contracting rose in proportion. Absent innovations in governance to absorb those costs, the enterprise could not maintain shareholder confidence in longer stocks.

Within London, the balance between directors and the generality broke down. Public voting procedures, the dominance of a narrow merchant elite, and limited access to accounts left many investors distrustful. Their discontent was sharpened by disputes over dividend policy and compounded by the influx of politically connected gentlemen who introduced new pressures. Without robust safeguards to align directors and shareholders, the Company's experiment in long-term joint stocks became a site of constant conflict.

Politics exacerbated these problems. The Company relied on the Crown both to defend its monopoly and to advance its interests abroad. But the Stuarts proved uncertain allies. At times the Crown intervened in Company elections; at others, it tolerated interlopers or sacrificed Company interests to broader foreign policy goals. Rumours of corruption and wavering diplomatic support undermined investor morale. If the Company's trade was vulnerable to Dutch competition and Indian famine, its politics were no less vulnerable to royal indecision and court intrigue.

After the optimism of the First Joint Stock, the Second and Third yielded poor returns, heavy debts, and little new capital. Shareholders fell into arrears or withheld subscriptions

[190] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:111.

altogether. Stopgap expedients, such as one-off voyages or in-kind dividends, could not disguise the deeper problem: the Company lacked the corporate, political, and financial conditions necessary to sustain long-term capital.

In this sense, the Company's early failures clarify the requirements of eventual success. For a permanent capital to emerge, governance structures would need to evolve to manage agency risks at home and abroad; the Crown's support would need to become more credible; and English financial markets would need to deepen.

Chapter 3: The Failure of the Fourth Joint Stock, the Assada Adventurers, and the Company's Transformation, 1640-1657

The previous chapter covered the Company's struggles in running longer joint stocks during its first forty years. The troubles began once the Company had committed itself to a trade strategy of maintaining two hub-and-spoke networks of factories in Asia. These outposts required substantial capital on an ongoing basis. Consequently, they further exposed the Company to regional shocks as well as expropriation risk from the Crown. While many of the most serious setbacks over its first forty years stemmed from adverse events abroad, like conflict with the Dutch in the early 1620s and the Gujarat famine in the early 1630s, they were refracted and magnified by deficiencies in the Company's corporate governance and an unstable political relationship with the Crown. This hampered the EIC's ability to maintain and raise capital for its longer joint stocks.

This chapter builds on that analysis by focusing on the period from 1643 to 1657, a period of crisis and then reform for the Company, roughly corresponding with the onset of the English Civil War (1642-1651) and the beginning of the end of the Cromwellian Protectorate (1655-1659). During this period commercial failure and political opportunity combined to introduce reform to the EIC's corporate governance.

The Company's Fourth Joint Stock was a commercial failure, more so than has been previously understood. While it floundered, the politically influential Assada Adventurers began to act as interlopers in the EIC's trade zone and, eventually, sought to take over the Company. The failure of the Fourth Joint Stock opened the Company to pressure, from the Assada Adventurers in particular. After a merger between the EIC and Assada Adventurers was forced by the Commonwealth Parliament in 1649, the Company was plagued with internal dissensions. After Oliver Cromwell assumed the Lord Protectorship in 1653, the status of the EIC charter was undecided. The petitions submitted by the Assada Adventurers show dissatisfaction with the Company's corporate governance – its system of elections, accessibility of Company information, and dividend policies, areas that had exacerbated the principal-agent relationship as the Company attempted to run longer joint stocks.

In the end, the Assada Adventurers, led by merchants Maurice Thomson and Martin Noel, used their political connections, their role in the English military supply chain, and their capital to in effect take over the Company. Consequently, the Company's corporate governance was changed. Furthermore, in the process, the new leadership brought with them a new role for the Company in England's increasingly militaristic and imperial foreign policy, the supply of saltpetre, a critical component of gunpowder, scarce in England but abundant in India.

The chapter joins a historiography that covers the EIC during the Civil War and Interregnum.[191] In particular, it contributes to the financial and political history of the Company during this time. This chapter revisits the financial history of the Fourth Joint Stock, correcting W. R. Scott's account by showing that several so-called dividends were in fact assessments. Once recognised as such, the scale of the stock's failure, and the severity of the Company's resulting crisis, becomes even more apparent.[192] This reinterpretation helps explain the protestations of the Assada Adventurers and provides new context for their demands for reform.

The chapter also builds on Bryer's history of the Company's transition to a permanent capital.[193] It extends his analysis of the period by considering the political dimension of Maurice Thomson and his close associates' takeover of the EIC, a dimension absent from Bryer's history but critical to understanding the transition. The EIC's new role as a saltpetre provider to a gunpowder-hungry state provides an early indication of the Company's improving political security. Indeed, later chapters will show how saltpetre supply became an important feature of the Company's relationship with the state.[194] And while historians who have written about English saltpetre have long known that the EIC became the state's primary saltpetre supplier during the Interregnum, the specifics of this arrangement have so far remained underexplored.[195] This chapter thus also contributes to that literature by reconstructing the early stages of this development.

The Company's Court Minutes are a central source for this chapter. Kept by the secretary and later calendared by Ethel Bruce Sainsbury and William Foster, they provide the official record of decisions taken by the Court of Committees and the General Court. While often terse and focused on resolutions rather than debate, the Minutes offer invaluable insight

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[191] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*; Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*.
[192] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:127.
[193] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.
[194] The EIC would lend saltpetre rather than money to the Crown, for example. Glenn O. Nichols, 'English Government Borrowing, 1660-1688', *Journal of British Studies* 10, no. 2 (1971): 86.
[195] David Cressy, *Saltpeter: The Mother of Gunpowder* (University of Oxford, 2013), 134–38; James W. Frey, 'The Indian Saltpeter Trade, the Military Revolution, and the Rise of Britain as a Global Superpower', *The Historian* 71, no. 3 (2009): 507–54.

into how the Company presented its financial condition and managed its constitutional affairs during a period of crisis.

In the case of the Fourth Joint Stock, the Court Minutes record the declaration of several "dividends" in indigo and pepper between 1647 and 1650. A close reading of these entries, however, reveals that these were in fact assessments, obliging shareholders to purchase goods at fixed prices in order to discharge the Company's debts. This use of the Minutes allows for a reinterpretation of the Fourth Joint Stock's financial history: what W. R. Scott recorded as generous distributions were, in reality, additional calls on capital. The Minutes also capture the ways in which the Company leadership framed these measures to shareholders, at times admitting—despite their terminology—that no dividend had truly been paid.

Beyond their financial evidence, the Court Minutes also shed light on questions of corporate governance. They preserve the text of petitions, preambles, and resolutions debated in General Court, showing how the Company's leadership attempted to address shareholder grievances and how reformers like the Assada Adventurers pressed for changes in voting rights, ballot procedures, and information flows. Used alongside pamphlets and petitions preserved in state papers, the Minutes reveal both the formal mechanisms and the contested politics through which the Company adapted its constitutional order in the late 1640s and early 1650s.

The Court Minutes are not without their limitations. They were designed to record decisions, not deliberations, and so they rarely capture the disputes or negotiations that lay behind each resolution. They also reflect the choices of Company secretaries in what to include and how to phrase it, offering an official but sometimes sanitised picture of corporate affairs. For this reason, and for practical considerations, this chapter has relied on the calendared editions produced by Ethel Bruce Sainsbury and William Foster. Though they compress some entries, these volumes reproduce the substance of the Minutes faithfully, often verbatim, and are indispensable for systematic research. Their use allows the Company's evolving financial and constitutional practices to be followed consistently across the decades without the prohibitive task of working through every manuscript volume in the British Library.

The chapter proceeds in two parts. The first traces the failure of the Fourth Joint Stock and the reformist challenge posed by the Assada Adventurers, culminating in the formation of the United Joint Stock. The second explores how the Company's growing role in supplying saltpetre bound its fortunes to those of the English state. Together, these developments created the conditions for reform to the Company's corporate governance and improvements in its place in the English political economy that would be critical to the Company's later transition to a permanent capital.

1. The failure of the Fourth Joint Stock

The Fourth Joint Stock marked a turning point in the Company's financial and institutional development. It was the first stock issued without a predetermined expiry date. Thus in principle it could have been the stock by which the Company made its transition to a permanent capital. That possibility depended on the shareholders' willingness to maintain their investment and on the Company's ability to deliver returns. As it happened, the Fourth Joint Stock instead became the Company's most conspicuous failure. This failure, set against the relative success of two short-term voyages undertaken alongside the Fourth Joint Stock, made a move toward permanent capital, as the Company's corporate governance was then designed, less attractive.

The idea of a permanent capital had been gaining traction by the early 1640s. In 1634, as the Third Joint Stock was just beginning, the Company leadership expressed admiration for and envy of the Dutch East India Company (VOC) for its permanent capital.[196] By 1643, the Third Joint Stock had been liquidated. Soon thereafter subscriptions were being taken for its successor, the Fourth Joint Stock. In the end, a capital of only £105,000 was raised – the smallest capital the Company had ever raised for one of its joint stocks by about £313,000.[197]

Still, some in the Company had high aspirations for the Fourth Joint Stock. Especially important to this history, according to Scott, 'some adventurers were in favour of the proposed new stock', the Fourth Joint Stock, 'being current for a longer period than seven or eight years'.[198] Notably, too, those of this opinion also thought 'that small subscribers should have no votes in the courts, these having been found by experience to have been "the most turbulent and clamorous"'. In the end, votes remained one-to-a-shareholder, but the Fourth Joint Stock was the first not to have a predetermined expiry date. Thus in theory it could have become a permanent capital. Yet the shareholders retained the right to liquidate

[196] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 198.
[197] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:125–27.
[198] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:116.

the stock at will, and the persistence of the egalitarian voting scheme made the Company susceptible to disruption from within.

In any case, the Civil War stacked the odds against the Fourth Joint Stock becoming a permanent capital. Most seriously, the war jeopardised the legal status of the the EIC's charter.[199] The EIC was a political creation; consequently, with the onset of the Civil War, the legal basis of the Company's charter was thrown into question.[200] The EIC thus sought to rediscover its legal footing as a monopoly through appeals to Parliament. After six years of lobbying Parliament, during which the trade was left open to domestic competitors, in July 1648 the Lords at last formed a committee to draft the requested ordinance. That ordinance never passed, however. On 25 November 1648, the 'Committee for the Ordinance for the East India Company' was scheduled to meet 'and so adjourn from time to time, as they shall think fit'. But on 31 January 1649, Charles I was executed, and on 19 March 1649, the House of Lords, a vestige of the previous regime, was abolished, before the ordinance had even been drafted.[201]

And while the charter question was yet unanswered, interlopers had legal scope to enter the Company's trade zone. At the start, many of these ventures were organised by William Courteen Jr, the son of the gentleman-interloper that had so disturbed the Company's business in the 1630s. Courteen Jr's actions as an interloper amounted to little, both in India and England, however.[202] By 1646, Foster writes, Courteen Jr, 'finding his affairs hopelessly embarrassed' fled England and his ventures in Asia, meaning 'the isolation of his factors in India, whose position was rendered desperate' by the weight of their indebtedness.[203] Yet the key legacy of Courteen Jr for the purposes of this history is not his successes or failures, but to whom his enterprise passed – to Maurice Thomson and Alderman Thomas Andrews, of the Assada Adventurers, the details of which will be explored more fully in the next subsection.

At the same time, the Company's overseas trade was deteriorating. The Company's trade expanded to include the Bay of Bengal, but as this expansion was underway its capacity to supply it was dwindling.[204] Dari-Mattiacci show the EIC's Asian fleet – the number of ships it had active in the East Indian trade zone – fell below ten, its lowest level since its

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[199] Lawson, *The East India Company: A History*, 38–39.
[200] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649* (The Clarendon Press, 1912), v.
[201] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, v, xiii, xvii–xviii.
[202] William Foster, *The English Factories In India, 1646-1650* (The Clarendon Press, 1914), x; Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 173.
[203] Foster, *The English Factories In India, 1646-1650*, x.
[204] William Foster, *The English Factories In India, 1642-1645* (The Clarendon Press, 1913), xv.

founding and lower than at any point thereafter.[205] The VOC, by contrast, was maintaining a fleet of over sixty ships.

Moreover, the Company's factories were heavily indebted and struggled to participate in their respective trades accordingly.[206] Throughout the 1640s 'from every factory came complaints of financial embarrassments', writes Foster in his introduction to the 1642-1645 volume of calendared letters between the Company and its Asian factors. 'Every letter to England implored a supply of money; but the Company was finding it increasingly difficult to procure,' Foster continues. In Bantam the factors there paid upwards of 4-5% monthly interest. It is testament to the financial stringency of the times that on 25 July 1642, Aaron Baker, the President of the Bantam factory, wrote 'it must be a great advantage to Surat to be able to borrow money when necessary, at 1 or 1.25% per month'.[207] By 1646, Surat was paying interest of 1.5% per month to local lenders, and in 1650 reported to Company headquarters that its debts were still high, at £40,000, an amount equal to about 38% of the Fourth Joint Stock's share capital.[208] Indeed, in his letter, Baker also wrote that 'the commodities demanded from Surat are of such small value and yet so bulky that the biggest ship available here could not carry enough to discharge the debt'.[209] The system had been designed so that Surat could supply Bantam with commodities wanted in the Indonesian port trade. The fall in prices for goods from Surat thus meant that Bantam had little ability to pay down its debts but for an infusion of cash, either from Surat, which had 'none to send', or London, should the headquarters 'again resolved (sic) to prosecute their Indian trade (which yet, as it seemes, hangs in suspence'.[210]

These operational struggles were felt by the investors in London. As late as 1649, the shareholders of the Fourth Joint Stock 'had received nothing, and they had to content themselves with looking to the future'.[211] In fact, the shareholders' position would only worsen over the next few years. According to Scott, the Fourth Joint Stock eventually yielded a total return of 180% by the time it was liquidated in 1663.[212] A closer look at the record reveals a very different picture, however. Once corrected, it becomes clear that even

[205] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 197.
[206] Foster, *The English Factories In India, 1642-1645*, v.
[207] Foster, *The English Factories In India, 1642-1645*, 33–38.
[208] Foster, *The English Factories In India, 1646-1650*, vi, xxii.
[209] Foster, *The English Factories In India, 1642-1645*, 34.
[210] Foster, *The English Factories In India, 1642-1645*, 33–34.
[211] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, xv.
[212] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:126–27.

after twenty-one years, the shareholders suffered losses of up to 65%, largely due to three peculiar in-kind dividend declarations made between 1647 and 1650.

Over the length of the Fourth Joint Stock, Scott records three in-kind dividends – one of indigo in October 1647 (20%) and two of pepper in July 1650 and August 1650 (both 50%) – along with five cash dividends, made in October 1655 (20%), May 1656 (10%), July 1656 (10%), October 1657(10%), and May 1663 (10%).[213] In fact, the indigo and pepper distributions in 1647 and 1650 were not dividends but assessments.[214] Foster, contradicting Scott, writes that the shareholders were obligated to *purchase* a volume of pepper worth up to 60% of their stockholding, and so by 1654, 'there was yet no prospect' of a dividend and 'as a result the shares were fetching only 20 or 30 per cent of their nominal value'.[215] In 1654, the Court of Committees itself admitted that the Fourth Joint Stock 'ha[d] hitherto given no dividend', although in its court books it had been calling assessments dividends for some time.[216]

The details of the 'dividend' make this clear. On 8 October 1647 the Court of Committees decided 'On information that there are above 1,200 barrels of all sorts of indigo in the warehouse', that the indigo would be divided among the adventurers in the Joint Stock, 'each to receive a portion according to his adventure'. [217] But instead of merely receiving the indigo, the shareholders were to pay for it: '3s 6d per lb for Lahore indigo and 2s 6d for the other kinds'.[218] In practical terms, a shareholder with a holding of £100 would be required to pay £17 for Lahore indigo, or £13 for a dividend composed entirely of other types. The purpose of this unusual 'dividend' was made clear in a General Court on 14 October 1647: 'The Governor acquaints the generality with the proposed division of indigo to the adventurers to enable the Company to pay part of its debt'.[219]

Indigo was not valueless, and there was of course some chance of the shareholders recovering a profit from it. But there is reason to think these dividends were a particularly raw deal. At a Court of Committees meeting on 28 May 1647, the directors conceded that the

[213] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:127 n.11.
[214] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654* (The Clarendon Press, 1913), viii.
[215] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, xx–xxi.; Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, xix.
[216] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 357–60.
[217] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 231.
[218] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 231.
[219] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 233.

division of indigo 'will not vend a good profitt'.[220] By 1650, according to Nadri, European demand for Indian indigo had fallen substantially, enough to cause 'its prominence in the European Companies' scheme of Asian trade' to dissipate.[221] For decades upwards of 500,000 pounds of indigo had been imported from Asia by the EIC and VOC. But by the late 1640s, demand for indigo began to stagnate, and Asian indigoes were increasingly unable to compete against indigo coming from the Americas.[222] Bayana indigo fell from 11s per pound in 1641 to 7s 6d by 1645.[223] The Company's minutes consistently recorded much lower prices for Sarkhej and Lahore indigo, the indigo to be divided; in February 1646 Thomas Andrews was charged 3s 4d for Sarkhej; in July 1646 Richard Middleton bought Lahore at 4s 4d; in November 1649 John Brett bought Lahore at 5s 3d and Sarkhej at 4s 3d; and in 1651 the Court recorded prices of 3s 8d for Sarkhej and 4s 6d for Lahore indigo.[224]

But because not all of the Company's shareholders were also merchants, it was likely that at least some shareholders were poorly positioned to realise a profit on the division. Those who were not merchants faced higher transaction costs in arranging sales. Furthermore, all of the shareholders faced the uncertainties of the Civil War economy. And to compound matters, the simultaneous release of over a thousand barrels of indigo onto the London market was likely to depress prices, even if we cannot quantify the effect precisely. The dividend was thus more likely to impose a burden than to offer a boon: not a total wipeout, but a costly and uncertain venture in which a few well-connected investors might profit, while most were more likely to suffer net losses.

A simple exercise can show that the indigo dividend was, in the best cases, worth much less than 20% of one's share. A shareholder with a £100 share would have had to pay £17 for £100 of Lahore indigo (which cost £0.17 per pound). Suppose then that this shareholder was able to sell all of his or her indigo at a price of £0.23 per pound, the price Richard Middleton paid for Lahore indigo in July 1646. The revenue from that sale would come to £23, the profit to £6. In other words, this peculiar dividend was more like a 6%

[220] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 204.
[221] Ghulam A. Nadri, 'The Indigo Trade of the English East India Company in the Seventeenth Century: Challenges and Opportunities', in *Goods from the East, 1600-1800: Trading Eurasia*, ed. Maxine Berg et al. (Palgrave Macmillan UK, 2015), 65, http://ebookcentral.proquest.com/lib/londonschoolecons/detail.action?docID=4000886.
[222] . Nadri, 'The Indigo Trade of the English East India Company in the Seventeenth Century: Challenges and Opportunities', 65–66.
[223] Ghulam A. Nadri, *The Political Economy of Indigo in India, 1580-1930: A Global Perspective* (Brill, 2016), 94 n. 48, https://doi.org/10.1163/9789004311558.
[224] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 109, 128, 373; Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 129.

dividend than a 20% dividend. If we factor in transaction costs, the value of this dividend falls even further. Supposing transaction costs of 10%, the total revenue from the sale falls to £20.70, and the value of the dividend to 3.7%.

The same problems hold for the 'dividends' declared in 1650, as well as a dividend declared in 1649 that Scott appears to have overlooked. In a meeting on 3 October 1649, the Committees agreed on a 60% 'division' of pepper, which, like the division of indigo, was to be paid for by the shareholders.[225] Also in June and August 1650, 'dividends' of pepper were declared, which Scott records as amounting to 100% in total of the shareholders' investment, though the Company did not follow through on the division declared in August.[226] In each case, the 'dividends' were in fact assessments.

By the end of 1650, in the worst-case scenario where none of the commodities could be resold for a profit, the assessments combined left shareholders with a net return of -125%. Even after five cash dividends worth a cumulative total of 60%, the overall return on investment for the shareholders would still have been -65%. The worst-case scenario was unlikely, but so too was the best case, which in any case was not likely to be worth as much as Scott suggests. Transaction costs were high, the market was glutted with indigo, and only some of the shareholders – the merchants – were obviously better positioned to dispose of their allotments advantageously. Shareholders' actual experiences therefore diverged. That the Company was driven by debt to adopt such expedients, and that these expedients ensured unequal and often disappointing outcomes for its investors, was a troubling sign for its future. In any case, it is unlikely that the Fourth Joint Stock was as successful as Scott suggests; it was almost certainly far less so.

Appreciating the extent to which the Fourth Joint Stock had failed is crucial context for understanding the Assada Adventurers' opinion of the Company's governance in 1649 and 1656. As during the similarly tumultuous 1620s and 1630s, the Company raised short-term voyages to run concurrently with the fledgling Fourth Joint Stock. Voyages and stocks served different purposes and had different obligations. The voyages were mere carrying expeditions. They sent ships to collect and return goods for sale in England. The joint stocks meanwhile managed the Company's factories in support of its overall trade strategy of regional arbitrage. The voyages were allowed to use the Company's factories and agents in

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[225] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 359.
[226] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:127 n.11.

exchange for a fee.[227] They had separate governments, and the capital from voyages were not supposed to be used for anything but their strictly commercial purposes.[228]

The much higher returns to the voyages versus the Fourth Joint Stock (and the Third Joint Stock, for that matter) would later commend that method of trade organisation to the Assada Adventurers. By the mid-1640s the EIC had the First General Voyage (1641) and the Fourth Joint Stock (1642) in operation. The First General Voyage had £80,450 subscribed, and the Fourth Joint Stock had £105,000.[229] The First General Voyage made a return of 207%. On its heels, in September 1647 the EIC launched the Second General Voyage. It received a subscription of £192,800, of which £141,200 was collected, and yielded a return of 148.5%.[230] There is no record in the Minutes that these dividends were in fact assessments, as was the case in the Fourth Joint Stock.

2. The rise of the Assada Adventurers

The poor performance of the Fourth Joint Stock caught the attention of another merchant group – the Assada Adventurers – which had ambitions for the East Indian trade. Led by Maurice Thomson, a merchant involved in the American provisions and slave trade, and an investor in the Irish expedition at the start of the Civil War, the Assada Adventurers were a group of what historians Robert Brenner and Robert Bryer have called 'capitalistic' 'new merchants'.[231] They were 'capitalistic' in that they put greater value on the rate of return to capital than on consumable surplus, and 'new' because they, some of them shopkeepers, had been excluded from the City merchant elite that was so powerful, and exclusive, before the Civil War. Indeed, the 1650s was a time in which, in Coleman's words, 'success was decreasingly dependent on formal progress through the antique City hierarchy'.[232] This group of merchants would eventually overcome the EIC's constitutional rigidity and institute the reforms necessary for the Company's transition to a permanent capital.

By the mid-1640s the interloping enterprise of Sir William Courteen had failed. Thomson and some of his associates, however, sought to pick up where Courteen had left off. Among them were several future governors, directors, and founders of the New General

[227] Foster, *The English Factories In India, 1646-1650*, xv.
[228] Foster, *The English Factories In India, 1642-1645*, xxvii.
[229] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:117–18.
[230] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, iii–iv; xv.
[231] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.
[232] D.C. Coleman, *Sir John Banks: Baronet and Businessman* (Clarendon Press, 1963), 9.

Stock: William Pennoyer, Robert Thomson, William Thomson, Samuel Moyer, Jeremy Blackman, Martin Noel, Waldgrave Lodovicke, William Ryder, John Wood, and Thomas Andrews, among others.[233] The group aspired to create a global network of trade zones, connecting complementary markets in Europe, the Americas, Africa, and Asia.[234] Beginning in 1648, the Assada Adventurers chose to colonise an island just north of Madagascar, called Assada, as their base. Since it was east of the Cape of Good Hope, Assada was in the EIC's trading territory.[235]

As Brenner's history meticulously documents, Maurice Thomson and his associates had strong political connections. Thomson was a key political figure throughout the Civil War and Interregnum, and played a major role in 'new modelling' the Navy, English foreign policy, and collection of customs and excise taxes, as well as management of England's lighthouses.[236] Maurice Thomson and Thomas Andrews sat on the Militia Committee, and Andrews served as Sheriff of London, in 1642.[237] Martin Noel was, according to Ashley, 'the chief' adviser to Cromwell on trade policy.[238] When they petitioned Parliament, their petition was presented by Lord Fairfax, an individual of renown for his leadership in the New Model Army at Marston Moor and in the Parliamentarian cause more generally.[239] Further, the Assada Adventurers had leveraged a politically valuable role as procurers of saltpetre – a key ingredient of gunpowder in which England was scarce – for the Parliamentarians.[240] They received an ordinance from Parliament to plant Assada well before the EIC received an ordinance confirming its rights to the East Indies trade.[241]

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[233] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 175.
[234] Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*, Chapters 5 and 6.
[235] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, x.
[236]Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.; Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 118–34, 326–27, 397; Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*, 149–63; Capp, Bernard, *Cromwell's Navy: The Fleet and the English Revolution, 1648-1660* (Clarendon Press, 1989); D'Maris Coffman, 'Towards a New Jerusalem: The Committee for Regulating the Excise, 1649–1653', *The English Historical Review* 128, no. 535 (2013): 1418–50; Ashley, Maurice, *Financial and Commercial Policy Under the Cromwellian Protectorate* (Oxford University Press, 1934), 10, 14, 51, 113–15.
[237] Valerie Pearl, *London and the Outbreak of the Puritan Revolution: City Government and National Politics 1625-1643* (Oxford University Press, 1961), 310.
[238] Ashley, Maurice, *Financial and Commercial Policy Under the Cromwellian Protectorate*, 2.
[239] 'Fairfax, Thomas, Third Lord Fairfax of Cameron (1612–1671), Parliamentarian Army Officer', Oxford Dictionary of National Biography, https://doi.org/10.1093/ref:odnb/9092.
[240] Zane Jennings, 'Getting to Credible Commitment: The English EIC, the Interregnum (1649-1660) and the Road to Perpetual Capital' (MSc (Research), London School of Economics, 2019).; David Cressy, 'Saltpetre, State Security and Vexation in Early Modern England', *Past & Present*, no. 212 (2011): 73–111.
[241] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, xxiii.

As a counter to the petition presented by Lord Fairfax, for an Act of Parliament to approve the Assada Adventurers' colonisation of Assada, the East India Company submitted its own petition on 28 October 1649. Meanwhile, after seven years the shareholders of the Fourth Joint Stock were eager to exit. On 15 August 1649 the General Court decided to close the Fourth Joint Stock, and the Committees decided to open a book of subscription for a new stock. Given the relative successes of the voyages over the joint stocks, however, enthusiasm for the multi-year joint stock model had faded. The preamble for the proposed joint stock stated the stock intended 'to last for seven years' but the response was underwhelming – only £10,000 was subscribed.[242] The EIC argued that the Assada scheme had disrupted the necessary subscriptions to carry on the trade, putting it at risk of falling into Dutch hands. They urged the swift passing of an Act of Parliament to protect and sustain the EIC's role in this vital commerce.[243]

In 1649 Parliament asked both the Assada Adventurers and East India Company to submit petitions to the Council of State outlining their views on the East Indian trade. Noting the struggles of the EIC's stocks, the Assada Adventurers opposed the joint stock model of business organisation altogether. Instead, they advocated for the EIC to switch to 'a free regulated trade' model, like that of the Levant Company and Merchant Adventurers. Their petition on 10 November 1649, states '[the Assada Adventurers] object to the proposed Joint Stock for the following reasons', amongst which was the 'hope it will be far more profitable for them to trade to Guinea and Assada and from thence to India than to join in one vast stock for India for a Voyage of five years'. They also noted that 'a Joint Stock has produced neither profit nor encouragement to the adventurers, whereas both have resulted from Particular Voyages'.[244]

The Assada Adventurers were, however, willing to join a joint stock if certain changes were made, including the establishment of a 'settled, fortified habitation' 'as soon as may be with conveniency'.[245] Furthermore, they would concede on their protests of the joint stock model so long as the Company's governance became more responsive to shareholders with the large investments. They sought a new structure of corporate governance, proposing that 'fifteen able merchants' be selected by the Company membership to 'manage the affairs

242 Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, xix.
243 Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, xxiii.
244 Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 369–72.
245 '[T]o manifest that wee are Englishmen and seeke the publique good of this nation as well as our perticuler profitts' they were 'willing to lay aside their own schemes, and join with the Company on the following conditions'. Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 369–72.

of Guinea, Assada, and India' for the first three years of the stock. This group, to be referred to as the 'the Grand Committee', would oversee these regions. And after five years specialised committees focusing on these trade zones – Assada, Guinea, and India – would form, with 'five, or any three' of the Grand Committee members managing the specific areas. Notably, the governor's position would be changed into a 'presidency', which 'may be chosen monthly or by turns'.[246] The Assada Adventurers also proposed changes to the voting system. First, they called for a shift from a show of hands to voting by ballot box, a long-standing point of contention between the generality and the City merchant Committees. Second, they proposed that no shareholder with less than £500 of stock to be given a vote, 'soe the Stocke may governe the Stocke'.[247]

Though hesitant, the EIC cautiously conceded to some of the Assada Adventurers' imperial propositions. The EIC leadership agreed to 'gratify the Assada Adventurers' and 'consent to the island being planted in such manner as those who are engaged therein shall think fit', but with limits. The Assada colonists were not to be permitted to engage in free trade in the port-to-port trade in southern India and Indonesia.[248] Nevertheless the EIC considered the Assada Plantation a bad idea, stating that if the new preamble were "clogged with this plantation, it would bee a great hinderance to that nationall undertaking, which all of all sides seem so much to desire"'.[249] The leadership also warned that 'if this fortification must bee erected by conquest, wee apprehend soe many difficulties as will render it more unfeezible then if it were to be attempted in France, Spaine, or any other European nation'.[250]

On 21 November 1649, two days after the EIC's response to the Assada Adventurers, the two parties reached an agreement. The EIC would remain a joint stock, and the Assada Adventurers would join it. Both sides agreed that a stock of at least £300,000 was needed 'for the carrying on of the trade'. They also agreed that the structure of the Company's governance could change if the shareholders in the next joint stock wished it, and that no shareholder with less than £500 could vote – except in cases where smaller shareholders when banded together had £500 or more, allowing them to vote collectively.[251] Finally, on 31

[246] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 369–72.
[247] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 369–72.
[248] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 374–76.
[249] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 374–76.
[250] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 374–76.
[251] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 377–78.

January 1650, the Council of State confirmed the agreement, although it was never formalized by an Act of Parliament.[252]

3. *Compromise and contest: The United Joint Stock experiment*

The book of subscription for the United Joint Stock opened on 26 December 1649. It struggled to attract investment. After the Council of State's confirmation of the EIC's rights, the Company sought investment from the deepest pockets in England. It reached out to merchants in other commercial hubs in England and also laid open 'special subscription books... before the Council of State and the House of Commons respectively'.[253] These gestures produced no fruit, and in the end the United Joint Stock received a meagre subscription of £30,200.[254] Compared to the Fourth Joint Stock, the UJS did rather well, though compared to other undertakings, the UJS was a middling venture. By 8 March 1654 the UJS had declared four dividends, three in-kind and one in cash, amounting to a cumulative return of 75.5% of the value of the share capital.[255]

From the beginning the United Joint Stock planned for its end. As early as February 1650 the Committees of the United Joint Stock decided it would not send out any more ships after three years, no later than June 1653. At the end of the three years, the long-running conflict between the generality and Committees over representation on the Committees, access to information, and self-dealing resurfaced.

In a General Court on 10 May 1654 the EIC membership again debated 'the best means of carrying on the trade'.[256] According to the Minutes, the shareholders unanimously decided to continue running the Company under a joint stock model of corporate governance. In fact, support for this decision was not unanimous. A group of members, the Assada Adventurers and some others, led by Maurice Thomson, renewed their call for a switch from the joint stock to a regulated model of corporate governance and finance.[257]

As in 1649, the two groups began to submit petitions outlining their views on the trade to the government, now headed by the Lord Protector Oliver Cromwell. The EIC

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[252] William Foster, 'Introduction', in *A Calendar of the Court Minutes Etc. of the East India Company, 1644-1649* (The Clarendon Press, 1912), xxiii, xxv.
[253] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, iv.
[254] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:128.
[255] William Foster, 'Introduction', in *A Calendar of the Court Minutes Etc. of the East India Company, 1650-1654* (The Clarendon Press, 1913), xix.
[256]William Foster, 'Introduction' (1913), xxiii.
[257]William Foster, 'Introduction' (1913), xxii.

pitched the East Indies trade to Cromwell as a key component of the national interest. They argued that if the EIC dissolved because it did not receive a fresh charter, then the English would lose their foothold in the East to the Dutch and Portuguese; the merchant marine would shrink; navigation expeditions would suffer; English merchants (the Company) would lose out on the investments it had already made in the region; England would lose out on foreign commodities; and England's status as a great power would be called into question.[258]

Meanwhile Thomson's proposal made accusations of self-dealing against the joint stock mode of corporate governance that suggest a deep dissatisfaction with how the joint stock was operating:

> 'If the trade is carried on by a company and a joint stock, these will serve the nation with what they please and at what prices they please; and if they alone be allowed to trade in spices they can make what profit they like.'

The solution to this problem -- 'to quallifie that feare' -- was to forgo cash dividends altogether: 'all that is brought in to be divided to each man according to his stock and not sold as a joint commodity'.[259]This proposal could, of course, severely disadvantage the non-merchant shareholders, but at least the agency problem would be gone.

This line of thinking was clearly present in the petitions. For instance, Thomson's group favoured a regulated Company because

> 'a free regulated trade will encourage industry and ingenuity and afford latitude and scope for both, everyone having the ordering of his own business, whereas in a joint stock it is impossible to improve either, and one can only stand idle, having no opportunity to make use of particular talents'.

In other words, since industry and ingenuity would make merchants more skilful, and the opportunity to trade will make the number of merchants more plentiful, England would benefit, they concluded.[260] Furthermore, a regulated model of governance would rid the EIC of its principal-agent problems:

[258] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 333–35.
[259] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 335–37.
[260] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:122–23.

> 'a free regulated trade gives opportunity to all to adventure their estates at any time and in such a manner as they may find convenient, without the limitations or restrictions of a joint stock, where anyone not having money at the set time for subscription must needs be excluded for many years from employing his stock'.[261]

But by empowering merchants to manage their own affairs, the Thomson group argued the scope for rent-seeking within the Company would be diminished:

> 'If the trade is carried on by a company and a joint stock, these will serve the nation with what they please and at what prices they please; and if they alone be allowed to trade in spices they can make what profit they like…' [262]

Put differently, with the joint stock organisational model the directors could use the share capital to enrich themselves and not necessarily the shareholders on whose behalf they were meant to act. They also pointed to the failures of the previous medium-term joint stocks, contrasting them with the successes of the short-term voyages.[263] In short, a regulated trade would release the East Indian trade from the 'scandal of monopoly'.[264]

The EIC responded that the joint stock model allowed the EIC to better protect its price points in India and Europe and to better protect English interests in the Indian Ocean. It provided numerous statistics showing that its business had not suffered because of its faulty design but because of external problems, such as violent competition with the Dutch and Portuguese and interlopers at home.

Indeed, in 1656 several interlopers had entered the Indian Ocean trade zone. Later governors of the Company John Banks and Josiah Child, then young men mostly involved in Navy victualling, joined associations of merchants privately sending ships east. Banks invested in his father-in-law and future EIC director John Dethick's two voyages to the Indian Ocean trade zone, the *Virgin* and the *Dethick*.[265] Although a member of the United Joint Stock's Committees, Thomson also dispatched fourteen of his own ships in 1654.[266]The

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[261] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:122–23.
[262] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 337–39.
[263] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 354–55.
[264] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:123.
[265] Coleman, *Sir John Banks: Baronet and Businessman*, 16.
[266] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 354.

Whig political economist and barrister William Petyt would fondly recall this period of interloping in his tract in favour of free trade, *Brittania Languens*, published in 1680:

> 'In the years 54, 55 and 56 our merchants sold the Indian commodities so low, that they furnished more parts of European then since we have done'.[267]

At the time, merchants outside the Thomson group saw the interloping period differently. In November 1656, a statement by the merchant John Lewes was given to Cromwell. In its first point, it warned 'that, if this 'loose' trade goes on, the customs of Persia, with the large privileges on the Coast of Coromandel and other places which the Company has purchased at such great expense… will be totally lost'.[268]

The EIC monopoly may have been allowed to lay open so long because of the influence of the merchant Martin Noell. Noell was a 'reputed intimate of the Protector' who 'waited on Cromwell'. He was also the brother-in-law of John Thurloe, Cromwell's 'spy master' and 'little secretary', with whom Noell 'was engaged… in more than one government economic enterprise'.[269] Moreover, according to Ashley, Noell had almost all the contracts to 'arrange provisions and payments for the forces abroad'.[270] The Assada Adventurers had the politically influential Lord Fairfax deliver their petition to colonise the island of Assada. Similarly, the Thomson group chose Noell to deliver its petitions to reform the EIC into a regulated company.[271]

The pro-joint stock faction, led by then-EIC governor William Cockayne, called Noell's bluff. Rather than continue negotiations, the General Court for the Fourth Joint Stock – then the flagship stock – announced it would sell 'all their rights and property in the Indies'.[272] Soon thereafter, Noell changed tack. It seems plausible that making the EIC into a regulated company would only have worked if it could inherit the existing commercial infrastructure. At a Council of State meeting dated 5 February 1657 'all present (whereof Mr Noel affirms that one third are not of the said Company) declare[d] that, in their opinion the said trade should be carried on by one united joint stock' and 'Mr. Noel[l] deliver[ed] to the Council a paper entitled Encouragement for a Joint Stock for India'.[273]

[267] William Petyt, *Britannia Languens* (1689), 132, https://name.umdl.umich.edu/A54635.0001.001.
[268] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:129–30.
[269] Ashley, Maurice, *Financial and Commercial Policy Under the Cromwellian Protectorate*, 8, 134 n.4.
[270] Ashley, Maurice, *Financial and Commercial Policy Under the Cromwellian Protectorate*, 10.
[271] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:122–23, 123–26.
[272] William Foster, 'Introduction' (1913), xiv.
[273] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:142.

It followed that in October 1657 the EIC received a new charter. And on the back of that charter, it authored the preamble to the New General Stock (NGS), which reaffirmed the progressive ballot voting system. Then in the first NGS election, which elected several of the Assada Adventurers to the governorship and Committees, in-kind dividends were banned. These changes will be explored in further detail in the section after next. Before then, the changing political role for the Company must be explored.

4. Saltpetre and the political integration of the Company

Between 1649 and 1657 the Assada Adventurers also established a new, firmer role for the Company in the English political economy. Beginning with the Civil War, England began to become a fiscal-military state, which created new political opportunities for those in finance and commerce.[274] In that context, the Assada Adventurers began to import large quantities of saltpetre, an essential ingredient of gunpowder, scarce in England but abundant in India.[275] Furthermore, Indian saltpetre imports allowed the state to meet its saltpetre needs without infringing on the rights of English subjects, as its previous means of acquiring saltpetre had required. The Assada Adventurers thus pioneered a new political role for the Company. The fruits of this new role then became apparent in 1664, on the precipice of the December 1664 withdrawal window. An extraordinary order of saltpetre showed that, along with political security, saltpetre provision enabled the Company to anticipate future wars.

Noell's about-face on how to manage the East Indian trade is significant. He was heavily involved in supplying the Protectorate's military apparatus. Noell was, to take one example, 'the contractor for the anti-Spanish fleet' in Cromwell's war against Spain in the Caribbean Sea.[276] And between 1649 and 1657 the East Indian trade had become an essential part of England's military supply chain. Thomson and Noell both imported considerable volumes of East Indian saltpetre for state use. For instance, in 1656, Thomson and Noell

[274] Patrick O'Brien, 'The Nature and Historical Evolution of an Exceptional Fiscal State and Its Possible Significance for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson', *The Economic History Review* 64, no. 2 (2011): 408–46.
[275] Cressy, *Saltpeter: The Mother of Gunpowder*.
[276] Ashley, Maurice, *Financial and Commercial Policy Under the Cromwellian Protectorate*, 135.

imported 600 tons of saltpetre from eastern India.[277] In a letter to the Council of State, Thomson and Noell made their ambitions clear: 'to make London the chief magazine in Europe for [saltpetre]'.[278]

Indeed, the Assada Adventurers' propositions for managing the East Indian trade, submitted to the Council of State in November 1649, shows the political value of the trade had begun to be defined by saltpetre years earlier. In point twelve, the Assada Adventurers requested,

> 'that the two ships preparing to fetch saltpetre for the use of the Commonwealth be permitted to go freely this year, as well as the two for the Second General Voyage, and four for the Fourth Joint Stock'.[279]

This point did not refer to eight separate ships fetching saltpetre, but rather two, both Maurice Thomson's. The Company protested this exception: 'the two [ships] preparing to fetch saltpetre are not [subordinate to the Company], and therefore ought not to sail for India'.[280] The Council, however, supported Thomson, allowing him to trade privately within the EIC monopoly: 'The Company and Mr Thomson are content to serve the State with saltpetre on the terms already arranged by the latter [Thomson]'.[281] A month earlier, Thomson and fellow Assada Adventurer William Pennoyer had been contracted to purchase as much saltpetre as they could for the state.[282] Pennoyer's charge mentions purchasing from the EIC specifically, whereas Thomson's only asked he import "as much as may be needful" without specification of source.[283] The Council's coming down in favour of Thomson reflects the political value of saltpetre.

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[277] "Volume 130: October 1656," in *Calendar of State Papers Domestic: Interregnum, 1656-7*, 118-146. *British History Online*, accessed July 26, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1656-7/pp118-146.
[278] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:155.
[279] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 369–72.
[280] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 374–76.
[281] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1644-1649*, 377–78.
[282] "Volume 2: September 1649," in *Calendar of State Papers Domestic: Interregnum, 1649-50*, 296-325. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1649-50/pp296-325.; "Warrants," in Calendar of State Papers Domestic: Interregnum, 1649-50, 526-570. British History Online, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1649-50/pp526-570.
[283] "Warrants," in *Calendar of State Papers Domestic: Interregnum*, 1649-50, 526-570. British History Online, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1649-50/pp526-570.

The state's demand for saltpetre had grown, and urgently so, since the outbreak of war in 1641. Between 1640 and 1659 the English fleet had grown from thirty-five ships to 139 ships. In 1640, the English fleet was outfitted with 1,199 heavy guns; in 1659, it had 4,214 guns, though only some of the increase was due to heavy guns.[284] In a petition dated April 1656, two gunpowder makers claimed one ton of saltpetre could reliably produce 30 barrels of gunpowder.[285] Cromwell's Irish campaign, to take one example, consisted of "600 barrels of gunpowder".[286] It follows that twenty tons of saltpetre would have been needed for that campaign alone.

Some saltpetre could be collected in England, albeit at the expense of irritating the public. Cressy produces figures of England's saltpetre haul in 1628, under a system of domestic collection by 'saltpetremen', royally authorised saltpetre collectors. The saltpetremen were assigned to collect 5,234 cwt (hundredweight) of saltpetre; they collected 3,462 cwt, falling 34% of the assigned total.[287] Converted to tons, in 1628 the saltpetremen collected 170 tons, which is not unimpressive unless the costs of irritating the public are taken into account. The saltpetremen dug up chicken coops and toilets and other areas of a property likely to be rich in potassium nitrate (or saltpetre), which naturally bothered those whose property had been trespassed upon. And 'most' court cases in which English subjects tried to defend their property rights against the royal saltpetremen, Cressy writes, were 'determined in the interest of the crown'.[288] Consequently, there was resistance to the saltpetremen, culminating in point 29 of the Grand Remonstrance, the formal list of the Parliamentarian's demands before the outbreak of war: 'Their vexation and oppression by purveyors, clerks of the market and saltpetre men'.[289]

Saltpetre was, however, abundant in India, where it could be obtained without infringing on English property.[290] In April 1649 the Council of State organised "committee

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284 Buchanan, "'Art and Mastery of Making Gunpowder'"
285 "Volume 126: April 1656," in *Calendar of State Papers Domestic: Interregnum, 1655-6*, 245-304. *British History Online*, accessed August 26, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1655-6/pp245-304.
286 Cressy, *The Mother of Gunpowder*, p. 130.
287 Cressy, *Saltpeter: The Mother of Gunpowder*, 106.
288 Cressy, *Saltpeter: The Mother of Gunpowder*, 108.
289 Cressy, *Saltpeter: The Mother of Gunpowder*; Cressy, 'Saltpetre, State Security and Vexation in Early Modern England'.; 'The Grand Remonstrance, with the Petition Accompanying It | Learning from the Past: Drama, Science, Performance | Literature', MIT OpenCourseWare, accessed 17 October 2024, https://ocw.mit.edu/courses/21l-016-learning-from-the-past-drama-science-performance-spring-2009/resources/mit21l_016s09_read15_remonstrance/.
290 Ashutosh K. Jha, 'Production of Saltpetre in Medieval India, with Reference to Bihar', *Proceedings of the Indian History Congress* 56 (1995): 468–70; Ramya Raman et al., 'On the Villainous Saltpetre in Pre-Independent India', *Current Science* 110, no. 5 (2016): 923–27.

for providing saltpetre, without making it at home".[291] Presumably, Thomson and Pennoyer received their contracts from this committee. In 1649 Pennoyer placed an order for two-thirds of the EIC's saltpetre imports that year and began receiving saltpetre from the EIC by February 1650.[292] It is recorded that Pennoyer received saltpetre from the EIC in March, April, and October 1650, and again in January 1651, though, unfortunately, the quantities were not recorded.[293] In May 1651, Pennoyer, Thomson and powdermakers John Berrisford and Daniel Judd offered to purchase all the EIC's saltpetre stock for the rest of 1651, all of 1652, and 200 tons of refined or 400 tons of unrefined saltpetre 'for the next three years following', amounting to a total 1,000 tons.[294] On 6 June 1651, two days after the EIC agreed to the deal, Berrisford requested a two-week delay, and the agreement was not mentioned again in the EIC minutes.[295]

Then, the state made one last attempt at fostering domestic saltpetre production. The push for domestic saltpetre production intensified in the lead-up to England's declaration of war against the Dutch – to be known as the First Anglo-Dutch War – in October 1652. Earlier that year, in January the Ordnance Committee began to contemplate manufacturing saltpetre domestically.[296] By July 1652 new legislation was being drafted to support domestic production.[297] The legislation for saltpetre production was put to Parliament on 16 December 1652 and passed on 9 February 1653.[298] The Act showed how far the state would go to secure saltpetre. The legislation cited a need for a "constant and certain supply of Gunpowder for the supply of the Armies and Navies imployed for the defence and safety of this Commonwealth". Despite past experience, it emphasized "[t]hat digging for Petre and

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[291] "Volume 1: April 1649," in *Calendar of State Papers Domestic: Interregnum, 1649-50*, 65-117. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1649-50/pp65-117.
[292] "Volume 2: September 1649," in *Calendar of State Papers Domestic: Interregnum, 1649-50*, 296-325. *British History Online*, accessed August 26, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1649-50/pp296-325.; CCMEIC 1650-54, 13-4.
[293] *CCMEIC, 1650-54,* pp. 25, 34-5, 65.
[294] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 103–4.
[295] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 107.
[296] "Volume 24: May 1652," in *Calendar of State Papers Domestic: Interregnum, 1651-2*, 231-272. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1651-2/pp231-272.
[297] "Volume 24: July 1652," in *Calendar of State Papers Domestic: Interregnum, 1651-2*, 312-352. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1651-2/pp312-352.
[298] "Volume 26: December and Undated, 1652. 1652," in *Calendar of State Papers Domestic: Interregnum, 1652-3*, 1-74. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp1-74.;"February 1653: An Act For making Salt-Petre.," in *Acts and Ordinances of the Interregnum, 1642-1660*, ed. C H Firth and R S Rait (London: His Majesty's Stationery Office, 1911), 699-702. *British History Online*, accessed August 27, 2019, http://www.british-history.ac.uk/no-series/acts-ordinances-interregnum/pp699-702.

making of gun-powder, be by all good ways and means encouraged."[299]It specified the capacity for the government to nominate specific agents who were to be "impowered and authorized to dig for Salt petre, in all Stables, Cellars, Vaults, Ware-houses, and other Out-houses, Yards, and other places."[300] Additionally, it stipulated that "all Sheriffs, Majors, Bayliffs, Justices of the Peace, Constables and other Officers, are hereby required to be ayding and assisting, as shal need require, to the persons that shall be imployed for the making of Salt-petre by virtue of this act…"[301]

This Act proved to be a wartime measure, as by 1656 it had been repealed.[302] Meanwhile, the state had continued to take saltpetre imports from the East Indies. On 28 May 1652, the Court of Committees reported that 300 tons of saltpetre had been scheduled for import that year – an order 'sent expressly for the State'. The order arrived on 30 December 1652.[303] On 7 April 1653 the Council of State dispatched 90 government men to go aboard the EIC ship the *Eagle* to purchase saltpetre.[304]

And EIC saltpetre imports continued apace despite the change in government brought on by Cromwell's 1653 coup of the Commonwealth Parliament. Six days after the 20 April coup, a letter from Hamburg to John Thurloe – Cromwell's 'spymaster' – reported the Dutch had been purchasing saltpetre "in all parts where they meet with it."[305] On 13 September

[299] "February 1653: An Act For making Salt-Petre.," in *Acts and Ordinances of the Interregnum, 1642-1660*, 699-702. *British History Online*, accessed August 27, 2019, http://www.british-history.ac.uk/no-series/acts-ordinances-interregnum/pp699-702.
[300] "February 1653: An Act For making Salt-Petre.," in *Acts and Ordinances of the Interregnum, 1642-1660*, 699-702. *British History Online*, accessed August 27, 2019, http://www.british-history.ac.uk/no-series/acts-ordinances-interregnum/pp699-702.
[301] "February 1653: An Act For making Salt-Petre.," in *Acts and Ordinances of the Interregnum, 1642-1660*, 699-702. *British History Online*, accessed August 27, 2019, http://www.british-history.ac.uk/no-series/acts-ordinances-interregnum/pp699-702.
[302] "November 1656: An Act for the Exportation of several Commodities of the Breed, Growth and Manufacture of this Commonwealth.," in *Acts and Ordinances of the Interregnum, 1642-1660*, 1043-1048. *British History Online*, accessed August 27, 2019, http://www.british-history.ac.uk/no-series/acts-ordinances-interregnum/pp1043-1048.
[303] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 171, 215.
[304] "Warrants of the Council of State, Generals of the Fleet, &c," in *Calendar of State Papers Domestic: Interregnum, 1652-3*, 459-481. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp459-481. "Letters and Papers relating to the Navy, &c.: February 1653," in *Calendar of State Papers Domestic: Interregnum, 1652-3*, 525-538. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp525-538; 'Volume 34: March 1653', in *Calendar of State Papers Domestic: Interregnum, 1652-3*, pp. 193-248. *British History Online*http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp193-248 [accessed 9 August 2019]. ; "Volume 35: April 1653," in *Calendar of State Papers Domestic: Interregnum, 1652-3*, 249-302. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp249-302.;
[305] "Warrants of the Council of State, Generals of the Fleet, &c," in *Calendar of State Papers Domestic: Interregnum, 1652-3*, 459-481. *British History Online*, accessed August 9, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1652-3/pp459-481.

1653 the Council of State decreed 'The Admiralty Committee to contract with the East India Company for as much of their saltpetre as is necessary for the service'.[306]

The drive to boost saltpetre supply worked, maybe too well. A report by the Admiralty Commission on 21 September 1655 noted,

> "information that great quantities of saltpetre have lately been imported, and that most of it is sold by the East India Company for export… which would be prejudicial at this present juncture as the Act for making saltpetre shortly expires"[307]

In response the Council of State prohibited its export, stipulating that none could be transported without special licensing "until his Highness and Council are satisfied about the place to which the commodity is to be transported".[308]

In December 1657 many of the individuals elected to the first Court of Committees for the NGS were veterans of the saltpetre trade.[309] Maurice Thomson and Thomas Andrews, both saltpetre traders, were elected governor and deputy governor respectively.[310] Of the twenty-four members of the Court of Committees elected, five were also intimately familiar with the East Indian saltpetre trade: William Thomson (Maurice Thomson's brother), William Cockayne, Samuel Moyer, Martin Noell, Nathaniel Temms, and William Ryder had all played key roles in increasing saltpetre imports.[311] The next elections held in July 1658 saw both Maurice Thomson and Thomas Andrews retain their positions and William Thomson, Cockayne, Moyer, Noell, and Ryder remain as directors.[312] The July elections also introduced John Wood, a relative of Maurice Thomson's and an early partner in Thomson's East Indian saltpetre adventures, as well as Captain John Brookhaven, the former captain of the *Lioness*, which established the Company's factory at Hugli, in the saltpetre-rich region of

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[306] Sainsbury, *A Calendar of the Court Minutes, Etc. of the East India Company, 1650-1654*, 260.
[307] "Volume 100: September 1655," in *Calendar of State Papers Domestic: Interregnum, 1655*, 312-361. *British History Online*, accessed August 26, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1655/pp312-361.
[308] "Volume 101: October 1655," in *Calendar of State Papers Domestic: Interregnum, 1655*, 361-411. *British History Online*, accessed August 26, 2019, http://www.british-history.ac.uk/cal-state-papers/domestic/interregnum/1655/pp361-411.
[309] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–98.*CCMEIC, 1655-59*, 197-8
[310] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–98; Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*, 106.
[311] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–98.
[312] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:268.

Bihar.[313] Founded in 1652, the Hugli factory developed throughout the decade to become the largest exporter of East Indian saltpetre for the EIC.[314]

Saltpetre – 'the one East India import which contributed directly to the might of the state' – forged a strong bond between the state and Company.[315] In 1661 King Charles II arranged for the EIC to supply Colonel Daniel Oneal, the officer 'contracted to supply the royal magazines yearly with gunpowder', with 250 tons of saltpetre per year.[316] On 6 May 1664 the Lord Treasurer requested 'all [the Company's] saltpetre now in store', which was 'between 700 and 800 tons', in preparation for the Second Anglo-Dutch War (1665-1667).[317] Then-governor of the EIC, Sir Andrew Riccard, 'declare[d] that this may prove as much for the Company's good as for his Majesty's service', by which he meant both the chance to demonstrate loyalty to the Crown. On 23 June 1665 Sir John Duncombe and his associate Thomas Chichely, on behalf of the Crown, requested the EIC 'to be supplied with saltpetre to the value of £5,000 for "His Majesties and kingdomes occations".[318]Then, 'between 1669 and 1678' the Company 'loaned the government £160,000 worth of saltpeter', accounting for 55% of its total loans to the Crown during that time.[319] In his *Discourse on Trade*, Sir Josiah Child, then a director of the EIC, extolled the Company for 'it suppl[ying] the Nation constantly, and fully, with that (in this Age) necessary material of Salt-Petre'.[320] That same year, 1693, the charter given to the Company by William III included a clause requiring the Company 'shall yearly and every Year… furnish, sell and deliver out of their Warehouses… the Quantity of Five Hundred Tons of good, clean and merchantable Saltpetre'.[321] Similar clauses were included in the 1698 and 1702 charters.[322]

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[313] Jha, 'Production of Saltpetre in Medieval India, with Reference to Bihar'; Raman et al., 'On the Villainous Saltpetre in Pre-Independent India'.
[314] Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, 176; William Foster, 'Introduction' (1916), v.
[315] Coleman, *Sir John Banks: Baronet and Businessman*, 71.
[316] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1660-1663*, A Calendar of Court Minutes Etc. of the East India Company, 1635-1679 (The Clarendon Press, 1922), 6:41–43.
[317] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 34–35.
[318] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 148–49.
[319] Nichols, 'English Government Borrowing, 1660-1688', 88.
[320] Josiah Child, *A New Discourse of Trade Wherein Is Recommended Several Weighty Points Relating to Companies of Merchants : The Act of Navigation, Naturalization of Strangers, and Our Woollen Manufactures, the Balance of Trade, and the Nature of Plantations, and Their Consequences in Relation to the Kingdom, Are Seriously Discussed and Some Proposals for Erecting a Court of Merchants for Determining Controversies, Relating to Maritime Affairs, and for a Law for Transferrance of Bills of Depts, Are Humbly Offered / by Josiah Child.* (1693), 145, http://name.umdl.umich.edu/A32833.0001.001.
[321] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 111.
[322] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 143, 184.

5. Conclusion

On 19 October 1657 the EIC received a new charter from Cromwell. The charter resolved the conflict between the traditionalist pro-joint stock faction and Thomson's faction over how the trade was to be managed. But while the EIC would continue operating as a joint stock company, it 'acquired its new sense of purpose from the former Assada Adventurers, who now assumed the direction of the company'.[323] After nearly sixty years of high incumbency rates, in 1658 nineteen out of twenty-four Committees seats were filled by first-time electees, several of them Assada Adventurers.[324] The corporate governance rules implemented by this new leadership class reflected their deep understanding of the previous regime's limitations.

These two rules in combination helped the EIC address some key challenges to making its transition. By the exit clause, the NGS preserved the individual's right to withdraw one's capital, without requiring the entire stock to liquidate. Meanwhile the proportional voting system created a path for the most-committed shareholders to gain control over the General Court and, consequently, prevent stock liquidation. But this control had to be earned through increased investment rather than through external power and influence, as had been wielded in the 1620 election, for example.

Agency theory suggests that increased investment by directors in the Court of Committees would better align directors' interests with those of the shareholders.[325] Yet before 1657, the EIC leadership consistently held the largest shares in the Company, and the numerous accusations of self-dealing shows that substantial shareholding alone was not enough to convince the generality of the leadership's commitment to the stock rather than self-interest. The Company still needed to reform its dividend policies.

From 10-14 December the NGS held its inaugural corporate election. There, further reforms were introduced, each addressing the shareholders' agency risk. These included provisions requiring one-third of the Committees to 'retire at every election', prohibiting the 'Governor or Deputy Governor to continue in office for more than two years at a time', banning the sale of Company goods 'except at a court of sale by the candle', and mandating 'divisions to be made to the adventurers in money only' were passed.[326]

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[323] Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*, 161.
[324] Aske Brock, 'The Company Director: Commerce, State and Society' (University of Kent, 2017), 142.
[325] Jensen and Meckling, 'Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure'.
[326] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–99.

Each of these measures spoke to some longstanding structural tensions between the generality and directors. The requirement for mandatory annual turnover in the Committees can be seen as an attempt to curb the entrenchment of power in the Company government. This mechanism, though modest, introduced a degree of accountability that had been absent before. Term limits on the Governor and Deputy Governor similarly aimed to curb the consolidation of power. Mandating that all sales take place in public auctions also curtailed the opportunities for directors to exploit their positions for personal gain or to engage in collusion. By improving the transparency of the Company's transactions, this measure ensured that such activities served the interests of the shareholders and the Company as a whole. Finally, the requirement that dividends be distributed in cash, rather than in kind, eliminated a practice that could obscure the true value of returns to shareholders. It ensured clarity in the distribution of profits and reduced the directors' ability to favour certain shareholders and themselves through dividends that benefitted the merchant shareholders but not the others.[327] The reforms formed a coherent framework for reducing agency risk. It is this interplay of reforms, with the ban on in-kind dividends as their cornerstone, that allowed for the possibility of meaningful governance reform – a possibility that had previously seemed unattainable.

[327] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.

Chapter 4: The legal legacies of 1657 (and possibly 1665) for the transition

This chapter explores the legal legacy of 1657 and 1665 for the EIC's transition to a permanent capital. In 1657 two legal documents crucial for the Company's organization were drafted. The first was the charter given by Lord Protector Oliver Cromwell. This charter reinstated the Company's monopoly to the East Indian trade zone. The second document was the preamble to the New General Stock (NGS). The preamble established the terms of investment for prospective subscribers to the NGS, including voting rights, as well as the right to withdraw their investment. The combination of these two documents laid the legal basis for the Company's first stock with a permanent capital. This chapter investigates each to determine if in fact Cromwell's charter reconstituted the Company as a permanent capital.

The conclusions of this chapter have implications for the history of the EIC's business organization as well as corporate theory. To appreciate the importance of this conclusion, before turning to the historical record it will be useful first to outline how corporate theory has framed the question of permanent capital. Two frameworks dominate the literature: Hansmann and Kraakman's 'legalistic' framework and Blair's governance-focused framework.[328] Each offers a different answer to the question of how companies can lock in their share capitals, whether through 'special rules of organisational law' or through arrangements made within the company's corporate governance. Both agree, however, that the right of withdrawal is decisive. If shareholders can withdraw their capital, lock-in is absent.

Hansmann and Kraakman place organizational law at the centre of a corporation's question of permanent capital.[329] In their view, organizational law is a form of property law, its primary role being to delineate the property rights of the firm from its owners. In pursuit of this goal, the key corporate institution organizational law provides is entity shielding. Entity shielding protects the firm's assets from claims by its owners and their creditors. Hansmann and Kraakman specify two degrees of entity shielding, strong and weak. Weak entity shielding ensures that the firm's creditors will be given priority access to the firm's

[328] Hansmann and Kraakman, 'The Essential Role of Organizational Law'; Hansmann et al., 'Law and the Rise of the Firm'; Blair, 'Locking in Capital'.
[329] Hansmann and Kraakman, 'The Essential Role of Organizational Law'.

assets over the shareholders, but does not disallow the investors or their creditors to force the liquidation of the firm by withdrawing their capital.[330] Strong entity shielding, however, gives the firm's creditors priority access to the company's assets *and* provides liquidation protection by disallowing the investors, or their creditors – anyone who comes into possession of a company share – to force the liquidation of the firm. As Rosenthal and Lamoreaux and Dari-Mattiacci et. al have shown, strong entity shielding is considered necessary for a business to credibly commit to long term investments and borrowing, for without it the investments and debts of the firm would be vulnerable to the whims of its investors and their private creditors.[331] And the high monitoring costs of drafting and enforcing entity-shielding contracts with individual shareholders and their creditors, costs that would compound with the allowance of share transfers, in Hansmann and Kraakman's view, make 'special rules of law' necessary: indeed, it 'would be practically impossible in most types of firm to create effective entity shielding *without special rules* of law' (italics mine).[332]

Blair agrees with Hansmann and Kraakman to a point – that organizational law is essential for providing the firm with legal entity status – but disagrees that *strong* entity shielding could only have come about by way of special rules in organizational law.[333] In Blair's framework only bare entity status is necessary for locking in the share capital. If organizational law did not provide strong entity shielding, negotiations and contracts, organised through the company's corporate governance, plausibly could. Today the suite of institutions a firm acquires by incorporating under a corporate charter includes capital lock-in, but in the past corporate charters did not necessarily contain capital lock-in.[334] They did, and always have, however, contained provisions for corporate governance. A company's corporate governance mediates the various interests within it. The shareholders are the primary stakeholders in the company's corporate governance, as their capital is employed on their behalf by the company's directors and agents. If the shareholders become willing to cede their withdrawal rights over their share capital, capital lock-in, and so a permanent

[330] Squire, 'Why the Corporation Locks in Financial Capital but the Partnership Does Not Symposium'; Blair, 'Locking in Capital'.
[331]Lamoreaux and Rosenthal, 'Corporate Governance and the Plight of Minority Shareholders in the United States before the Great Depression', 132–35; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 201.
[332] Hansmann et al., 'Law and the Rise of the Firm', 1340.
[333] Blair, 'Locking in Capital'; Lamoreaux and Rosenthal, 'Corporate Governance and the Plight of Minority Shareholders in the United States before the Great Depression', 130–35; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 199–200.
[334] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 296.

capital, can be negotiated for by the shareholders and managers through the company's corporate governance.

Whether the EIC acquired lock-in through special rules in its charter, or instead through an internal governance settlement, is therefore critical. A charter-based lock-in would support the legalistic framework; a governance-based one would fit Blair's governance-focused framework. The conclusion we reach thus matters both for how we understand the English state's role in fostering the EIC's organizational development as well as how we understand the role of law in constituting the most important form of business organization in history, the corporation.

A prevailing view in the EIC historiography holds that Cromwell's 1657 charter transformed the Company into a permanent joint stock. I call this view the 'charter thesis'. Proponents present the charter as the key to the Company making its transition to a permanent capital. If true it would support Hansmann and Kraakman's legalistic framework, in which capital lock-in depends on special rules of organizational law. Conversely, if Cromwell's charter did not make the Company into a permanent capital, then we should look closer at the Company's corporate governance and capital structure for an explanation as to how it managed to transition to a permanent capital, per Blair.

There is no firm historical consensus regarding Cromwell's charter, however. The charter thesis has been repeated across more than a century of scholarship, from Hunter at the turn of the twentieth century to Keay, Lawson, Stern, Pettigrew and Stein, and most recently Dari-Mattiacci et al. Meanwhile, other historians of the EIC have considered the transition differently. Bryer's history of the EIC's transition, the most thorough to date, does not attribute it to Cromwell's charter, but to the way the Company kept its accounts after it banned in-kind dividends in 1661.[335] And Bryer is not alone in paying little mind to Cromwell's charter. Chaudhuri describes the Company's permanent capital as a policy 'tacitly adopted', and Scott offers that in any case a formal legal document was unnecessary because 'there was a sufficiently free market in shares to render a [withdrawal] provision unnecessary'.[336] In terms of these two explanations, Chaudhuri's, though vague, is nevertheless the stronger. As shown in recent works by Harris and by Smith, there was a not insubstantial amount of share trading in the Company's early years.[337] Furthermore, as

[335] Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.
[336] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 412; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:132.
[337] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 311; Smith, 'The Global Interests of London's Commercial Community, 1599–1625', 1125.

Carruthers has shown, and as I will further show in the next chapter, share trading did not reach any notable level until after 1664.[338]

There is no strong consensus because Cromwell's charter is lost and has been for several centuries. According to Foster, there was a record of Cromwell's charter in an old catalogue of miscellaneous legal documents, but when this catalogue was updated in 1831, the record was 'missing'.[339] No copies have been discovered since. In consequence historians have had to work around that void.

This chapter aims to fill that void, at least partially, by exploring in closer detail the extant documentary record surrounding Cromwell's charter. Fortunately, the record surrounding Cromwell's charter is quite substantial. There yet exists an ample record of the Council of State committee tasked to draft the charter, as well as an ample record of Company meeting minutes describing the charter's contents. There also exists the preamble to the NGS – the stock forged after the Company received Cromwell's charter, and the stock that made the transition to a permanent capital – which established the terms of investment between prospective shareholders and the Company. There also exists Charles II's charter given in 1661, which should contain a clause for the Company's permanent capital, too, if in fact the Company's capital structure was reconstituted as a permanent capital by Cromwell's charter.

This chapter relies on two main sources for the Company's constitutional history. The first is John Shaw's *Charters Relating to the East India Company from 1600 to 1761*, published in 1887. Shaw's volume prints the text of the Company's surviving seventeenth-century charters, including the original incorporation charter of 1600 and the renewals granted under James I and Charles II. These documents set out the formal terms of the Company's settlement with the Crown, and Shaw's edition makes them accessible in a reliable, if nineteenth-century, form.

The second key source is the Court Minutes, which were kept by the Company's secretary and later calendared by Ethel Bruce Sainsbury and William Foster. Unlike the charters, which survive only in Shaw's printed collection, Cromwell's 1657 charter and the March 1665 preamble have not come down to us. The Minutes therefore provide the only surviving record of their contents and, equally important, show how they were acted upon. They capture, for example, the appointment of committees in 1664 to prepare for withdrawals under the 1657 preamble, Sambrooke's report that no capital was in fact withdrawn, and the

[338] Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*, 167.
[339] William Foster, 'Introduction' (1916), xvi.

procedures adopted to admit new subscriptions. In the case of the 1665 preamble, the Calendars preserve a summary of its terms and show how, by 1668, shareholders taking transfers were required to swear an oath conforming to its provisions.

Each source has its limits. Shaw's collection reproduces the text of the charters that survive, but at a remove of more than two centuries; the Court Minutes are selective records of decisions, not debates, and reflect the choices of the Company's secretariat. Yet used together they are indispensable. Shaw allows the surviving charters to be read in full, while the Court Minutes provide the means to reconstruct missing instruments and to see how the Company's leadership implemented them in practice. Taken together, they make it possible to trace the Company's evolving constitutional order during the Interregnum and the early Restoration.

In the end, the investigation undertaken in this chapter does not conclude that Cromwell's charter reconstituted the Company as a permanent capital for two principal reasons. Rather, it concludes the 1657 preamble established some important conditions for the Company to later make its transition. It also concludes that, if formal capital lock-in was legally established in advance of the transition, it was likely done by the March 1665 preamble, which does not include a withdrawal clause.

1. Charters and preambles

A key point of this analysis is that the Company's charter and its preamble served distinct functions, one public, the other private, but that with respect to withdrawal rights, the two had to be consistent. The charter, issued by the state, provided formal incorporation, political privileges, and the conditions attached to whatever political privileges had been granted.[340] Meanwhile, a preamble established the rules of exchange between the company and those doing business with it. The preambles to joint stocks were private agreements between the Company and its investors which set the terms of investment, including the schedule of subscription payments, the commercial aims of the enterprise, as well as voting and withdrawal rights. There were other types of preambles, too. Before every auction, for example, the Company would issue a preamble to establish the rules of the auction.

Preambles were also distinct from the Company's *Lawes and Standing Orders*, the bylaws instituted in 1621 by the members of the Second Joint Stock, which clarified the

[340] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 294.

responsibilities and processes of the Court of Committees, the generality, and the Company's officers. They were developed within the Company's corporate governance, in accordance with the charter, which allowed the Company to tailor the specifics of its corporate governance.[341] Unlike preambles, the *Lawes* persisted from stock to stock, though at first this was not obvious. In 1632 a group of disaffected members of the generality contested the validity of the *Lawes* on the grounds that the generality of the new Third Joint Stock had not consented to them by vote, thereby making them 'essentially illegal'.[342] The Court of Committees replied that since the *Lawes* had been in effect for so long (though just for eleven years), they had become convention and so a de facto element of the Company's constitution.[343] In the end a vote was put to the generality to upend or uphold the *Lawes*, with the generality voting to uphold. Henceforth the *Lawes* were considered a constituent element of the Company's corporate governance.

In comparison, preambles were relatively ephemeral, and the point at which investors or customers consented to the preamble's terms was at the point of contract, not by vote in the General Court. Whether for joint stocks or ad-hoc voyages, the preamble expired at the end of that venture. If the same terms of investment were to persist for the next stock, they would have to be agreed to once more by prospective investors through a new preamble. The NGS preamble included a provision for a progressive system of allocating votes, for example. This provision had been carried over from the previous joint stock, the United Joint Stock (UJS), which itself had departed from the voting practice of its predecessor.[344]

The key distinction is this: charters were public contracts between the state and one of its corporations. Preambles were private contracts between the Company and its investors and customers. They are separate contracts, but they were not supposed to contradict each other. This is not to say that the two documents could not give quite different impressions. Gelderblom, de Jong, and Jonker's analysis of the VOC preamble and charter shows that if VOC investors knew only of the preamble, they would have believed they were investing in a 'customary partnership' .[345] If those investors had also seen the VOC charter, which gave a large role to the Estates General in VOC corporate governance, they would have perceived the public purpose of the company and the innovations in firm governance that were

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341 Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 37.
342 Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 108.
343 Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*, 108–11.
344 Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:131.
345 Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640', 39–42.

implemented towards that purpose. Nevertheless, when it came to shareholders' rights over their capital – the right to withdraw after ten years and the right to transfer shares –the VOC preamble and charter were aligned.[346] If the preamble conferred a right to withdraw capital, then the charter could not have prevented it, lest the state intervened to allow it, as the Estates General did in 1612.[347] Regarding England and the EIC, however, there is no evidence whatsoever that something similar happened under Cromwell in 1657 nor anytime thereafter under a different regime.

It follows that if the charter locked in the EIC's share capital, lock in should be reflected in the preamble. Conversely, if provisions for both capital lock-in and withdrawal rights are absent from the preamble, it is less likely the charter mandated lock-in, though it cannot be entirely ruled out. If, however, the preamble includes a withdrawal clause, we can be confident that the charter did not in fact lock in the share capital.

2. *Cromwell's charter*

The charter in question was confirmed on 19 October 1657. Despite many Company petitions, the Company had been without a charter since Cromwell assumed power in April 1653. During those four years several interlopers entered the East Indies trade. These interlopers formed a rival commercial lobby that petitioned Cromwell's government to restructure the EIC as a regulated company, like the Levant Company and the Merchant Adventurers. But in January 1657 the EIC leadership moved to liquidate all the Company's assets, which would have left its successors with nothing.[348] In light of this manoeuvre, the interlopers and Cromwell's government came to agree the Company should continue as a joint stock.

What we know about the contents of the charter comes from the Company's charter proposals and the Council of State's discussions of those proposals. On 6 February 1657 both the EIC leadership and the interlopers, represented by interloper and Cromwellian power broker Martin Noell, submitted a proposal for a new charter to the Council of State. The

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[346] Gelderblom et al., 'An Admiralty for Asia: Business Organization and the Evolution of Corporate Governance in the Dutch Republic, 1590-1640', 39, 41.
[347] F.S. Gaastra, 'The Organization of the VOC', in *The Archives of the Dutch East India Company (VOC) and the Local Institutions in Batavia (Jakarta)*, ed. Louisa Balk et al. (BRILL, 2007), 15–16, https://doi.org/10.1163/ej.9789004163652.1-556.
[348] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:139.

proposal begins by requesting the EIC to 'be carried on by a company and one joint stock'. Then it asks that Cromwell 'not only confirm the former charter but to add to it the grants and privileges contained in the draft of the new charter laid before the Council'. The other requests had to do with a mandate to 'fortify and cultivate the island of Pulo Run'.[349] From later discussion about the charter we learn that Noell's proposal also sought licenses for the EIC to export more bullion per year, to be allowed more ports from which the EIC could export bullion, the right to export munitions, the right to impose martial law and the legal authority to police its own monopoly.[350] In response to the proposal, the Council 'resolved that it be offered to His Highness [Cromwell]… that the trade of East India be managed by a united joint stock exclusive of all others…'.[351]

Then the legality of the proposed charter was to be investigated. In his report on the charter published 28 February 1657, Attorney General Edmund Prideaux found 'no great or material alterations or additions' to James I's 1609 charter.[352] The Council of State concurred, and on 10 March 1657 recommended Cromwell formalise the new charter.[353] On 29 July 1657 Cromwell himself showed enthusiasm for the new charter, telling the Company 'he was much affected with the business and had declared himself very freely therein'.[354]

A subcommittee, comprised of high-ranking members of Cromwell's cabinet, raised objections to the charter, however. At first its issues pertained to how customs rates would be applied to pepper.[355] But one member of the subcommittee, the Lord of the Great Seal, Sir Nathaniel Fiennes, took umbrage with other charter items. On 1 October 1657 Sir Fiennes requested that 'the limitation for the laws, by-laws, etc. for governing the Company be according to former charters'; 'that the clause for exercising martial law be omitted in the patent and granted by special commissions'; 'that a clause be inserted for His Highness to have power to recall the same if he see cause'; and that some protections from paying customs tax in previous clauses be removed.[356] The Council of State confirmed each of Fiennes' points, which were added to the charter on 9 October 1657. The Company received this pared-down version of the charter ten days later.

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349 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:143.
350 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:xvii–xviii.
351 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:142–43.
352 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:147.
353 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:148.
354 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:156.
355 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:162.
356 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:169.

Stern's suggestion that the charter 'vastly expanded' the EIC's privileges is thus not quite supported by the evidence.[357] The only way it could have 'vastly expanded' the EIC's privileges would have been by expanding its right to act as an independent political authority abroad. It seems unlikely that Cromwell's charter did. Noell's proposal only asks that the EIC be allowed to 'fortify and cultivate the island of Pulo Run'. Moreover, there is no suggestion that Cromwell's charter would have allowed the Company to declare war, and the Council of State disallowed the Company from exercising martial law, limiting its scope to act as if it were a 'company-state'. Charles II's 1661 charter did, however, confer explicitly the right to 'erect and build such Castles, Fortifications, Forts, Garrisons, Colonies or Plantations, at St. Helena and also elsewhere'.[358] It also allowed it 'to make Peace or War with any Prince or People that are not Christians' and to 'govern [Englishmen in India] in such legal and reasonable manner as the said Governor and Company shall think fit'.[359] It thus seems more credible that Charles II's charter, not Cromwell's, 'vastly expanded' the EIC's privileges.

But supposing Cromwell's charter did confer the right to fortify and colonise anywhere, it would make sense for him also to reconstitute the EIC as a permanent joint stock. Thus the phrase 'one joint stock', also present in the preamble, could suggest Cromwell had done so. Yet the phrase is absent from Charles II's charter, which, in all other respects, more explicitly mandates the EIC to fortify and colonise.[360] Charles II's 1683 charter is in fact the first available charter that explicitly directs the EIC to operate as a joint stock. That charter does require that the EIC be 'carried on with such Advantage as by a Joint Stock', but it says nothing about it as a permanent, joint stock.[361]

Similarities in the contexts of 1683 and 1657 suggest these phrases had more to do with settling conflict between rival commercial lobbies than with 'reconstituting' the Company on a permanent basis. In the run up to October 1657 the EIC was divided between two factions, one in favour of a regulated company, the other in favour of a joint stock.[362] Likewise, in 1683 the EIC's organisation was contested by a coalition of wool producers and merchants, Levant Company merchants, bullionists, and Whigs.[363] Cromwell's charter came

[357] Stern, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India*, 21.
[358] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 45.
[359] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 45.
[360] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 32–46.
[361] Shaw, *Charters Relating to the East India Company from 1600 to 1761*, 71.
[362] Roper, *Advancing Empire: English Overseas Interests and Overseas Expansion, 1613-1688*, 136–60.
[363] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:145–49.

only after those in favour of regulation – who had stronger political ties – shifted their stance, evidenced by Noell's proposal quoted above. Similarly, in the run up to the 1683 charter England had weathered its 'exclusion crisis', which drew the lines between the royalist Tories and parliamentarian Whigs, foreshadowing the Glorious Revolution of 1688. By the early 1680s the EIC had aligned with a coalition of royalist organizations and actors against the Whigs. Sitting EIC Governor Josiah Child had emerged as an ardent Tory, a stance he maintained through the Glorious Revolution.[364] It is likely that Charles II reaffirmed the joint stock model in the 1683 charter because his allies controlled the Company's corporate governance.

The ultimate test is whether capital lock-in was included in the preamble. Dari-Mattiacci et. al (2017) write that 'the establishment of capital lock-in calls for the development of additional features', meaning 'a legal innovation, not merely a contractual one'.[365] The contract between the EIC's investors and the Company should reflect this innovation, as it would have borne directly on the shareholders' rights. Specifically, there should be no allowance for capital withdrawal, because 'strong entity shielding' – or capital lock-in – 'prevents individual owners from withdrawing their capital and forcing the liquidation of the company'.[366] If there is a clause allowing withdrawal, the charter thesis should be rejected.

The preamble did confer the right to withdraw one's capital. The terms of investment were set forth in the paragraphs following the subscription payment schedule. The second paragraph reads:

> 'And we the subscribers do severally further agree, that at the end of Seven years, to commence from the time of the first payment aforesaid, then by a Committee who shall be chosen by the Generality of Adventurers for that purpose, a Just and Indifferent Valuation shall be made of all the remains of Stock then undivided, whereby *any Adventurer that shall please to draw forth his remains may be paid the same in Money according to that valuation* at Three six months time, and any other

[364] Henry Horwitz, 'The East India Trade, the Politicians, and the Constitution: 1689-1702', *Journal of British Studies* 17, no. 2 (1978): 1–18.
[365] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 200, 195.
[366] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 199.

persons that please may bring in fresh money according to the said valuation. And it is also agreed, that the like indifferent valuation' (italics mine).[367]

This clause has two implications. Since the preamble did confer the right to withdraw, the charter thesis should be rejected. But, by allowing new investment from new investors to replace whatever had been withdrawn, the preamble nevertheless made possible a *de facto* permanent capital, so long as sufficient capital remained in the Company.

The Company's meeting minutes seven years later, in the run up to the first withdrawal window in October 1664, show the Company was aware of these implications. On 1 July 1664 the Court of Committees – the board of directors – created a subcommittee to explore 'how adventurers may withdraw their stock' and 'how fresh money may be brought in'.[368] On 5 October 1664, that subcommittee determined 'any adventurers wishing to withdraw part or all of their stock must do so by writing in a book laid open for that purpose' and that doing so was to 'precede the valuation of the stock'.[369] The subcommittee also discussed what was to be done 'in the event of all the adventurers withdrawing their stock', though it had not arrived at a conclusion. Those concerns did not materialise. On 7 November 1664 the accountant general Jeremy Sambrooke reported to the Committees that no adventurers had withdrawn. The Committees announced this news to the General Court on 12 December 1664, when it provided to the shareholders the first valuation required by the preamble.[370]

In sum, because the preamble provided the EIC's investors with the right to withdraw after seven years, the legal legacy of Cromwell's charter was in fact narrower than has been suggested elsewhere. Cromwell's charter was responsible for returning to the Company its monopoly rights, and for clarifying that the Company was to be a joint stock rather than some other organizational form. But it was not responsible for locking in the share capital. What remains is to explore the preamble further, to determine the extent to which its provisions, if at all, established rules that encouraged de facto capital lock-in despite the withdrawal clause.

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[367] *All Corporations and Particular Persons That Are willing to Become Adventurers to East-India Are Desired to Take Notice, That at the East India House.. Lyeth Open a Book of Subscription.* Baker Library, Harvard University. Cambridge, Massachusetts. 1657.
[368] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 49.
[369] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 90.
[370] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 103, 115–16.

3. The preamble

On 19 October 1657 the book of subscription for the NGS was laid open. On the first page was printed the preamble to the NGS.[371] The preamble was also advertised in Marchmont Needham's weekly *Mercurius Politicus* from 22-29 October, promoted as 'an advertisement of very great importance', suggesting its contents had the potential to reach a wide audience.[372] Indeed, £739,895.75 was subscribed by 867 subscribers.[373]

The preamble contained nine provisions.[374] First, subscriptions had to be at least £100 and subscribers had to pay in their subscriptions in instalments per a set schedule, also printed in the preamble. Second, dividends were to be paid only on capital actually paid in, not on capital merely subscribed. Third, after seven years and at triennial intervals thereafter, investors were to be allowed to redeem their investment, as its then-assessed value. If any investors withdrew, new investment could be brought in from elsewhere on the same terms. Fourth, votes were to be allocated per £500 invested. Smaller subscribers, however, were allowed to combine their holdings to reach that threshold. Fifth, any subscriber caught engaging in private trade within the Company's sphere would have their subscription forfeited. Sixth, the new stock would assume the assets and obligations of its predecessor the UJS, including the colony of Pulo Run. Seventh, the new stock would pursue the Guinea trade. Eighth, the length of time the subscription book would remain open, for residents of London and for those living further afield, was specified. Finally, it provided for the creation of a committee to value the assets of the UJS and to manage the Company's affairs until the first election in December later that year.

Two of the provisions listed above set the EIC on course to later make its transition to a permanent capital. First, like the preceding stock, votes in the General Court were to be awarded for every £500 of stock held. This created a pathway for corporate control through stock ownership. By allocating one vote per £500, control – in terms of votes – was poised to be concentrated in the hands of large investors. Smaller shareholders could pool their resources to claim a vote, but the practical effect was to ensure that those with the greatest financial commitment carried the greatest influence in the General Court. This was a marked departure from the Company's earlier egalitarian voting system, which had left it vulnerable

[371] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:173–75.
[372] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:173 n.2.
[373] See chapter 5, table 5.3.
[374] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:173–75.

to the collective will of small shareholders and exposed to liquidation votes in the General Court. Corporate control, if established, could insulate the Company from votes to liquidate, such as had frustrated its efforts to run longer stocks in the past.

Second, the withdrawal clause did not provide for an unconditional return of the full principal. In 1664 a valuation would be made of the Company's assets by an internal committee, and if one decided to withdraw, they would withdraw an amount equal to the new value of their capital according to that valuation. If the Company was struggling, withdrawal would crystalise a loss. If the situation was not entirely dire, it might make sense to hold, should the value of the stock recover in the future. And if the Company was flourishing, the valuation was unlikely to match the premium a shareholder might achieve by selling on the market, should they wish to exit.

We of course cannot take market rationality for granted. That said, when considered jointly these two provisions would have made it quite unlikely that the EIC would suffer a liquidation in 1664. Because of progressive vote allocation, the investors most capable of influencing Company policy were also to be those with the largest sums at risk. And because withdrawal was to be conditioned by a Company valuation, these shareholders would have had little incentive to withdraw, except if the future of the Company was truly hopeless. If valuations were low but not entirely hopeless, the most invested should prefer to hold in the hope of recovering of the Company's value or a higher share price. If valuations were high, they were more likely to sell or maintain their position than to exit by withdrawal.

4. *The 1665 preamble: contractual lock-in?*

So far, the chapter has attempted to substantiate two claims with regard to the legal legacy of 1657. First, Cromwell's charter did not lock in the share capital. Second, the preamble, by way of its voting and withdrawal provisions, made it more likely than not the EIC would not suffer a liquidation upon the first withdrawal window in 1664. But before concluding this chapter, another preamble will be considered. The probability of a robust transition to a permanent capital without formal capital lock-in would have been much lower than with formal lock-in. It is plausible that a second preamble, signed March 1665, formally locked in the share capital.

After the 1664 withdrawal window had passed, on 13 January 1665 the Court of Committees discussed the need for a new preamble:

> 'Some inconvenience having arisen lately by the conditions of the preamble of this Stock, which is likely to continue if not prevented, the Committee of Accounts are desired to prepare a short preamble to invest the management of all affairs in the generality'.[375]

By 18 January 1665 a new preamble had been drafted, and on 26 January it was read out in the General Court.[376] The shareholders were given until 16 February to consider the new preamble, and on 16 February they offered some amendments to it. By 10 March 1665 it had been 'perfected', and on 16 March 1665 the shareholders signed on to it.

Like the 1657 charter, the 1665 preamble is shrouded in mystery because neither the original nor a copy exists or can be found. Unlike the 1657 charter, fortunately, a summary of the 1665 preamble, taken from a no-longer extant printed copy, does exist. According to this summary, the new preamble seems to have made two changes. First, it increased the power of any shareholders with holdings of £500 or more in the General Court. Second, it eliminated the right to withdraw.

In a footnote in Sainsbury's *Calendars of Court Minutes* covering the years 1664 to 1667 summary versions of the preamble's terms are listed.[377] Three of the five terms concern shareholder rights within the Company's corporate governance. On net, these increased the power of shareholders with £500 of stock or more in the General Court. As in the 1657 preamble, any individual with £500 of stock was to have the right to vote and every £500 of stock one held permitted them one additional vote.[378] But the 1665 preamble departed from the 1657 preamble in two ways. The 1657 preamble allowed individuals with less than £500 to band together to vote. This clause is missing from the 1665 preamble. Most significant was new language regarding the right to force a vote on new corporate legislation. Per the new preamble, anyone with £500 of stock or more could force a vote on new rules which, if passed by a ballot measure, would apply to all members of the Company. This right-to-be-heard was not included in the 1657 preamble.

Second, the 1665 preamble seems to have eliminated the right to withdraw. Point four required the Company to perform a valuation of the stock every seven years, as it had

[375] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 121.
[376] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 121, 123.
[377] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 133 n.1.
[378] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:173–75.

been required by the 1657 preamble. But there is no mention of the right to withdraw. According to the summary, the valuation is to be provided so 'that thereby the shareholders may see how the stock stands', but it made no mention of withdrawal. Furthermore, there is no mention of withdrawal, neither in the Committees nor the General Court, in the meeting minutes in the run up to, nor after, the 1671 and 1678 valuations.[379]

It is also notable that, beginning in 1668, the directors required recipients of stock transfers to take an oath that referenced the March 1665 preamble.[380] The 1668 oath reads:

> 'I do accept of the foregoing adventure upon the conditions expressed in the preamble dated 16th of March 1664[381]: and do also oblige myself to the true performance thereof; and by the oath I have taken that no foreigner or alien or other person whatsoever besides myself, and such as are natural or naturalised subjects to our Lord the King, have directly or indirectly interest herein, nor to my knowledge shall have hereafter by my means or consent'.

If the 1665 preamble had, in fact, eliminated the right to withdraw, this new oath would have eliminated the possibility that a shareholder, or the personal creditors of any shareholder, new or old, could force the liquidation of the Company by withdrawing.

The combination of increasing the rights of the general shareholders and the elimination of withdrawal rights suggests a bargain. In exchange for giving up the withdrawal rights, the shareholders received a right to put new rules to vote in the General Court. Consequently, if the shareholders did not like capital lock-in, they could vote to remove it. Thus, from March 1665, the future of the permanent capital would ultimately be determined by the EIC's corporate governance. It follows that the EIC's transition fits better in Blair's 'governance' framework rather than Hansmann et. al's 'legalistic' framework.

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[379] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673* (The Clarendon Press, 1932); Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1677-1679* (The Clarendon Press, 1938).

[380] Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1668-1670* (The Clarendon Press, 1929).

[381] Back then the new year began on March 24. In the modern calendar, the proper date is 16 March 1665.

5. Conclusion

The evidence presented suggests Cromwell's 1657 charter did not create a permanent capital for the Company. The 1657 preamble granted a withdrawal right at seven years and thereafter at triennial intervals, which is incompatible with formal capital lock-in. What 1657 did accomplish was to restore the monopoly and to settle the Company's organization as a joint stock, while the preamble's voting and valuation provisions lowered the probability of liquidation at the first withdrawal window. The decisive move toward capital lock-in possibly came later, with the March 1665 preamble, which appears – according to the best surviving summary – to have removed withdrawal and strengthened the hand of substantial shareholders.

This conclusion rests on a composite evidentiary base. The text of the 1657 charter is lost, but proposals to Council, the Council of State's minutes, and the Company's own minutes record its scope and the narrowing amendments imposed before confirmation. Shaw's printed charters allow comparison with the 1661 and 1683 grants. The preamble's terms survive, as do the Company's preparations for the 1664 valuation and the absence of any actual withdrawals. For 1665 we possess a contemporary summary, the minute trail of its drafting and approval, and the 1668 oath binding transferees to the new settlement. Taken together, these sources allow a coherent reconstruction of what the Company and its governors understood and enacted.

Mechanically, the 1657 preamble made a near-term run on the Company unlikely. Progressive voting rights tied influence to stake size, while the valuation-based withdrawal rule dulled the appeal of exit except in dire conditions and gave large holders incentives to hold or sell on the market rather than redeem at book. The 1665 preamble appears to have exchanged withdrawal rights for enhanced procedural voice in the General Court, consolidating control among substantial investors and, via the 1668 oath, extending the settlement to new entrants through transfers.

These findings bear on corporate theory. They favour Blair's governance-focused approach over Hansmann-Kraakman's legalistic account. Entity shielding and liquidation protection were not bestowed exogenously by special organizational law in 1657; they were achieved through internal rules acceptable to investors and enforceable within the Company's constitutional order. Public law still mattered, of course. Charters defined monopoly and political powers, with 1661/1683 more clearly enlarging these, but the locking-in of capital emerged from negotiated corporate arrangements rather than a single statutory act.

Chapter 5: Securing the transition: EIC stockholding and stock trading, 1657-1679

The previous two chapters covered the changes in the Company's corporate governance and the political security of its monopoly between 1642 and 1657, with an exploration of the 1665 preamble and its implications for locking in the EIC's share capital. That analysis shows substantial institutional improvements to the Company's private and public principal-agent relationships were made during that period. This chapter departs from the narrative method of previous chapters and instead undertakes a quantitative analysis of new descriptive statistics instead. It looks at the evolution of the structure of stock ownership and the rise of stock trading over the first twenty years of the New General Stock.

It does so for two principal reasons. In the past, as has been shown, the Company struggled to keep its joint stocks together because of disturbances in its General Court. These disturbances were at least in part a consequence of the egalitarian voting system. That was what the Company leadership believed, and that belief is not without its merits. In the Company's early years, it was also the case that the market in shares was not all that developed. Harris and Smith show some share trading in the Company's early years, perhaps more than has been appreciated, but for some reason, unlike their Dutch counterparts, the EIC's share market did not blossom then.[382] Perhaps this was because the emergence of the VOC share market marked the 'completion' of the Dutch Financial Revolution, as Gelderblom and de Jong put it, rather than the initiation of said revolution.[383] In the English case, as Dickson shows, it was in fact the EIC's transition to a permanent capital which played an initiatory role in the English Financial Revolution.[384] It benefited from and also stimulated the enthusiastic investment environment documented by Davies, and it also meant the English government's long-term debt, much of it owed to the EIC, could be securitised via EIC shares.[385] Indeed, the EIC could not in all likelihood have lent the Crown the entirety of its share capital in 1698, on what was essentially a permanent basis, without having established a permanent capital for itself. And on this point, Chaudhuri writes, with the rise of share liquidity, 'The ownership of the Company's stock now implied instead a permanent

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[382] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, 311; Smith, 'The Global Interests of London's Commercial Community, 1599–1625', 1125.
[383] Gelderblom and Jonker, 'Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595-1612'.
[384] Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756*, 118, 127, 136.
[385] Davies, 'Joint-Stock Investment in the Later Seventeenth Century'.

unit of investment with a marketable value', rather than an investment temporarily made and to be withdrawn at a certain date.[386]

Since liquidation votes were at least in part a function of corporate control (or lack thereof), and shareholders choosing to withdraw rather than sell to exit, it seems worthwhile to look at these two variables. However, this is not to say that developments in these variables occurred explicitly to support the transition to a permanent capital. The record does not contain information on the intentions of the leadership nor of the generality with respect to the transition. Chaudhuri, I think accurately, describes the transition as a 'tacit' process.[387] The analysis to follow merely proposes to trace the development of two variables which, if developed in a certain way, would support the Company's transition to a permanent capital.

And the chapter records significant developments in both. By 1671 a small group of shareholders had effectively consolidated corporate control. Likewise, by 1671 and thereafter the volume and frequency of share trading increased markedly. Furthermore, network analysis of those trades shows the emergence of individual traders acting as market makers, suggesting the market for EIC shares was also becoming more sophisticated.

In pursuit of this analysis, this chapter produces near-complete reconstructions of EIC stock ownership for the years 1657, 1661, 1666, 1671, 1672, 1673, and 1674, and continuous data for EIC stock trades spanning 1659-1679. These datasets are in themselves novel contributions to the literature. They were taken from the EIC's stock ledger and general ledgers, as well as Sainsbury's calendars of EIC Court Minutes. The commercial and commodity accounts in the general ledgers have been explored exhaustively in Chaudhuri's seminal work on the EIC from 1660-1760.[388] The financial accounts have not been. Individual shareholders' stockholdings have been reconstructed here from records of dividend payments. These reconstructions provide individual-level analysis of EIC stock ownership in the mid-seventeenth century that is more refined than Davies' analysis for the years 1675, 1691, and 1693, and is on par with Bowen's analysis of stock ownership in the late 18th century.[389] In other words, these provide the clearest, most-detailed, and earliest reconstructions of EIC stock ownership at the time of writing.

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[386] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 418.
[387] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 412.
[388] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*.
[389] Davies, 'Joint-Stock Investment in the Later Seventeenth Century', 296.; H. V. Bowen, *The Business of Empire: The East India Company and Imperial Britain, 1756–1833*, 1st edn (Cambridge University Press, 2005), 99, https://doi.org/10.1017/CBO9780511495724.

With respect to stock trading, descriptive statistics for the figures produced here have been in circulation for some time. Carruthers derived triennial averages for EIC share trading over the second half of the seventeenth century from a 1980 PhD thesis by Peter Loughead.[390] I have reproduced the same data, and have found that, due to a mis-heading of one of Carruthers' columns, the total value of stock traded between 1660 and 1679 has been underestimated, or so it appears to me. The real value added by this analysis, however, is in the network analysis of these stock trades. This analysis provides a nice prelude to Murphy's history of the origins of English financial markets and adds quantitative texture to Davies' qualitative study about the emerging culture of joint stock investment in the Restoration.[391]

There are limits to what these figures can tell us, however. We do not have reliable share price data, and so we cannot determine if share trading was motivated primarily by individuals wishing to exit the stock or by individuals speculating in it. Chaudhuri provides a handful of price quotations, but they are few and far between and tend to have wide ranges, suggesting some scope for speculation.[392] It is notable however that throughout the 1657-1679 period covered here, nowhere in the Court Minutes, nor in the many petitions agitating against the EIC, is there a suggestion that the Company leadership or others manipulated the share price to profit by shorting shares, accusations made frequently of the Dutch East India Company (VOC) leadership and others trading in VOC shares when the VOC share market flowered in the early seventeenth century.[393] When it came to price manipulation, critics of the Company resented it for not opening its book of subscription for further investment.[394] By doing so, the Company limited the supply of available equity, and, when the Company began to look increasingly promising in the 1670s, this meant new investors had to buy into the Company at high prices.

The chapter proceeds in three subsections. First, the sources and method of data extraction are accounted for. Second, an analysis of the structure of stockholding is undertaken. Third, an analysis of EIC share trading is undertaken.

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[390] Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*, 167.

[391] Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble*; Davies, 'Joint-Stock Investment in the Later Seventeenth Century'.

[392] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.

[393] J G van Dillen and Asha Majithia, 'Isaac Le Maire and the Early Trading in Dutch East India Company Shares', in *Pioneers of Financial Economics*, ed. Geoffrey Poitras (Edward Elgar Publishing, 2006); de Jongh, 'Shareholder Activists Avant La Lettre: The "Complaining Participants" in the Dutch East India Company, 1622–1625'.

[394] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:140.

1. Data and sources

In his study of English joint-stock companies in the seventeenth century, Davies (1952) reconstructed EIC stockholding for the years 1675, 1691, and 1693.[395] The EIC produced shareholder rosters, including the volume of their holdings, at the request of Parliament. Today these rosters all can be found in one leatherbound volume in the British Library's India Office Records (IOR) collection.[396] He organised his reconstructions of the stock along three benchmarks of the paid-in values of EIC shares: £1-£300, £301-£1,999, and £2,000+.[397] In 1675 stockholders with £300 or less owned 11.7% of the total share capital of £369,891.25; stockholders with £301 and more but less than £2,000 owned 56.7% of the total share capital; and stockholders with £2,001 or more owned 31.6% of total share capital.

The way Davies has organised his data does not allow us to see the structure of vote holding in the General Court in 1675. If every stockholder held exactly £500 of stock, the maximum number of votes possible would be 1,479.[398] But this maximum was not fixed, as the stockholders' stockholdings varied, and Davies' reconstructions obscure this variation. Davies' reconstructions also obscure the identities of the stockholders, which could provide a window into the social characteristics of power within the General Court. To better understand how the structure of EIC stockholding changed over time during the transition, more observations with sufficient resolution to track stock ownership at the individual level between 1657 and 1675 are needed.

To understand stockholding at the individual level I have reconstructed it for the years 1657, 1661, 1666, 1671, 1672, 1673, and 1674. Each reconstruction includes the name of the stockholder and their corresponding stockholding. From these figures I have calculated the number of votes held by each stockholder, distinguishing directors sitting at the time of the sample from the rest.

For the structure of stockholding upon the founding of the NGS, I digitised records of subscription payments that were recorded in the stock ledger, a book of accounting specifically for keeping track of stock transactions.[399] The stock ledger contains records of each subscription payment into the New General Stock, as well as dividend payments and

[395] Davies, 'Joint-Stock Investment in the Later Seventeenth Century', 301.
[396] British Library (BL), *India Office Records* (IOR), IOR/H/1, *Home Miscellaneous*, London.
[397] Davies, 'Joint-Stock Investment in the Later Seventeenth Century', 301.
[398] Votes were allocated according to the nominal value of stockholding (twice the paid-in value). The total nominal capital was thus £739,892.50.
[399] British Library, IOR/L/A/G/1/1/10.

records of share transfers. Only one of these ledgers still exists for the seventeenth century, and it covers only the years 1657-1668.

There is reason to trust the veracity of the stock ledger. The Company would not have wanted to pay more in dividends than it had to, and stockholders would have been inclined to make sure they were paid what they were in fact owed. One way to judge the veracity of this source is to determine whether the sum of the paid-in capital recorded matches the Company's published paid-in capital. In the stock ledger, the accountant recorded every individual payment alongside the name of the payer. The NGS collected only 50% of its subscription. To assess how much of the total collected subscription that I recovered from the accountant's stock ledger, I compared the sum of what I had recorded to the actual paid-in capital of £369,891.25 (table 5.1). In my entering of the data, I find that 99.95% of the actual paid-in value of the NGS was recorded in the stock ledger.[400]

The veracity of the stock ledger, as well as of the general ledgers, is further proved by a similar exercise. The Accountant General recorded every transaction made by, and within, the Company in the general ledgers, large thousand-page books. The accounts were kept in an orderly, double-entry fashion. Chaudhuri made exhaustive use of these ledgers in his landmark business history of the EIC. Most important for my purposes, they record the uses of the Company's money, including dividend payments. Since dividends were paid according to the paid-in stockholding, as per the preamble, we can reconstruct the EIC stock at the individual level.[401]

To find the paid-in stockholding, I divided the amount paid to the shareholder by the dividend rate. Doing so produced near-complete reconstructions. Reconstructions of the stock for the years 1661 and 1666 were derived from the dividend records in the stock ledger, while those for the years 1671, 1672, 1673, and 1674 were derived from the dividend records

[400]In response to the government's request for a loan in June 1659, the Company offered a 4% discount for speedy payments made on subscriptions. This might account for the 0.05% difference.
[401] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:173–75.

in the general ledgers.[402] Of the six years, only 1666 yielded under a 98% recovery of the share capital. Each of the other years came within 1% of the total share capital (table 5.1).

Table 5.1: Summary statistics of EIC stock recovered from the stock ledger and general ledgers

Year	No. of accs.	Stock counted, paid-in (£)	% of total capital (£369,891.25)	Mean holding	Median holding
1657	867	369,639.64	99.93	426.34	249.50
1661	688	362,975.00	98.13	513.40	362.50
1666	565	336,440.00	90.96	595.47	400
1671	550	366,813.63	99.17	666.93	500
1672	534	365,346.23	98.77	676.57	500
1673	529	367,051.23	99.23	691.25	400
1674	527	366,903.75	99.19	693.58	400

Sources: IOR/L/AG/1/1/1-6, 10.

For stock transfers, a dataset was put together from records of transfers listed in E.B. Sainsbury's *Calendars* of EIC Court Minutes for the years spanning 1655-1679.[403] Before 1673, each individual share transfer had to be approved by the Court of Committees. Accordingly, each proposed transfer was discussed in Court of Committees meetings. After 1673, responsibility for approving share transfers was devolved to the Accountant General. Even so, they still merited a mention in the Court of Committees, where transfers were still recorded. In the hardcopy originals of these minutes, the approved transfers were recorded at the end of an entry, suggesting that discussion of them rounded off Committees meetings. Sainsbury compiled the records of each of these transfers in the appendices of her *Calendars*, which I have used to develop a dataset. These records include the date of the transfer, the names of the transferor and transferee, and the nominal value of the stock transferred, and

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[402] British Library, IOR/L/A/G/1/1-6.

[403] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1660-1663*, 6:370–74; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 426–32; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1668-1670*, 398–404; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*, 306–14; Ethel Bruce Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1674-1676* (The Clarendon Press, 1935), 396–407; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1677-1679*, 329–37.

they are structured in that order, making them quite to amenable digitisation. Table 5.2 provides summary statistics for the data collected.

Table 5.2: Summary statistics for EIC stock transfers, 1657-1679

Total no. of transfers	Total number of individuals	Total amount of stock transferred	Median size of stock transfer	Average size of stock transfer
1,941	1,173	1,469,426.97	500.00	766.92

Sources: CCMEIC, 1655-1679.

Data was collected for 1,941 transfers between 1,173 individuals for a total of £1,469,426.97 of stock (table 5.2). The median trade was £500, and the average was £766.92. The median suggests that individuals bought and sold shares in accordance with what was necessary for a vote in the General Court. The much higher average size of stock transfer reflects the occurrence of a number of sizable transfers.

Before proceeding, a note must be made regarding the number of individual traders. The number recorded in table 5.2 reflects the number of different names I found when entering the data directly from Sainsbury's appendices. Some of those names are likely marginal misspellings, causing one person to appear as two and so forth. For example, there are entries for Thomas Tite and Thomas Tyte, and Benjamin Thorogood, Benjamin Thoroughgood, and Benjamin Throgood. These are probably the same person. In preparing the data for analysis I standardised the spellings of names, both for the reconstructions of stockholding as well as stock trading. I did this so I could get a more accurate idea of exit and entry into the stock between the cross-sections of stock ownership that I derived from the stock ledger and general ledgers. I also did this to lessen the noise of the network for my network analysis. In doing so, I have potentially introduced bias into the data. If I did, I think it is marginal. Regardless, in the appendix I have recorded all 226 names that I standardised.

This new dataset of stock transfers provides a correction to a table commonly cited in the English financial history literature.[404] Carruthers (1996) reproduced a table from a 1981 Oxford PhD thesis by Peter Loughead.[405] For three-year periods running from 1661 to 1689, the table gives statistics for the average number of trades per year and the 'Total Value' of

[404] Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*, 167; Murphy, *The Origins of English Financial Markets: Investment and Speculation before the South Sea Bubble*, 17.
[405] Peter Loughead. The East India Company in English Domestic Politics, 1657-1689. Ph.D. dissertation. Oxford University. 1981. 151.

stock traded. But the 'Total Value' given by Carruthers does not fit with the total value one finds in the *Calendars*, which cover up to 1679. Carruthers' value is about six times too small because what is listed as 'total value' in Carruthers is in fact the three-year average paid-in value of total stock traded. Consequently, English financial histories have underestimated the volume of EIC stock trading before the London stock market.

Table 5.3 compares the figures taken from Carruthers with the same figures taken from the *Calendars*. While the triennial average number of transactions is similar, there is a large gap in the total value. The *Calendars* record the nominal value of the transferred share. Because only half of the subscription to the NGS was collected, each stockholder has two values tied to their stockholding. The nominal value reflects the subscription, and the paid-in value reflects what was paid on the subscription. The EIC gave votes according to the nominal value of the stock but paid its dividends per the paid-in value. If the nominal values in the *Calendars* are divided in half, and then divided again by three, they become quite close. The slight gap that remains between the two has to do with human error, either Loughead's or mine, in recording the individual transfers.

Table 5.3: EIC stock transfers, 1661-1678, compared with Carruthers (1996)

	Carruthers (1996)		**Jennings (2025)**		
Years	Average no. of transactions	Total Value (nearest £100)	Average no. of transactions	Total Nominal Value (nearest £100)	Total Paid-in Value (nearest £100)
1661-63	44	18,900	43	109,700	54,850
1664-66	57	23,900	55	139,100	69,550
1667-69	71	32,100	67	196,900	98,450
1670-72	126	47,000	124	273,300	136,650
1673-75	152	53,800	144	311,200	155,600
1676-78	131	55,400	128	251,200	125,600

Sources*:* Carruthers (1996) and Jennings (2025).

The chief advantage of this new dataset is that it makes visible who traded with whom, when. Harris (2020) posits the EIC was successful because it could foster impersonal cooperation across a large network of individuals.[406] The degree of impersonal cooperation can be observed by a simple directed network analysis of the identities of the EIC share traders. With individual-level data, the extent of the market and the emergence of market makers can be identified, and market openness can be assessed. Last, we can discern what influence the directors had on the market for EIC shares.

2. *Corporate control: The structure of stockholding, 1657-1674*

The key questions for this analysis of NGS stockholding structure are: Did a small group of stockholders control a majority, or near-majority, of votes? If so, when, and how cohesively? Were the rest of the votes scattered across a large, fragmented group of stockholders? If a controlling interest was established, such a group could head off liquidation votes.

Berle defines corporate control as a 'function of the ownership of voting stock'.[407] There are two types of corporate control: absolute control and working control.[408] Absolute control occurs when a cohesive group of stockholders has control over 50% plus one of all votes.[409] 'Working control' occurs in cases where a cohesive group commands less than 50% of votes but can reliably mobilise a majority.

Table 5.3 offers a cursory view of how the stockholding structure changed over the NGS's first seventeen years. A significant contraction in stockholder accounts occurred between 1657 and 1661. Several sold out of the stock during the economic and political troubles in 1659 and the uncertainty of the restoration of the monarchy in 1661. Between 1661 and 1666 the number of stockholders fell again, though the 1666 data is incomplete and consequently underreports the actual number of accounts. If there was indeed a sizable decline during this time, it might be because of the Second Anglo-Dutch War (1664-1667), the plague outbreak in 1665, or the Fire in 1666, each of which disturbed English markets and, plausibly, EIC investors too. After 1666 the number of stockholding accounts stabilized, hovering between 565 and 527 in the samples remaining.

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[406] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*.
[407] Adolf A. Jr. Berle, 'Control in Corporate Law', *Columbia Law Review* 58, no. 8 (1958): 1213.
[408] Berle, 'Control in Corporate Law', 1213.
[409] Alternatively, a controlling interest 'may be no less absolute' with less than half of all votes if the 'remaining… [votes] is split among hundreds or thousands of small stockholders'. Berle, 1213.

Throughout these first seventeen years the mean and median stockholding increased, albeit with some fluctuation. The mean stockholding increased in each successive sample, though the median did not. In 1657 the mean stockholding was £426.34 and the median was £249.50. By 1671 the mean stockholding had grown to £666.93 and the median to £500. By 1674 the mean stockholding had grown even further, to £693.58, but the median had fallen, to £400. The growing divergence between the mean and the median indicates growing inequality of stock ownership over the period. In conjunction with the declining number of accounts, table 5.4 offers that stock ownership within the Company was becoming more and more concentrated, accelerating so after 1672.

Table 5.4: Structure of EIC stockholding, % of total paid in capital (£369,891.25)

Size of holding (£)	*1657*	*1661*	*1666*	*1671*	*1672*	*1673*	*1674*
<99	1.5	0.7	0.4	0.4	0.3	0.3	0.4
100–499	30.1	25.5	17.1	15.3	15.3	15.4	15.4
500	17.8	14.6	13.5	13.1	12.8	11.6	11.9
501–999	18.8	16.2	12.6	13.3	13.6	12.3	12.4
1,000	5.9	8.4	8.7	7.3	6.5	6.2	5.7
1,001–1,499	9.2	8.9	7.2	9.5	8.4	8.8	7.7
1,500	2.8	2.4	3.2	3.6	3.6	2.8	2.8
1,501-1,999	6.0	7.3	7.8	4.5	5.0	5.5	5.5
2,000	2.2	3.2	4.3	2.7	2.7	3.8	4.3
>2,001	5.5	10.8	16.1	29.4	30.5	32.6	33.1
unaccounted for	0.1	1.9	9.0	0.8	1.2	0.8	0.8

Sources: IOR/L/A/G/1/1/1-6, 10.

Table 5.4 shows the structure of stockholding for the years 1657, 1661, 1666, 1671, 1673 and 1674. The data is organised in £500 increments, with exact holdings at every £500 mark separated out to show if investors aligned their holdings with vote thresholds. Three trends are apparent.

First, stock ownership tended to concentrate upwards. The share of total stock held by those with £2,001 or more increased sixfold, from 5.5% in 1657 to 33.1% in 1674, with the most significant jump – 13.3% – occurring between 1666 and 1671. Second, the stock tended to flow up from the 'middle class' of investors to the highest class. Here 'class' is not in reference to any measurement outside of the Company. Rather, it refers to the stockholding bracket with which the shareholders belonged. The share of stock held by the 'middle class' – those with holdings between £100-499, exactly £500, and £500-999 – declined approximately by a quarter between 1657 and 1666, after which it stabilised. The £100-499 group's share of stock nearly halved between 1657 and 1674, declining from 30.1% to 15.4%, with most of the decline occurring between 1657 and 1666. From 1671 onward, the share of stock held by stockholders with £100-499 stabilised. Third, the share of stock held by those in holdings ranges between £1,001 and £2,000 hardly fluctuated at all throughout the period. Overall, the stock concentrated in accounts with £2,001 or more, with stock flowing from smallholding stockholders to large.

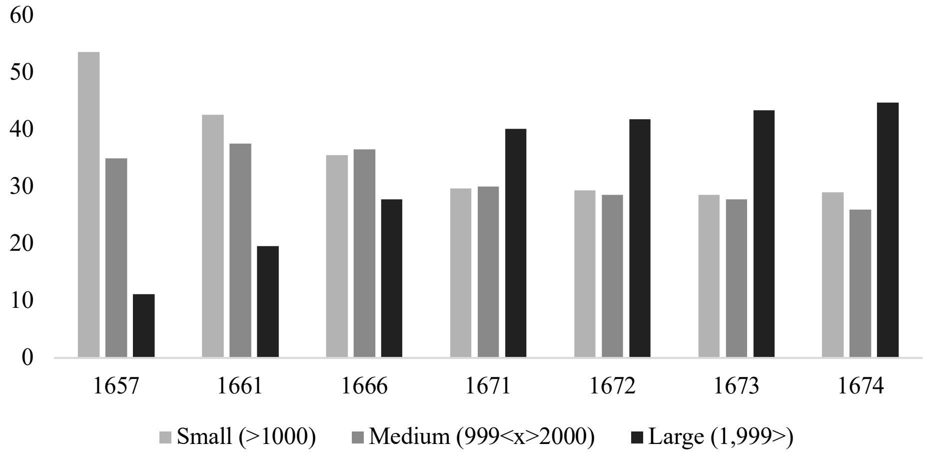
Table 5.5: Whipple Index, EIC stockholding, 1657-1674

Year	Whipple Index
1657	294
1661	271
1666	234
1671	210
1672	205
1673	199
1674	201

Sources: IOR/L/AG/1/1/1-6, 10.

The structure of stockholding shows a tendency to invest in increments of 500. It is plausible that the more stockholder invested in increments of 500, the more consciously they were targeting their investments to obtain votes in the Company government. Table 5.5 shows Whipple indices calculated for each of the stockholding years. The Whipple index calculates the frequency of observations at rounded numbers. It is typically used in historical numeracy studies to observe age heaping. The higher the Whipple index, the more heaping, and vice versa. Table 5.5 shows the Whipple index for EIC stockholding fell over time. In 1657 and 1661 it was very high, at 294 and 271 respectively, and by 1674 it had fallen to 201. This suggests that over time EIC investors placed less emphasis on tailoring their stockholding for the purpose of securing votes.

Figure 5.1: Distribution of votes by stockholding class, 1657-1674



Sources: IOR/L/AG/1/1/1-6, 10.

Figure 5.1 shows the distribution of votes by stockholding class. As we would expect, the stockholders with £2,001 or more had an even more outsized presence in the Company's structure of vote holding. All stockholders with less than £500 had no votes. In 1657 and 1661 stockholders with holdings ranging from £501-999 had a plurality of total votes, though only just. This changed after 1661. Between 1661 and 1666 stockholders with £2,001 or more acquired a plurality of total votes, and this group's hold over the total number of votes continued to grow to 1674.

Berle's definition of corporate control requires that only a few stockholders control a majority of the votes while the rest of the votes are distributed across many stockholders. The number of stockholders with £2,001 or more stock quadrupled between 1657 and 1674, stabilising around 32 from 1671 onward (Table 5.6). Although the top class of stockholders increased sixfold during this period, accusations made against the Company in 1674 that only 40 individuals owned more than half of the stock can now be proven false – though the critics were not far off.[410] Conversely, the number of stockholders with less than £99 invested dropped sharply from 102 in 1657 to 25 in 1666, after which it remained steady. This indicates the EIC was both becoming less and less of a stock made up of very smallholding stockholders. It was also becoming less of a 'middle class' stock. By 1674 the number of

[410] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:140.

stockholders with £100-499 had fallen to 54% of its 1657 level, and the number of those with £500 or £501-999 also declined. The size of middle-class stockholding groups declined the most over the first nine years of the stock before becoming relatively stable from 1666 onward.

Table 5.6: Structure of EIC stockholding, no. of stockholders

No. of stockholders	*1657*	*1661*	*1666*	*1671*	*1672*	*1673*	*1674*
<99	102	44	25	25	22	21	23
100–499	456	364	268	245	244	249	248
500	132	108	100	97	94	86	88
501–999	96	84	66	70	69	65	65
1,000	22	31	32	27	24	23	21
1,001–1,499	27	26	22	29	26	27	23
1,500	7	6	8	9	9	7	7
1,501-1,999	13	16	17	10	11	12	12
2,000	4	6	8	5	5	7	8
>2,001	8	14	19	33	33	32	32

Sources: IOR/L/AG/1/1/1-6, 10.

One powerful subgroup within the EIC was the sitting directors in any given year. Twenty-six directors were elected each year to manage the Company's capital and were given the authority to call General Courts. To qualify for a directorial position, a stockholder needed at least £1,000 worth of stock, meaning the minimum share of total stock held by directors was 7.03%.[411] Table 5.7 shows the total share of ownership held by sitting directors. Sitting directors' ownership increased from 10.81% in 1657 to 24.47% in 1674, with some fluctuation in between. While the general trend was upward, to varying degrees, some years saw regressions. The greatest leap occurred between 1673 and 1674, likely due to the emergence of Josiah Child as a major EIC stockholder; he was first elected to the Court of Committees in 1674. Between 1672 and 1674 Child's stockholding surged by 587.87%, from £1,650 to £11,350, making him the largest EIC stockholder in 1674.

[411] 100*((1,000*26)/369,895.25)= 7.029.

Table 5.7: Sitting directors' share of EIC stock, 1657-1674

Year	Directors' share of stock (%)	Non-directors' share of stock (%)	Notes
1657	10.81	89.19	
1661	11.72	88.28	Missing* John Lewis and William Williams
1666	12.80	87.28	Missing John Paige, Michael Davison, William Harrington, and Rowland Wynne
1671	15.12	84.88	
1672	19.45	80.55	
1673	16.15	83.85	
1674	24.47	75.53	

*The values of missing directors' shares were set at £1,000, the lowest possible amount to qualify for a directorship.
Sources: IOR/L/AG/1/1/1-6, 10.

The group of investors with £2,000 or more stock was possibly a quite cohesive group that included several individuals who were elected as directors. Across the years recorded here, there were sixty-four unique accounts that held £2,000 or more stock. Two of these accounts were institutional: managed by Maurice Thomson, the remaining capitals of the Fourth and United Joint stocks had been invested in the NGS before being finally liquidated. Four of the sixty-four accounts held £2,000 or more stock across all the recorded years: the governors and directors Maurice Thomson and his brother William Thomson, and the directors Stephen White and John Robinson. Of the sixty-four individuals, thirty had been elected director at some point between 1657 and 1679. Ownership of £2,000 or more stock more often followed a shareholder's election as director than preceded it, though only marginally. Eighteen shareholders acquired holdings of £2,000 or more after becoming directors, while twelve held that amount either before or in the year of their first election. Furthermore, the composition of this group overlapped between the years: 75% of accounts with 2k or more in 1661 had 2k or more in 1657; 78.95% of accounts with 2k or more in 1666 had 2k or more in 1661; and 66.71% of accounts with 2k or more in 1671 had 2k or more in 1666. From 1671 on, however, the overlap grows, to 92.11%, 84.21%, and 94.87%. Part of this may be due to less time passing between samples.

The tables above point to two periods of substantial change in the structure of EIC stockholding. The first occurred between 1661 and 1666, coinciding with the Second Anglo-Dutch War (1664-1667), the plague outbreak in 1665, the Great Fire of London in 1666, and, crucially, the first window of withdrawal from the stock in 1664. In this first period, small and 'middle class' stockholders experienced the most considerable decline.

The second period began in 1666. Between 1666 and 1671 the concentration of EIC stock among the highest echelon of stockholders accelerated sharply. The volume of stock owned by stockholders with £2,001 or more saw the most significant increase in between 1666 and 1671, rising by 13.3%. After 1671 this group's share of the total stock continued to grow, though at a more moderate pace. Two notable events occurred during this period: first, in 1668 the EIC was granted sovereign rights to the Bombay colony by the Crown; second, in 1671 the EIC stockholders faced their second window of withdrawal. In addition to these events, the EIC's trade flourished, rebounding from the lows experienced during the war.[412]

The volume of votes owned by the highest class of investors does not obviously meet Berle's condition for 'absolute control' (50% + 1 vote), but it is likely they could have had 'working control'. The top class of investors was small and held a majority of the stock, while the rest of the stock was dispersed among many investors with small holdings. Tables 5.6 and 5.7 show that as late as 1666 stockholders with one vote held a plurality of all votes and that these votes were split across hundreds of shareholders. They also show that from 1671 onward stockholders with four or more votes held a wide plurality of all votes and that this group of stockholders was quite small. If the upper echelon of EIC shareholders were indeed a close-knit group with similar interests – an assumption no doubt that needs to be substantiated in future research – then that group came close to absolute control over the EIC.

3. Share liquidity? Share transfers, 1659-1679

To understand how the East India Company made its de facto transition to a permanent capital, it will also be helpful to understand the liquidity of its shares during the Restoration. Liquidity determined whether investors could exit their positions without forcing the

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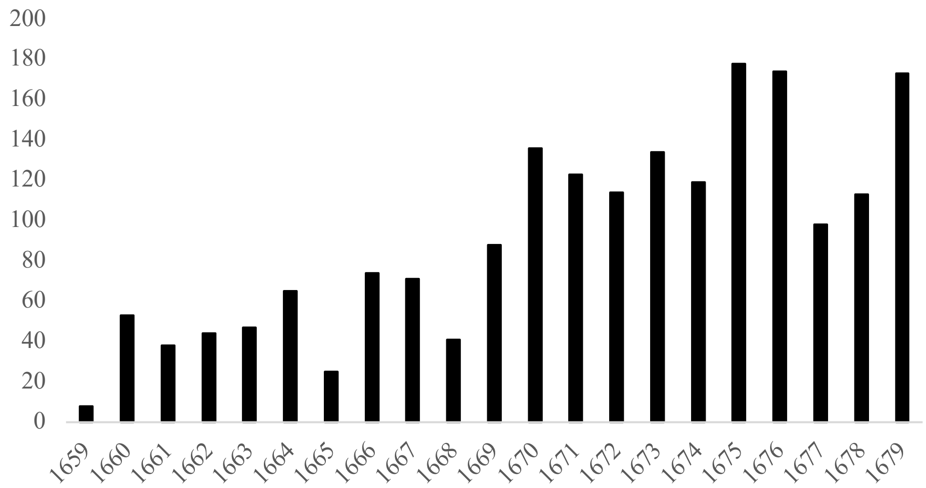
[412] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760.*

Company to liquidate or redeem capital, and thus whether the new joint-stock form could sustain itself. If shares could be readily bought and sold in the market, investors would tolerate the risks of indefinite investment, since their commitment was tied not to the Company's redemption of the stock but to the possibility of transfer. In this sense, the emergence of a functioning secondary market in EIC stock during the 1660s and 1670s underpinned the Company's permanence.

Figure 5.2: Annual no. of share transfer, 1659-1679



Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1635-1679*. Oxford: Clarendon Press. 1907-1938.

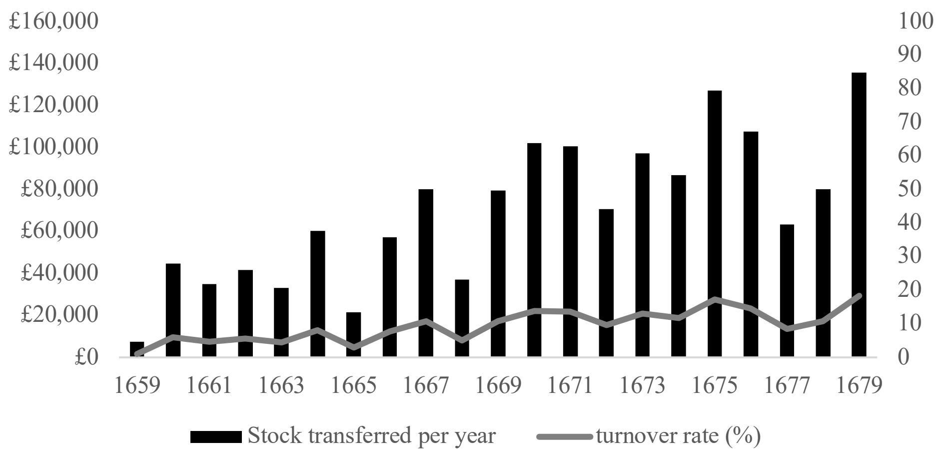
Stock transfers became increasingly common over time, particularly from 1670 onward (Figure 5.2). In 1659 the number of stock transfers was relatively low, but it gradually increased over the next five years. The Court of Committees had blocked proposed share transfers in 1658 because some stockholders had yet to take the corporate oath, which was required to become a 'freeman' of the Company. Although stockholding was theoretically open to all, newcomers first had to purchase a membership in the Company and then confirm it by taking the Company's oath before they could acquire stock.[413] When the Court of Committees blocked transfers in 1658, they reminded the stockholders that 'no adventurer shall transfer part of his adventure until he has taken up his freedom, and the person to whom the transfer is made must also be a freeman, in accordance with the rules of the Company's charter…'[414] The oath had been more controversial in 1657 than previously in

[413] Mishra, *A Business of State: Commerce, Politics, and the Birth of the East India Company*.
[414] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:243.

the Company's history. Certain passages required adventurers to forswear claims on ships then trading in the East Indies outside the Company's licence, and several new EIC stockholders, including later EIC governors Josiah Child and John Banks, were awaiting the return of ships they had privately dispatched while the trade was open during the first four years of Cromwell's reign.[415]

Stock transfers then declined substantially from 1664 to 1665, likely due to the outbreak of plague in London. All but three directors – Sir George Smith, Thomas Papillon, and Benjamin Albyn – fled London, and the East India House (EIC headquarters) closed at the end of September 'for a time'.[416]Transfers fell in 1668, but this decline was followed by a steady rise from 1669 onward. The number of stock transfers per year then grew substantially from 1670, reaching a peak in 1674. After a slight dip in 1675, the upward trend resumed, with 1677 and 1679 marking the highest levels of stock transfer activity between 1659 and 1679. Overall, Figure 5.2 indicates an expanding market for EIC stock.

Figure 5.3: Stock transferred (£) and turnover rate (%), 1659-1679



Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1635-1679*. Oxford: Clarendon Press. 1907-1938.

Figure 5.3 illustrates the volume of stock transferred annually alongside the turnover rate (the volume of stock traded divided by the nominal share capital, £739,782.50). While the volume of stock transferred fluctuated somewhat from year to year, the overall trend shows an increase, with peaks in 1669, 1670, 1671, 1675, and 1679. From 1659 to 1669 the

[415] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:188.; Coleman, *Sir John Banks: Baronet and Businessman*, 3–21.
[416] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, xiii.

turnover rate hovered between 1% and 10%, while from 1670 to 1679 it fluctuated between 8% and 18%. These trends, combined with the rising number of annual stock transfers, indicate that EIC stock became increasingly liquid from 1670 onward.

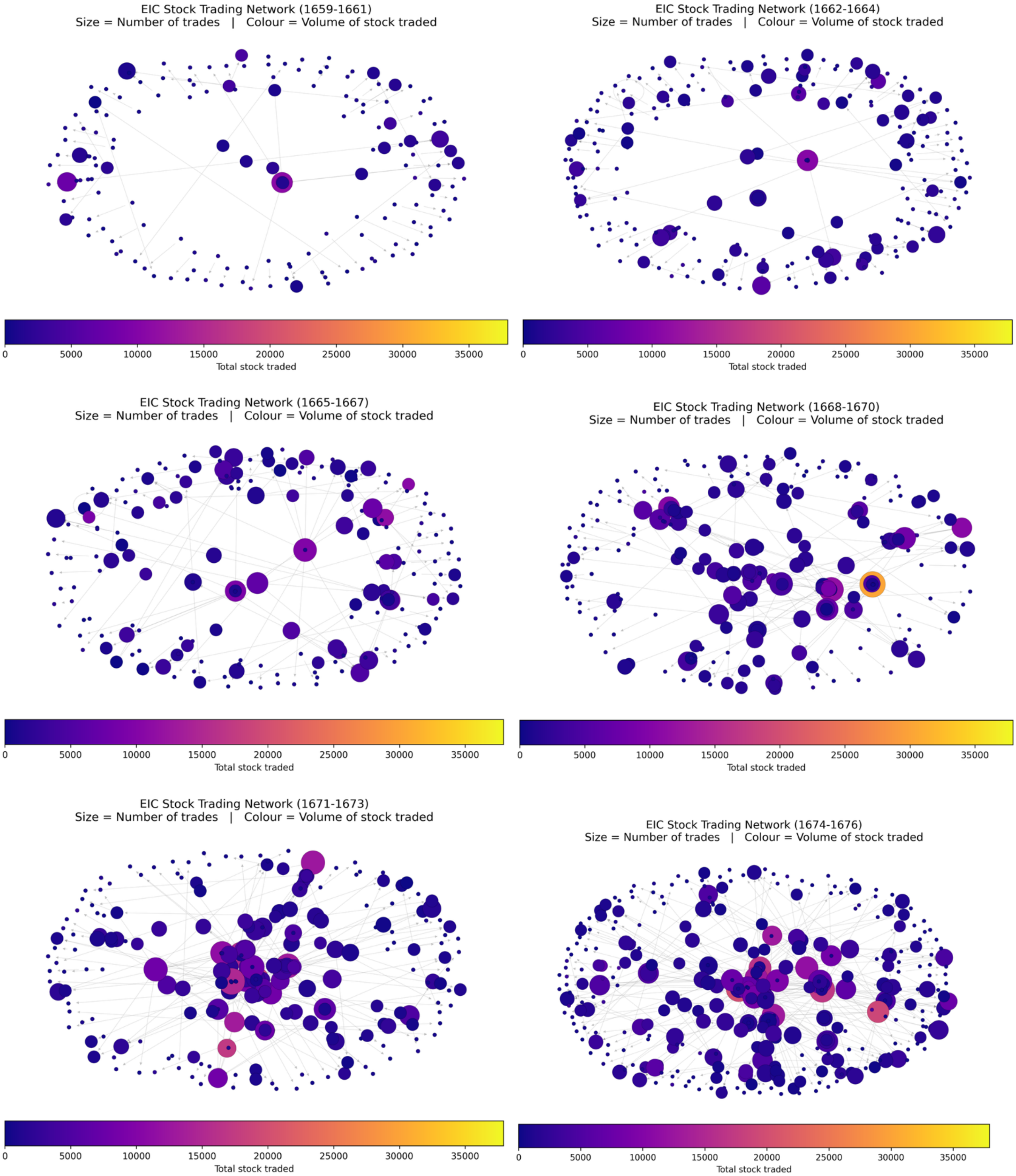
Over time it appears the market for shares became more sophisticated. Table 5.8 reports descriptive statistics for the EIC's stock trading network, segmented into three-year intervals spanning 1659 to 1679. Below that table, Figure 5.4 shows visualisations of the EIC stock trading market network, also segmented into three-year intervals spanning 1659 to 1679. In these networks individual traders are represented as 'nodes', with the transactions between them forming the 'edges'. The network is a 'directed network': the edges have a directional component. In this case, edges proceed from the seller in a share transaction towards the buyer. In the networks below the nodes are distinguished from one another by their size and colour. The size reflects the number of transactions an individual made, and the colour indicates the total volume of stock by that individual in the given period.

In the descriptive statistics, density measures the proportion of all possible connections that were realised; in sparse markets, this figure remains close to zero even as absolute numbers of trades increase. Average in-degree and out-degree report how many counterparties the typical trader dealt with, while the weighted measures show the typical volume bought or sold. The clustering coefficient measures the likelihood that a trader's counterparties also traded with one another; high values would suggest the formation of tightly knit groups, while values near zero indicate a diffuse market.

Table 5.8: Descriptive statistics for the EIC stock trading network, 1659-1679

Period	Nodes	Edges	Density	Average In-Degree	Average Out-Degree	Average Weighted In	Average Weighted Out	Clustering Coefficient
1659-1661	159	101	0.004	0.635	0.635	541.509	541.509	0.0
1662-1664	226	154	0.003	0.681	0.681	597.836	597.836	0.0
1665-1667	208	171	0.004	0.822	0.822	761.875	761.875	0.0
1668-1670	246	251	0.004	1.02	1.02	882.85	882.85	0.026
1671-1673	280	342	0.004	1.221	1.221	955.575	955.575	0.038
1674-1676	370	446	0.003	1.205	1.205	861.997	861.997	0.023
1677-1679	339	372	0.003	1.097	1.097	823.566	823.566	0.02

Table 5.8 presents network characteristics that contrast with the impression conveyed by visualisations of the same networks. With each passing period, the visualisations appear increasingly crowded and clustered (Figure 5.4). The discrepancy reflects the difference between absolute and relative measures. The visualisations highlight the sheer growth in activity and draw the eye to a handful of central traders who conducted many transactions while often ending with limited net positions. These market makers gave the market the appearance of a denser fabric, though most traders continued to deal with only a few others. The apparent density of the images therefore reflects the rise of intermediaries rather than the emergence of a tightly connected trading web.


EIC Stock Trading Network (1659-1661)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded
EIC Stock Trading Network (1662-1664)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded
EIC Stock Trading Network (1665-1667)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded
EIC Stock Trading Network (1668-1670)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded
EIC Stock Trading Network (1671-1673)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded
EIC Stock Trading Network (1674-1676)
Size = Number of trades | Colour = Volume of stock traded
0 5000 10000 15000 20000 25000 30000 35000
Total stock traded

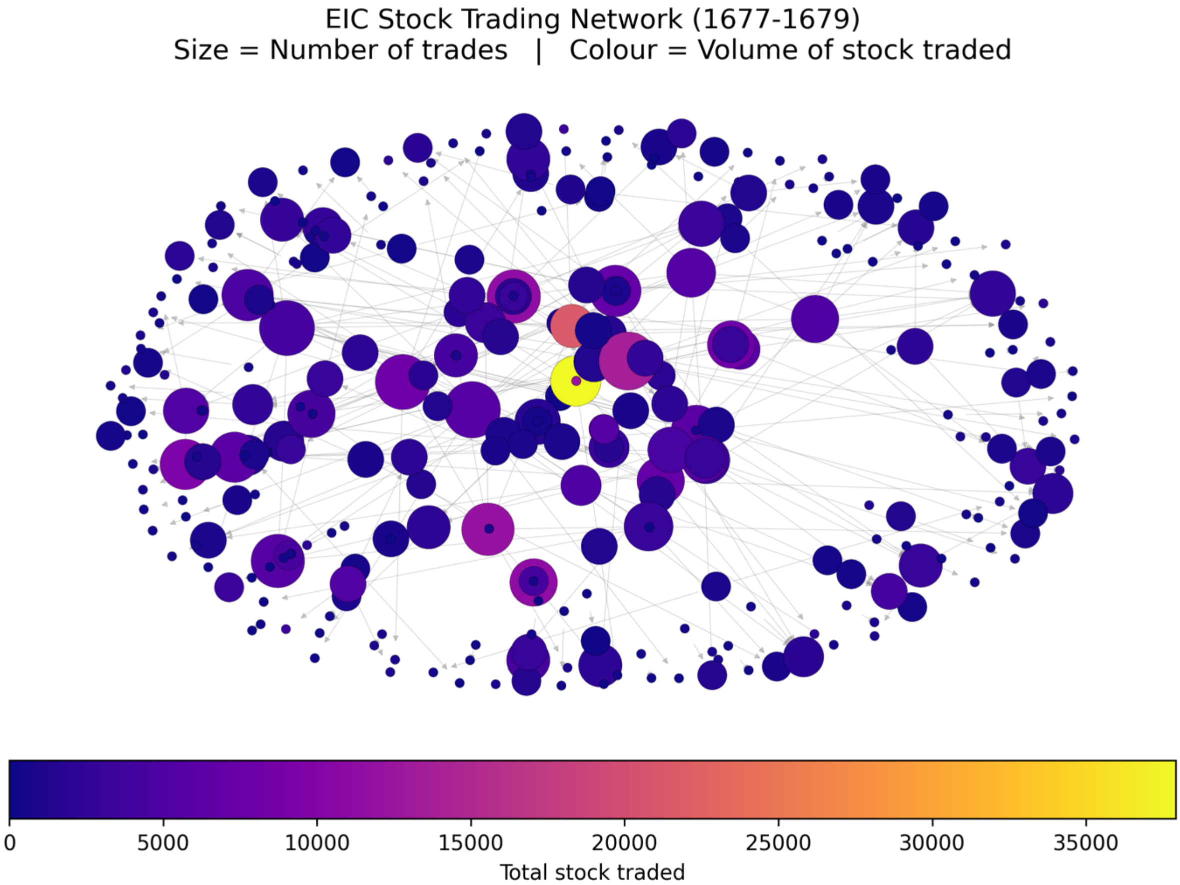


Figure 5.4: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1635-1679*. Oxford: Clarendon Press. 1907-1938.

Table 5.9 reports the names and metrics of activity for possible market makers. Here I define market makers as those who made a large number of trades but maintained relatively balanced positions over each three-year window. For each trader I calculated the number of trades, the total volume exchanged, the net position (purchases minus sales), a ratio reflecting the absolute net position divided by total volume of stock traded, and the 'degree', or the number of individuals with whom they traded. The results show that in every period a small group of individuals occupied this role. They bought and sold significant volumes of stock, often through dozens of separate trades, yet ended the period with little net exposure. Several names recur across periods, such as George, Lord Berkeley; Nathaniel Herne; and Abraham Dolins. Berkeley and Herne were active merchants and also directors in the EIC. Berkeley was also a founding member of the Royal African Company and governor of the Levant Company in 1672.[417] Dolins was a prominent financier; he had helped manage the sale of

[417] 'Berkeley, George, First Earl of Berkeley (1626/7–1698), Politician', Oxford Dictionary of National Biography, https://doi.org/10.1093/ref:odnb/2209; 'Herne, Sir Joseph (Bap. 1639, d. 1699), Merchant and Financier', Oxford Dictionary of National Biography, https://doi.org/10.1093/ref:odnb/37537.

Dunkirk to the French in 1662, and according to Davies 'bought and sold stock with remarkable freedom' and was a 'broker who jobbed as a sideline'.[418]

Table 5.9: Candidate market makers in the EIC stock trading network, 1659-1679

Period	Trader	Trades	Volume	Net Position	Net Ratio	Degree
1662-1664	Samuel Richardson	9	10,300	-100	0.01	8
1665-1667	Christopher Boone	13	9,900	700	0.07	11
	William Sedgwick	9	6,650	350	0.05	8
	George Lord Berkeley	8	9,200	-200	0.02	8
	George Papillon	6	3,600	0	0.00	5
1668-1670	George Papillon	26	30,100	1700	0.06	21
	Thomas Sprigg	11	7,400	1000	0.14	10
	Nathaniel Herne	9	10,500	1500	0.14	8
	William Sedgwick	7	3,150	400	0.13	7
	Samuel Wastell	5	5,250	450	0.09	5
	Thomas Manning	5	1,070	170	0.16	5
	James Edwards	5	5,000	-1000	0.20	5
1671-1673	John Adies	16	7,760	-1000	0.13	12
	George Papillon	10	5,300	-700	0.13	7
	James Edwards	8	5,612	-612	0.11	8
	John Bull	8	3,600	-600	0.17	7
	Robert Blackborne	7	13,300	-600	0.05	5
	Henry Hanson	7	5,000	-1000	0.20	7
	Thomas Papillon	6	2,600	0	0.00	6
	Christopher Willoughby	6	2,095	-45	0.02	6
	John Banks	6	7,600	200	0.03	5
	Benjamin Albyn	5	6,400	0	0.00	5
	John Hobby	5	4,800	600	0.12	3
1671-1673	William Thomson	5	2,400	400	0.17	5

[418] Davies, 'Joint-Stock Investment in the Later Seventeenth Century', 295.

1674-1676	Abraham Dolins	31	19,850	-190	0.01	26
	Nathaniel Herne	31	17,050	2050	0.12	26
	Humphrey Edwin	21	7,030	-740	0.11	20
	George Willoughby	18	12,900	800	0.06	13
	George Lord Berkeley	16	11,650	250	0.02	15
	Joseph Prickman	16	8,600	-1200	0.14	14
	William Jarret	15	9,350	1550	0.17	11
	Nathaniel Letton	13	19,105	105	0.01	10
	Thomas Rodbard	13	7,500	1000	0.13	12
	John Banks	10	8,475	-675	0.08	9
	Alvaro De Costa	9	4,600	600	0.13	9
	Major Robert Thomson	8	4,900	400	0.08	8
1677-1679	Nathaniel Herne	16	5,675	-725	0.13	16
	George Lord Berkeley	14	7,900	-900	0.11	11
	John Cholmeley	10	7,100	-700	0.10	10
	John Paige	9	37,922	300	0.01	9
	William Goulston	7	8,000	0	0.00	7
	John Adies	7	3,000	0	0.00	6
	Nathaniel Letton	7	11,247	-1997	0.18	7
	Richard Hutchinson	6	5,140	-500	0.10	6
	Arthur Ingram	5	4,000	0	0.00	5
	Edward Bolle	5	3,000	0	0.00	5
	Edward Whiting	5	4,200	200	0.05	4

In sum, although density and clustering coefficients for the networks were low, the presence of highly active intermediaries gave the network diagrams the appearance of a more tightly woven fabric. Nevertheless, these traders improved liquidity and lowered the cost of finding counterparties. The Company's stock market therefore expanded not into a dense mesh of interconnections but into a hub-and-spoke structure, in which a few intermediaries facilitated the participation of many more occasional traders.

Many of the top traders in each network were also directors or officers of the Company. The EIC's directors were typically among the wealthiest men in London. In addition to controlling the process for approving stock transfers, this group could have influenced the composition of stockholders by strategically buying and selling stock. If EIC directors are considered as a unified group with an interest in consolidating control over votes, it would have been advantageous for them to buy from non-directors and to sell to other directors.

Table 5.10 shows the buying and selling patterns of EIC directors. The roster of directors was derived from Brock (2017). The directors are considered as a single group, consistent across the years. The table gives the percentage of total stock traded by the directors, with the actual volume of stock traded given in parentheses. Across all periods, directors predominantly purchased stock from non-directors, which is logical, given the larger number of non-directors compared to directors. When it comes to selling their stock, directors tended to sell similar amounts of stock to both directors and non-directors, with some years showing more sales to non-directors and others more to directors. This observation requires qualification, however: since there were far fewer directors than non-directors, sales to other directors would have had a greater impact on the distribution of votes than sales to non-directors.

Table 5.10: Directors' Buying and Selling of Stock, 1659–1679

Period	Buying from Non-Directors	Buying from Directors	Selling to Non-Directors	Selling to Directors
1659-1661	100.0% (26,350)	0.0% (0)	100.0% (37,000)	0.0% (0)
1662-1664	75.84% (27,629)	24.16% (8,801)	61.79% (14,230)	38.21% (8,799)
1665-1667	65.81% (33,302)	34.19% (17,301)	47.05% (15,373)	52.95% (17,301)
1668-1670	85.73% (46,053)	14.27% (7,665)	76.32% (24,700)	23.68% (7,664)
1671-1673	70.07% (63,908)	29.93% (27,298)	51.86% (29,403)	48.14% (27,293)
1674-1676	59.29% (56,399)	40.71% (38,725)	48.62% (36,647)	51.38% (38,727)
1677-1679	72.18% (68,813)	27.82% (26,522)	64.37% (47,918)	35.63% (26,524)

Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1635-1679*. Oxford: Clarendon Press. 1907-1938.; Brock (2017).

Directors also acted as buyers of first resort. Directors were on the purchasing end of 272 unique first sales. Put differently, 31.78% of all stock sold to directors was sold by someone making their first ever EIC stock trade. Moreover, the top six buyers of first-resort were all directors. Nathaniel Herne, governor and director, acted as a buyer of first resort twenty-three times; William Thomson, also a governor and director, thirteen times.

How well did the market work as a release valve for stockholders wishing to exit the stock? The number of individuals exiting the stock shows how many stockholders chose to leave the Company by selling away their shares, while the number of individuals entering the stock indicates the openness of the market for EIC shares. The number of individuals re-entering the stock qualifies that number. Those re-entrants – those who previously exited and later returned – further qualify this openness. Re-entrants likely had closer ties to the Company compared to first-time entrants.

Table 5.11 reports figures for stockholders exiting, entering, and re-entering the NGS between 1657 and 1674. 'Exits' were derived by assessing whether an individual owned stock in one sample year but not in the next. 'Exits who will re-enter' were classified as such if an individual exited between one sample year and the next, but returned to the Company later. The 1672 EIC governor Sir John Banks would fit this description. He sold his shares in 1660 and then returned to the Company in 1668.[419]

Table 5.11: Stockholders exiting, entering, and re-entering the NGS, 1657-1674

Period	Total exits	Exits who will re-enter	Total entrants	Entrants re-entering
1657-1661	227	36	48	0
1661-1666	204	62	77	21
1666-1671	171	18	157	63
1671-1672	35	5	24	4
1672-1673	75	1	70	30
1673-1674	17	0	14	4

Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1635-1679*. Oxford: Clarendon Press. 1907-1938.

Between 1657 and 1661, 227 investors exited the NGS, while 48 joined, and the number of individuals leaving the Company remained high in both periods from 1661 and 1666 and 1666 and 1671. However, the number of entrants was higher in both periods, particularly between 1666 and 1671, with 77 and 157 individuals entering the NGS, respectively. After 1671, the number of investors exiting and entering the stock became more even. In the period between 1671 and 1672 35 investors exited the NGS and 24 joined. Between 1672 and 1673 75 investors exited, while 70 joined. The number of investors exiting and entering the stock fell sharply in the 1673-1674 period, dropping to 17, with 14 joining.

Notably, many individuals who exited later re-entered, suggesting that those who invested early were willing to return. This is significant because these returning investors likely had a closer relationship with the Company compared to first-time entrants and had experience exiting the Company by selling out of their positions rather than withdrawing

[419] Coleman, *Sir John Banks: Baronet and Businessman*.

their share capital. The period between 1666 and 1671 saw the highest number of re-entrants, coinciding with the acquisition of Bombay in 1668 and the rebound of its trade following the Second Anglo-Dutch War. After exercising caution before the first withdrawal window in 1664, early investors felt confident enough to return to the Company, possibly because they believed, with reason, they could sell their shares again if necessary.

4. Conclusion

To transition to a permanent stock, the EIC had to avert two potential outcomes: a vote to liquidate the stock and stockholders withdrawing their holdings. The NGS's progressive voting system allowed the most-committed stockholders to consolidate a controlling interest in the Company, positioning them to block votes to liquidate the stock and to dominate elections to the Court of Committees.

Since the Court of Committees also controlled the approval process of share transfers, this group could influence the liquidity of EIC stock. Until 1673, the directors personally approved or disapproved of every individual stock transfer. By 1673, a small group of investors had established effective control over the General Court, securing the Company from a vote to liquidate. But the Company remained vulnerable to individuals opting to exit the stock by withdrawing rather than selling. With the General Court under control, in 1673 the approval of transfers was delegated to the Accountant General, and the market for EIC stock became increasingly sophisticated.

The above illustrates two key points. First, structural changes in the composition of stockholding preceded the development of the market for EIC stock. Second, by providing a release valve for dissatisfied stockholders, the ability to sell shares rather than withdraw was crucial in helping the EIC transition to a permanent stock.

Chapter 6: Crystalising the transition: EIC borrowing, 1665-1685

The previous chapters have sought to convey the following story. In its first forty years the Company sought to run longer joint stocks to facilitate its new trade strategy of maintaining a complex network of factories abroad. It then struggled to run longer joint stocks because of commercial and political shocks, to which the new trade policy was further exposed, and financial constraints and deficiencies in its corporate governance left it fragile in the face of that adversity. The conspicuous failure of the Fourth Joint Stock in the 1640s then marked a turning point, ushering in new leadership. This new leadership improved the Company's corporate governance, as well as firmed up the Company's place in the English political economy as the primary provider of precious saltpetre to an increasingly gunpowder-hungry state. The preamble to the New General Stock then implemented two corporate institutions that together supported the longevity of the stock. The progressive vote allocation system provided a pathway for corporate control which could insulate the Company from liquidation votes by its General Court. Meanwhile the withdrawal clause was designed such that, although the right to withdraw was maintained, it disincentivised withdrawal and incentivised selling or holding. And indeed, analysis of Company stockholding and stock trading between 1657 and 1679 shows that corporate control was consolidated by 1671, and that the market for EIC shares grew and became more efficient, with more trades per year and the emergence of market makers to facilitate them.

The analysis so far has therefore focused on the Company's corporate governance and its political standing. What remains to be accounted for is how the Company avoided the problem of insufficient finance. In his history of the Company's first forty years, Chaudhuri articulates three fundamental financial challenges: 'floating of stock', 'making some reasonable profit within a given period of time', and 'maintaining financial liquidity'.[420] The three were interrelated. If the Company could not float a stock, it could not trade at all, let alone profit. If it failed to make profits, it could not pay dividends, and without dividends its stocks were likely to collapse, making it harder to float another. If it could not maintain liquidity, it could neither profit nor distribute dividends, nor, as the Company's early history shows, sustain a stock.

[420] Chaudhuri, *The English East India Company*, 207.

A permanent capital promised to do away with the problems of floating a stock. But to do so, the Company needed both to profit *and* maintain liquidity simultaneously. Historically, equity and retained earnings were the primary components of its capital structure, with debt playing only a marginal role. A capital structure so composed posed a dilemma, however. In the event that the Company did earn a profit, it was then pulled between competing uses for said profit: retaining earnings to grow the business or paying dividends to keep shareholders committed. Borrowing allowed the Company to navigate this conflict, but to do so there needed to be a capital market ready to supply the necessary credit. This did not exist until the Restoration. If the rise of the Dutch East India Company (VOC) marked the '*completion* of a financial revolution' in the Dutch Republic (emphasis added), the rise of the EIC was part of the *initiation* of the financial revolution in England.[421]

The argument of this chapter is as follows. Borrowing would have alleviated the conflict between reinvestment and dividends, and during the Restoration the Company did in fact borrow on a much greater scale. That it was able to do so owed less to any change in its own preferences than to developments in its environment. The rapid growth of English financial institutions in the 1660s and 1670s suggest an expanded demand for financial services and investment. The EIC was one of those institutions, though not until 1672 did it begin to act like a public bank, a new role for the Company which more than anything improved its ability to fund its circulating capital with credit. This evolution was not intentional but highly contingent. In 1672 the 'Stop' of the Exchequer undermined the credibility of the Crown and its chief intermediaries, namely the goldsmith banker Edward Backwell, and this had the paradoxical effect of pushing capital toward the EIC, which emerged as a safer debtor. With this new source of credit, the Company could grow its circulating capital and invest in fixed capital for its new colony in Bombay. Crucially, it was able to do so while issuing frequent and sizeable dividends, to the satisfaction of the shareholders. The Company's borrowing therefore increased the likelihood of its making a de facto transition to a permanent capital, and that borrowing was a contingent outcome of broader changes.

[421] Gelderblom and Jonker, 'Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595-1612'; Henry Roseveare, *The Financial Revolution, 1660-1760*, Seminar Studies in History (Longman, 1991); Sussman, 'Financial Developments in London in the Seventeenth Century'.

1. The Restoration financial context

Although often treated as little more than a prelude to the financial revolution of 1688, English financial historians recognise the Restoration as a dynamic period for English financial development. Dickson writes, 'By 1688 private and public finance in England and abroad had therefore developed and improved and had already moved on to a longer-term basis'.[422] Roseveare takes this further, beginning the financial revolution in the Restoration, because of the establishment of a Treasury department and the practice whereby Parliament enacted new taxes to secure the king's loans, a key device that would be refined after 1688.[423]

Government borrowing during the Restoration was largely managed through intermediaries, however, and it was those intermediaries which drove most of the financial development before 1688. By the 1660s a robust goldsmith banking industry had developed in London, which both financed much of the Crown's debt and served as banker for many in London.[424] In addition, as Sussman has shown, the City of London was also a prominent financial institution, much more than previously appreciated in fact. It also acted as a lender to the Crown, and its bonds, which could be bought and sold, were an attractive investment for Londoners.[425]

It was in this context that the EIC's capital structure evolved to one with a much larger role for debt. It is well established in the historiography that during the Restoration (1660-1685) debt came to play a central role in the Company's capital structure: in 1678, for example, it would record a debt balance of about £685,000, a figure 185% of the Company's paid-in capital (see Table 6.1 below).[426] The EIC needed to borrow to recover from the disruption to its trade by the Second Anglo-Dutch War (1664-1667), during which it drained itself of much of its capital through large wartime dividends.[427] It is notable that it was able

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[422] PGM Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756* (Macmillan and Co. Ltd., 1967), 124.
[423] Roseveare, *The Financial Revolution, 1660-1760*; Nichols, 'English Government Borrowing, 1660-1688'.
[424] Stephen Quinn, 'Money, Finance and Capital Markets', in *The Cambridge Economic History of Modern Britain*, 1st edn, ed. Roderick Floud and Paul Johnson (Cambridge University Press, 2004), 154, https://doi.org/10.1017/CHOL9780521820363.007; Jongchul Kim, 'How Modern Banking Originated: The London Goldsmith-Bankers' Institutionalisation of Trust', *Business History* 53, no. 6 (2011): 939–59, https://doi.org/10.1080/00076791.2011.578132; J. Keith Horsefield, 'The "Stop of the Exchequer" Revisited', *The Economic History Review* 35, no. 4 (1982): 511–28, https://doi.org/10.2307/2595405.
[425] Sussman, 'Financial Developments in London in the Seventeenth Century'.
[426] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 424–26; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:132–39; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 220.
[427] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:133; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 368.

to do so, and even more notable that it was able to achieve what it did in the next decade. In 1668 the Crown then gave Bombay to the Company, and in the 1670s the Company's trade expanded substantially.[428] As I show here, it was able to borrow large sums of short-term credit on essentially a continuous basis to support those efforts, while at the same time giving dividends to its shareholders. This evolution of the capital structure had then the unintended consequence of making possible a new type of business activity for the Company, shadow banking. As Chaudhuri suggests, 'the debt-management of the Company brought it very close to the functions fulfilled by a public bank'.[429]

The evolution of the Company into such a robust financial intermediary – a joint stock with a permanent capital, capable of providing public and private financial services – was what allowed the EIC, alongside the Bank of England, to serve as one of the two critical financial intermediaries of the late-seventeenth and eighteenth centuries.[430] Using new data, this chapter provides the most granular analysis of the critical stages of its financial evolution during the Restoration. The argument here is not so much that the EIC's preferences changed as that the financial environment changed, which afforded the Company new possibilities. And as it happened, those new possibilities were supportive of a de facto transition to a permanent capital.

2. *Sources*

Chaudhuri has analysed a couple of the EIC's Restoration-era balance sheets, and Dari-Mattiacci et. al have produced a graph showing EIC borrowing levels at various points throughout its history.[431] But so far the historiography has not produced a granular,

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[428] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 91.
[429] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 414.
[430] Dickson, *The Financial Revolution in England; A Study in the Development of Public Credit 1688-1756*; Patrick K. O'Brien and Nuno Palma, 'Not an Ordinary Bank but a Great Engine of State: The Bank of England and the British Economy, 1694–1844', *Economic History Review* 76, no. 1 (2023): 305–29, https://doi.org/10.1111/ehr.13191; Karolina Hutková et al., 'Company-State at Home: The East India Company and the Fiscal System in Eighteenth-Century Britain*', *Past & Present*, 18 April 2025, gtaf009, https://doi.org/10.1093/pastj/gtaf009.
[431] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 424; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017, 220.

continuous analysis of EIC borrowing during this critical period. This chapter endeavours to do so, using new data derived from established primary sources.

The main sources for the Company's borrowing data are its general ledgers.[432] These ledgers were used almost exhaustively by Chaudhuri in his landmark business history of the Company. He did not, however, extract from them much of the financial data recorded therein. Most important for my purposes, the ledgers contain individual entries for every loan made to the Company, including the date, the name of the lender, the interest and duration of the loan, and the principal lent.

The ledgers were kept by the Accountant General. They record every internal and external transaction of the Company in double-entry form. Among the accounts are those of individual lenders, each identified with the suffix "at interest," such as "George Day at interest." Crucially, if a lender had some other form of business with the Company, say as a customer or contractor, the lender's account was kept separate from those others. On the credit side of a lender's account, the ledgers record the sum advanced to the Company. Entries of new loans are structured: [Date] *By money at* [interest] *for* [duration] [amount]. 'By money' refers to the contrary account – the Company's money account – which was to be debited for the same. The debit side of the lender's account mirrors this structure. There, the repayment of principal and interest are recorded. Crucially, loans rolled over at expiry were not counted twice; they merely continued to accrue interest. Each principal entry on the credit side therefore represents a new inflow of debt capital.

The ledgers do present some difficulties. The accountant did not give individual loans unique identifiers, at least not in these ledgers. Meanwhile lenders often gave several loans of the same principal, and repayments were sometimes made in batches. These practices therefore make it hard to follow a loan to redemption. Consequently, the credit side of the ledger provides the most reliable and revealing evidence. But this means that only the inflow of debt, and not the stock of debt, can be reliably tracked. Fortunately, a handful of balance sheets, which include debt balances, for various years are extant. These balance sheets can provide benchmarks, against which we can contextualise the Company's inflow of credit.

From these ledgers I have recovered the dates, principals, and interest rates of loans to the Company. The material makes it possible to trace the Company's borrowing over time and also to track the extent to which those loans were made by shareholders and outsiders,

[432] British Library, IOR/L/A/G/1/1-6

defined here as individuals who have never owned Company stock. The data allow for new analysis of the Company's borrowing. Also, once the identities of lenders have been cross-referenced with the identities recorded in the stock roster and stock transfer data given in the previous chapter, we can observe the extent to which the Company's borrowing reached beyond its shareholders. Finally, using figures for credit inflow with Chaudhuri's table for EIC cash flows, we can also estimate the role of debt relative to retained earnings in the Company's capital structure and test whether dividends were paid out of borrowed funds.

3. *Debt, expansion, and reputation*

The relationship between the Company's expansion, the Company's record of dividends and debt during the Restoration is clear from the extant Company balance sheets. In brief, from 1657 to 1685, the Company expanded its trade and assets largely through borrowing, and to the benefit of its shareholders.[433] Average annual trade grew by 180.35% between 1664-1670 and 1671-1680.[434] Asset values increased by 1,625% between 1662 and 1685.[435] The Company paid out dividends amounting to 565.5% of the share capital, yielding an internal rate of return of about 20% per year between 1657 and 1685.[436] Meanwhile, the debt-equity-ratio increased from 0.37 in 1662 to 1.85 in 1678, before moderating to 1.54 in 1685.[437] The Company took in no additional equity, suggesting its remarkable expansion was driven by borrowing.

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[433] Balance sheets can be found in the following locations: Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1660-1663*, 6:204; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1664-1667*, 113–14; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*, 69–70; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1677-1679*, 338–40; Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 424.
[434] Calculated from Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 507–9.
[435] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.
[436] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.
[437] Chaudhuri cautions that we cannot know exactly how much of the expansion was funded by debt versus retained earnings. The data presented in this chapter shows that debt accounted for practically all of the expansion after 1671. Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 425.

Table 6.1: EIC assets and capital structure, at various points 1662-1685

Year	Assets (£)	Debt balance (£)	Paid-in equity (£)	Debt: Equity
1662	187,609	137,242	369,891.25	0.37
1664	661,542	86,187	369,891.25	0.23
1671	1,007,113	324,297	369,891.25	0.88
1678	1,728,102.50	685,640	369,891.25	1.85
1685	2,487,312.50	569,244	369,891.25[438]	1.54

Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1660–1663*, p. 204; *1664–1667*, pp. 113–114; *1671–1673*, pp. 69–70; *1677–1679*, pp. 338–340; Chaudhuri, 1978, p. 424.

Was this sustainable? Financial stability is typically measured by two metrics: current ratios and quick ratios. The current ratio compares domestic inventory, accounts receivable, and cash by current liabilities. In theory, a company can meet short-term obligations by selling inventory and collecting receivables. But this assumes the company can sell that inventory quickly and without severe price drops. Accordingly, I have excluded assets held in India from my analysis of the Company's balance sheets, as it would have been impossible to convert that stock into cash in England fast enough to meet short-term liabilities. The quick ratio, which only considers cash against current liabilities, thus provides a more conservative measure. Low values in either ratio suggest an unstable capital structure. The EIC's balance sheets show consistently poor quick ratios, never above 0.05, well below today's standard of 1 (table 6.2). Its current ratios were better. While the 1662 and 1678 current ratios fell below the modern acceptable range of 1.2-2, the Company had stronger current ratios, above 1.2, in 1664, 1671, and 1685.

[438] In 1685 the EIC declared a 100% dividend that was credited to each shareholders' stockholding. On paper, this dividend brought the EIC's paid-in capital up to £739,892.50. In practice, this was only an accounting trick: no equity was added, and dividends continued to be paid out on the basis of a £369,891.25 paid-in capital.

Table 6.2: Current and quick ratios at various points, 1662-1685

Year	Current assets in England (£)[439]	Cash (£)	Liabilities (£)	Current ratio	Quick ratio	Ratio of current assets in England to debt
1662	144,178.85	7,499.35	187,609.35	0.77	0.040	1.05
1664	225,828.80	NA	165,807.55	1.36	NA	2.62
1671	453,894.30	3,906.80	361,286.55	1.26	0.004	1.40
1678	335,644.10	NA	713,578.10	0.47	NA	0.49
1685	1,608,195.80	34,665.95	783,890.20	2.05	0.044	2.83

Sources: Sainsbury, *A Calendar of the Court Minutes etc. of the East India Company, 1660–1663*, p. 204; *1664–1667*, pp. 113–114; *1671–1673*, pp. 69–70; *1677–1679*, pp. 338–340; Chaudhuri, 1978, p. 424.

The EIC's current liabilities comprised short-term debts, unpaid customs duties, and outstanding dividend payments. There was also the risk the Company would have to lend to the Crown on short notice – effectively the price of its monopoly.[440] This obligation could be substantial. From 1669 to 1678, even as the Crown had defaulted on its debts and become a an unreliable borrower, according to one historian it used 'the Company's dependence upon the Crown for its right to exist as a club to bludgeon loans out of the Company'.[441] During

[439] Current assets are inventory, accounts receivable, and cash – assets which can be used to *quickly* cover the company's liabilities. Part of the EIC's inventory was in England and part of it was abroad. I have counted only the inventory in England as part of current assets.

[440] Robert Ekelund Jr. and Robert D. Tollison, *Mercantilism as a Rent-Seeking Society: Economic Regulation in Historical Perspective* (Texas A&M University Press, 1981).; Anne O. Krueger, 'The Political Economy of the Rent-Seeking Society', in *40 Years of Research on Rent Seeking 2*, ed. Roger D. Congleton et al. (Springer Berlin Heidelberg, 2008), https://doi.org/10.1007/978-3-540-79247-5_8.

[441] Nichols, 'English Government Borrowing, 1660-1688', 86–88.

this period, the EIC provided £290,000 in loans to the Crown – £130,000 was in cash and £160,000 in saltpetre from domestic inventory.

Table 6.3: Summary statistics of EIC borrowing, 1665-1675

	N	Sum (in months)	Mean	Median	Max	Min
Principal	2,723	2,776,325	1,019.58	560	20,000	50
Interest	2,662		5.05	5	6	3
Maturity	2,548	12,360.84	4.85	6	12	0

Sources: IOR/L/A/G/1/1/2-6.

Tables 6.1 and 6.2 provide stock variables at various cross-sections. What about the inflow of credit? Table 6.3 reports descriptive statistics for the inflow of credit between 1665 and 1675. Over that decade, the Company borrowed a total of £2,776,325 through 2,723 loan contracts with 1,010 individuals. The median loan principal was £560, and of the 2,662 entries with recorded interest rates, the median rate was 5%.[442] Maturities were specified for 2,548 loans, with a median maturity of six months. The mean maturity was skewed lower by urgent short-term borrowing campaigns in August 1673, April 1674, and August 1675 – coinciding with and following the Third Anglo-Dutch War (1672-1674). Loans recorded as 'upon demand' were assigned a maturity of zero but were rare.

Relatively speaking, how prominent was the EIC as a financial institution? Sussman's recent study of the City of London's bonds between 1638 and 1683 provides figures against which we can compare the EIC's borrowing.[443] Table 6.4 reports the following. From 1665 to 1675 the EIC borrowed 302.2% of what the City of London

[442] The average loan principal was £1,019.58. The average loan principal was pulled upward by the large sums lent by the Company's goldsmith banker, Edward Backwell, who sometimes lent upwards of £20,000 in a single bond.
[443] Sussman, 'Financial Developments in London in the Seventeenth Century'.

borrowed from 1638 to 1683, contracting 124.68% of the number of loans contracted by the City, with 83.96% of the number of individual lenders to the City.

Table 6.4: City of London (1638-1683) and EIC (1665-1675) borrowing, compared

	City of London	EIC	EIC as % of City of London
Years covered	45	10	22.2%
Principal	£918,715	£2,776,325	302.2%
Lenders	1,203	1,010	83.9%
No. of loans	2,184	2,723	124.6%

Sources: Sussman, 2022, p. 490; IOR/L/A/G/1/1/2-6.

Despite the precarity of the EIC's balance sheet, it was nevertheless a prominent financial organization. How so? Surviving comments suggest the Company had a strong record of promptly redeeming loans, which made it popular. A 1676 pamphlet published by an 'anonymous' EIC bondholder, for example, praised the Company for its having 'payd [the bondholders] Money readily whenever they demanded it'.[444] This sentiment was supported in 1679 by the diplomat and excise commissioner Sir Robert Southwell, who encouraged a friend to lend to the Company for 'the advantage here with the Company is that though they give bond for payment at six or three months call, yet one may have it any time when one will in a week'.[445]

It is of course possible that the largest advocates for the Company's creditworthiness were the Company's members themselves. To move beyond rhetoric, I estimate how much was lent by non-stockholders. I also analyse who these lenders were, and what ramifications would have followed had the Company failed to repay these lenders for dishonest reasons.

I have used my reconstructions of EIC stock ownership in 1657, 1661, and 1666, along with my data for EIC share transfers from 1667 to 1676, to identify stockholders who also lent during the period covered in this chapter.[446] I have gone with an expansive definition of 'stockholder'. An individual was classified as if they ever owned stock at any point between the launch of the NGS in 1657 and the end of the sample period in 1675. Consequently, the estimate of stockholder lending presented here is biased upwards. Lenders

[444] *An answer*, 1676, p. 5.
[445] Coleman, D.C. *Sir John Banks*. 1963. p. 78.
[446] For further detail on these reconstructions, see chapter 3.

who were original investors in the NGS and those who ever served as a director between the founding in 1657 and 1675 were separately identified.

Table 6.5: EIC loans by lenders' relation to the stock, 1665-1675

	No. of loans	Principal (£)	% of total borrowing
Non-stockholders	1,752	1,686,830	60.76
Stockholders	971	1,089,495	39.24
Directors	513	579,695	20.88
Original investor	871	1,007,820	36.30

Note: 'Directors' and 'Original investors' are not mutually exclusive categories.
Sources: IOR/L/A/G/1/1/2-6.

The EIC indeed sourced much of its credit from individuals who were not themselves stockholders. Between 1665 and 1675 non-stockholding individuals lent £1,686,830 across 1,752 loans, providing 60.76% of all loan principal across 64.34% of all loans made to the Company during this period. Stockholders also contributed, lending £1,089,495 through 971 loans, representing just under 40% of the total loan principal. Non-stockholders lent about 1.55 times as much as stockholders, across about 1.80 times as many loans. Among stockholders, those who invested in the original subscription of 1657 lent the most. These original investors provided £1,007,820 – 92.5% of the total principal lent by all stockholders – across 871 loans. Directors also played a significant role, collectively lending £579,695 (20.88% of the total borrowed), across 513 loans, averaging £8,652.16 per director (n=67). Notably, the investors who most consistently kept their capital within the Company – the original subscribers – lent extensively, as did the directors. Meanwhile, the substantial lending by non-stockholding investors suggests confidence in the EIC's financial stability and capacity as a borrower.

In terms of lenders' relationship to the stock, the composition of the EIC's lenders reflects a pattern consistent with firm life-cycle theory.[447] By consistently meeting interest payments and redeeming loans as per contract terms, the Company signalled to the market that its directors were pursuing a sound investment strategy and that the Company was financially stable. A strong track record of timely payments enhanced its reputation as a

[447] Ed Vos and Carolyn Forlong, 'The Agency Advantage of Debt over the Lifecycle of the Firm', *The Journal of Entrepreneurial Finance* 5, no. 3 (1996): 193–211; Maurizio La Rocca et al., 'Capital Structure Decisions During a Firm's Life Cycle', *Small Business Economics* 37, no. 1 (2011): 107–30.

reliable borrower.[448] Insider investment further bolstered this reputation. When directors and stockholders lent to the Company, it signalled confidence.[449] The EIC's on-demand redemption policy, its transparency, and its history of honouring debts helped establish it as a trustworthy borrower. At the same time, the willingness of directors and stockholders to invest further showed their commitment to the Company's success and reinforced its status as a going concern.

What of the demographics of the lenders? Female lenders made up 19.8% of all lenders. The Company also attracted an ample number of loans from elites: esquires accounted for 10.69% of lenders, while nobles comprised 11.58%, including 8.81% who were knights and 0.69% who belonged to the upper nobility. Politicians lent, too. Twenty-two MPs of the Cavalier Parliament (1661-1679) lent to the Company, including the prominent diplomat and Teller of the Treasury Sir George Downing. Notable figures from Charles II's inner circle also lent to the EIC, such as the Lord Anthony Ashley Cooper (also known as the Earl of Shaftesbury), along with Thomas Belasyse (Lord Viscount Faulconbridge), and William Craven (Earl of Craven), both members of the privy council.[450] Craven, in addition to lending money, also provided the Company with its office space in London.[451]

Borrowing from members of the nobility, influential MPs, and figures within Charles II's inner circle raised the stakes for the Company in meeting its financial obligations. Failing to repay these elite lenders risked not only financial consequences but also political backlash and damage to the Company's standing.

Given the fragility of the balance sheet and the political contention over its monopoly privileges, the EIC's borrowing drew scrutiny. The possibility of a covert liquidation of the stock was a line of attack taken by the Company's critics. In 1676, a pamphlet titled *Two Letters Concerning the East-India Company* was published in London, presenting a fictional dialogue between 'a country gentleman' who had lent to the Company and a 'barrister of the

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448 Grossman and Hart, 'Corporate Financial Structure and Managerial Incentives'; Ross, 'The Determination of Financial Structure: The Incentive-Signalling Approach'.

449 Hayne E. Leland and David H. Pyle, 'Informational Asymmetries, Financial Structure, and Financial Intermediation', *The Journal of Finance* 32, no. 2 (1977): 371–87, https://doi.org/10.2307/2326770.

450 MP lenders: Richard Taylor (Bedford), Sir John Duncombe (Bury St Edmunds), Sir John Frederick (City of London), Sir William Thomson (City of London), John Jones (City of London), John Kent (Devizes), Henry Seymour (Eastlow), Richard Onslow (Guildford), Thomas King (Harwich), John Jolliffe (Heytesbury), Henry Chowne (Horsham), Sir John Cotton (Huntingdon), Sir Theophilus Biddulph (Lichfield), Sir George Downing (Morpeth), Sir James Langham (Northampton), Sir Anthony Aucher (Reigate), John Buller (Saltash), Henry Whitaker (Shaftesbury), Sir Thomas Bloodworth (Southwark), Robert Milward (Stafford), Richard Hampden (Wendover), and Sir William Coventry (Yarmouth).

451 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1674-1676.*

Inner Temple' in London.[452] The barrister warned the gentleman against trusting the EIC, accusing it of impropriety, illegality, and unsustainability due to its debt-heavy capital structure.[453] Among his many slurs, the barrister alleged '… they can secure their own stock… by a speedy dividend for what they have here, and then bid their creditors find a thing in the clouds, called their Company, to arrest for their moneys at the best….'.[454] In response, an 'anonymous bondholder from Bristol' published a defense of the Company. The bondholder vouched for the integrity of 'at least most of [the directors]' and argued that liquidation would have required a public auction of the Company's goods, which would inevitably alert the public and render any cover action impossible.[455] Moreover, Company bylaws prohibited giving dividends in kind rather than cash.[456] These safeguards suggest that the anonymous bondholder was either a well-informed outsider or a stockholder himself. A covert liquidation, therefore, was not only implausible but impossible under the Company's own regulations.

A covert liquidation might also have been ruinous to the directors' estates. The 'Two Letters' and their response show how the concept of limited liability was beginning to be understood. Harris proposes there was 'no notion of the attribute of limited liability and no actual manifestation of it as such', and while he is correct there was no legal understanding of limited liability as we know it today, traces of the idea appear in the letters.[457] The suggestion is that while the right case for limited liability had not yet been brought to trial, the arguments for such a trial were already percolating.

The Inner Temple barrister emphasised the moral hazard of limited liability, which he believed the EIC's stockholders had: 'they [the creditors] can have no execution against any member of the Company, nor his goods'.[458] The anonymous bondholder, however, qualified this claim, distinguishing between the general stockholders, who did not bear personal liability for the Company's debts, and the directors, who were exposed to unlimited liability:

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[452] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:137.
[453] The similarity of the Temple Inn barrister's arguments to those made in the economics tract Petyt, *Britannia Languens*.
[454] *Two letters concerning the East-India Company. ... 1676*, with Internet Archive (1676), http://archive.org/details/bim_early-english-books-1641-1700_two-letters-concerning-t_1676.
[455] *An Answer to Two Letters Concerning the East-India Company* (1676), https://name.umdl.umich.edu/A25630.0001.001.
[456] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1655-1659*, 5:197–99.
[457] Ron Harris, 'A New Understanding of the History of Limited Liability: An Invitation for Theoretical Reframing', *Journal of Institutional Economics* 16, no. 5 (2020): 643–64, https://doi.org/10.1017/S1744137420000181.
[458] *Two letters concerning the East-India Company. ... 1676.*

> This joint-stock was entrusted into the hands of the Committee to manage for the Benefit of the Adventurers, before they took up Money at Interest; but when they had taken up Money at Interest, then the joint stock is in the hands of the Committee in trust, in the first place to answer and satisfy the money taken up at interest: So that now the Committee are Trustees for N. till his debt is paid…. if the Committee by any willful act of theirs dispose of the Stock, and convert it to their private use, before they have paid N, they are guilty of breach of trust, and thereby have rendered themselves answerable in their own private capacities to make satisfaction N.[459]

The anonymous bondholder supported this argument by citing a legal tract by John Glynne, Charles II's first Chief-Serjeant-at-law.[460] This tract did not represent law but rather an argument that, if called upon in a bankruptcy case, might have shaped the common law in regard to limited liability. Although I have not been able to locate Glynne's tract, I can attempt to infer its logic. According to Hunter, before 1709 the EIC's 'legal existence depended… not on the continuity of its trade, but on the annual election of certain officials named by the Royal Charters. Neither Elizabeth nor James acknowledged the subscribers as a body corporate'.[461] In consequence, '[The Crown] could not contemplate the existence of the Company apart from the Governor, nor did they recognise any lawful conduct of its business except through the Governor or his Deputy, acting conjointly with' the Court of Committees.[462] Thus it is possible that the general shareholding body had de facto limited liability, while the directors did not, because of the idiosyncratic nature of the Company's legal personality.

However, Littleton notes that limited liability 'may have been inherent in any "body corporate and politic," … it is probable that this legal aspect was not fully disclosed'.[463] Similarly, the esteemed English legal historian Holdsworth makes no mention of a clear concept of liability at the time.[464] What matters here is that liability was, at best, uncertain.

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[459] *An Answer to Two Letters Concerning the East-India Company*.
[460] 'Glynne, Sir John (1603–1666), Judge and Politician', Oxford Dictionary of National Biography, https://doi.org/10.1093/ref:odnb/10843.
[461] Hunter, *A History of British India*, 2:143.
[462] Hunter, *A History of British India*, 2:143.
[463] A. C. (Ananias Charles) Littleton, *Accounting Evolution to 1900*, with Internet Archive (New York : Garland, 1988), 251, http://archive.org/details/accountingevolut0000litt_5.
[464] W.C. Holdsworth, *A History of English Law*, vol. 8 (Methuen & Co. Ltd., 1925); W. S. Holdsworth, 'English Corporation Law in the 16th and 17th Centuries', *The Yale Law Journal* 31, no. 4 (1922): 382–407, https://doi.org/10.2307/787883.

The possibility that the directors might have faced unlimited liability likely reinforced their need to maintain control over the General Court and to ensure the stock's viability as a going concern.

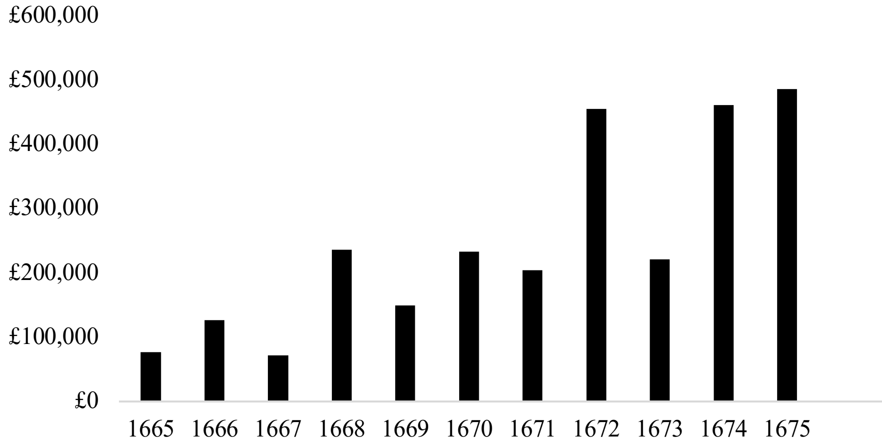
In short, the EIC's borrowing fuelled its growth but also brought significant financial and reputational risks should it have failed to honour its borrowing. The interdependency of the creditors and shareholders, the positive signals generated by on-demand loan redemption, and the directors' potential exposure to unlimited liability helped keep its finances stable. Borrowing from a wide range of society, including powerful elites and its own directors, strengthened its reputation and showed how closely linked its creditors and shareholders were. In addition to bylaws that prevented a speedy, covert liquidation, these factors would have made any attempted liquidation disastrous, not just for the directors but for the wider financial system that depended on the EIC.

4. The 1672 'Stop' and its aftermath: Pinpointing the transition

What remains to be shown is when, and in what context, the EIC began to rely so heavily on debt – when the fortunes of Company shareholders, lenders, and directors became interdependent. For the EIC, the 1672 'Stop' of the Exchequer appears to have been such a juncture.

The EIC's borrowing between 1665 and 1675 can be divided into three distinct periods: 1664-1667, 1668-1671, and 1672-1675 (figure 6.1). During the first period, 1664-1667, the Company's borrowing was relatively moderate. Beginning in 1668, borrowing increased significantly, with the lowest borrowing year of the second period – 1669 – exceeding the highest borrowing year of the first period. Then from 1672 onward the Company's borrowing rose even further, with the amounts borrowed in 1672, 1674, and 1675 roughly double that of 1668. These periods align with changes in the ownership structure of the stock. By March 1665, the EIC's share capital had been locked in, and between 1666 and 1671, ownership began to concentrate among fewer shareholders. After 1671, this structure solidified, with shareholders holding £2,000 or more controlling approximately 40% of the votes.

Figure 6.1: Total loan principal, per year, 1665-1675



Sources: IOR/L/A/G/1/1/2-6.

During the first period the EIC borrowed to sustain itself as it paid out large dividends and lent to the Crown. This was a time of significant economic and operational challenges. The outbreak of plague in 1665 and the Great Fire of 1666 depressed markets in England, while the Second Anglo-Dutch War (1665-1667) disrupted the Company's shipping to and from India. In 1666, amidst these difficulties, the Company lent the Crown £120,000 for the war effort.[465] Nevertheless, the EIC declared substantial dividends: in 1664, two dividends totalling 40% (£147,956.50), and in 1666, three amounting to 50% (£184,945.63).

The years 1664-1666 mark a turning point in the shareholders' relationship to the stock, as their dividends from then on became directly tied to the Company's ability to borrow. Chaudhuri writes that 'the revenue from sales, together with possible borrowings, had contributed to the maintenance of the Company's liquidity'.[466] Figure 6.1 shows that these borrowings were not 'possible' but actual and essential. The Company paid out the 1664 dividends between 1665 and 1666, during which the Company had £231,514 in cash as of December 1666.[467] Between February 1665 and December 1666, the EIC's total cash receipts amounted to £499,957, of which loans supplied £192,570 – enough to cover the 1664 dividends and some.

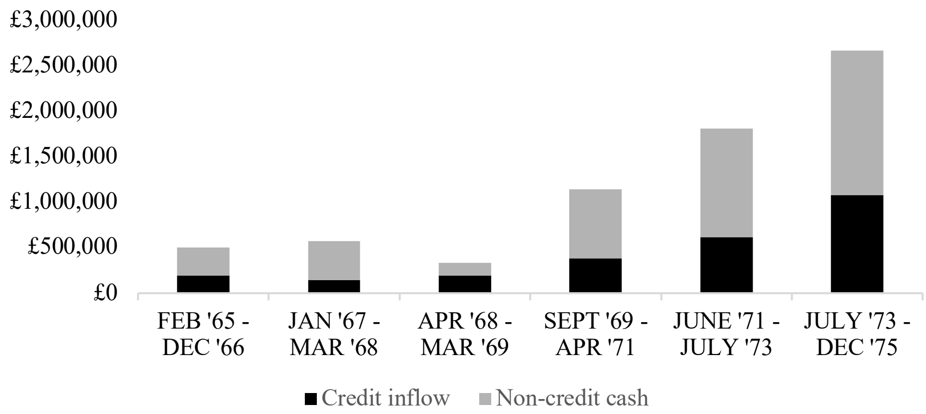
[465] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:134.
[466] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 418.
[467] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 419.

In fact, the shareholders played a key role in funding the 1664 dividends by lending to the Company. In 1665 and 1666, they lent approximately £98,000 – half of the total loan principal the Company took in during this period – covering about two-thirds of the cost of the 1664 dividends. In 1665, the shareholders lent significantly more to the Company than non-shareholders, and in 1666, they continued to out-lend non-shareholders, though by a smaller margin. Notably, most of this credit came not from directors but from the generality. Those who had invested in 1657 and held their stock continuously since would have recouped 100% of their original investment by the 1664 dividends. Yet, when the book of subscription was opened in December 1664 and January 1665, no additional equity was subscribed, neither by current shareholders nor others. Loans, perhaps, were considered a less risky option than equity, as they were short-term and the principal was guaranteed. But shareholders could not be expected to sustain the Company's dividends indefinitely. Eventually, the EIC would need to take most of its finance from outsiders to maintain its financial stability.

The next period, spanning 1668 to 1671, was pivotal for the Company's evolution into a 'Company-State'.[468] Following the end of the Second Anglo-Dutch War in 1667, trade resumed, providing the opportunity for recovery and growth. In 1668 the EIC acquired Bombay from Charles II, a key development in its imperial evolution. To rebuild after the war, the Company declared no dividends during this period, relying on retained earnings and debt to restart its trade and stabilise its operations. Stock ownership became increasingly concentrated, with the share of total stock held by shareholders with £2,000 increasing from 20.4% to 32.1%.

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

Figure 6.2: Composition of cash receipts: Credit vs. Non-credit cash receipts (sales, accounts receivables) (in £)



Sources: Chaudhuri, 1978, p.419.

With no dividends declared between 1666 and 1671, and none paid after 1667 and before 1671, the composition of the Company's cash receipts during this period shows the relative importance of retained earnings and debt. The general ledgers document cash receipts and cash payments for periods corresponding with when the ledger was in use, and Chaudhuri has reproduced these figures.[469] Using my data, I have identified the portion of those cash receipts that came from borrowing, with the remainder coming from other sources, such as sales and the collection of accounts receivable.

During the war the EIC relied on selling off its inventory to maintain liquidity. After the war ended, borrowing became the primary source of cash, with credit accounting for 58.2% of all cash receipts between April 1668 and March 1669. As ships dispatched in 1667 and 1668 began returning to England, retained earnings assumed a more prominent role. In 1668 the Company sent sixteen ships east – the largest fleet it had ever dispatched in a single season.[470] The Company imported £138,808 worth of goods in 1669, £216,927 in 1670, and £201,825 in 1671.[471] These figures highlight the growing contribution of retained earnings to the Company's financial recovery.

Bombay offered a crucial asset to the Company, if it could be made to work. Unlike Surat – then the centre of the EIC's operations abroad – and Madras, where the Company maintained its only garrison before constructing one in Bombay, the new colony offered a

[469] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 419.
[470] Farrington, Anthony. Catalogue of East India Company Ships: Journals and Logs 1600-1834. (London: The British Library, 1999).
[471] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 508.

sovereign base from which the EIC could not be evicted by local powers.[472] In Bombay the Company sought to establish a colony with a robust internal consumer and labour market. The Company enticed men to move to Bombay by the promise of free land after some time working for the Company, and enticed women – both to work and, more importantly, to marry – by an offer of free room and board for a year.[473] Civic institutions – a mint, a court system, and a garrison manned by a small army and navy – were developed.[474]

Eventually Bombay would become a major hub for the Company's imports. But the initial development of the colony was costly, owing to disease and war.[475] Bombay's malarial climate and dearth of essential resources – such as cattle, grain, and drinkable water – made it inhospitable to the English.[476] Furthermore, the Western Ghats mountains walled off Bombay from inland trade routes, and its port was vulnerable to blockades by the Portuguese and Malabar pirates, dampening prospects of the new colony paying for itself anytime soon.[477] After seven years of development, revenue collection remained low, much below expenses.[478] And in the 1670s, the 'perennial warfare' between the Marathas and Mughals moved south, and in 1673 the Dutch almost attacked Bombay.[479] The EIC forces in Bombay, though small, were enough to be considered useful to the Mughals and Marathas, and so the EIC used the Maratha-Mughal war to secure its sovereignty in India.[480] During the Third Anglo-Dutch War (1672-1674) the EIC forces in Bombay were enough to deter the Dutch.[481] By 1675, Bombay had a population of 60,000.[482] By 1678 the Company would value the Bombay colony's fixed capital at £60,000.[483]

The development of Bombay pointed to an investment strategy oriented toward future rather than immediate returns, though at the time its profitability remained uncertain. This strategy was good for the share price but bad for the declaration of dividends. Chaudhuri lists

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472 Stern, *The Company State*, 23.
473 Keay, 1993, p. 135.
474 Stern, *The Company State*, 1–100.
475 Keay, 1993, p. 134.; Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 508.
476 Robert Markley, '"A PUTRIDNESS IN THE AIR": Monsoons and Mortality in Seventeenth-Century Bombay', *Journal for Early Modern Cultural Studies* 10, no. 2 (2010): 105–25; Keay, *The Honourable Company: A History of the English East India Company*, 130–35.
477 Keay, *The Honourable Company: A History of the English East India Company*, 134.
478 Sir Charles Fawcett, *The English Factories in India: The Western Presidency, 1670-1677*, vol. 1 (Clarendon Press, 1936). Xiv, 129.
479 Sankar, 1937, 281; Fawcett, *The English Factories in India: The Western Presidency, 1670-1677*, vol. 1. Xi.
480 Bassett, 'Early English Trade and Settlement in Asia, 1602-1690'; I. Bruce Watson, 'Fortifications and the "idea" of Force in Early English East India Company Relations with India', in *The East India Company, 1600-1858: Trade Finance and Power*, vol. 4 (Routledge, 1998).
481 Fawcett, *The English Factories in India: The Western Presidency, 1670-1677*, vol. 1. Xi.
482 Fawcett, *The English Factories in India: The Western Presidency, 1670-1677*, vol. 1. Xii.
483 Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1677-1679*, 339.

the prices of EIC stock for various years, 1660-1692. The price of EIC shares in 1664 was £60 per £100. By 1668 the price had risen to £130, before falling to £111 in 1670.[484] The average number of share transfers per year had been increasing since 1664. The average annual number of share transfers was 57 between 1664 and 1666, 71 between 1667 and 1669, and 126 between 1670 and 1672.[485] The total number of share transfers was 138 in 1670, and 121 in 1671.[486] Even so, the shareholders tended to prefer cash dividends – the 'bird in hand' – to capital gains.[487]

Yet retained earnings could not be counted on to underpin the Company's capital structure. The shareholders were entitled to the Company's profits, after all, and could only be asked to go without them for so long. Moreover, the new colony meant the EIC had to expand its fixed capital commitments in India, making the preservation of the permanent capital even more critical. Given so many of the Company's stocks had dissolved because of dividend famines, it would have been highly improbable that the Company could keep its capital permanent unless it gave dividends. By 1671, five years since the last dividend declaration, the General Court clamoured for a dividend.

The first dividend declaration since 1666 was announced to the General Court the same day the Company announced that it would begin its second valuation of its stock.[488] At a Court of Committees meeting on 5 May 1671, the Committees announced a dividend of ten percent, for 'by the blessing of God' the management of the stock had then 'supplied the trade with a convenient Stock'.[489] The balance sheet published on 30 August 1671 showed that investments over the previous four years had recouped what the Company had lost from 1664 to 1667. The EIC reported assets of £1,007,113.65, up 52.2% from 1664.[490]But since 1664 its liabilities had grown too, by 117.9%, to £361,286.55.

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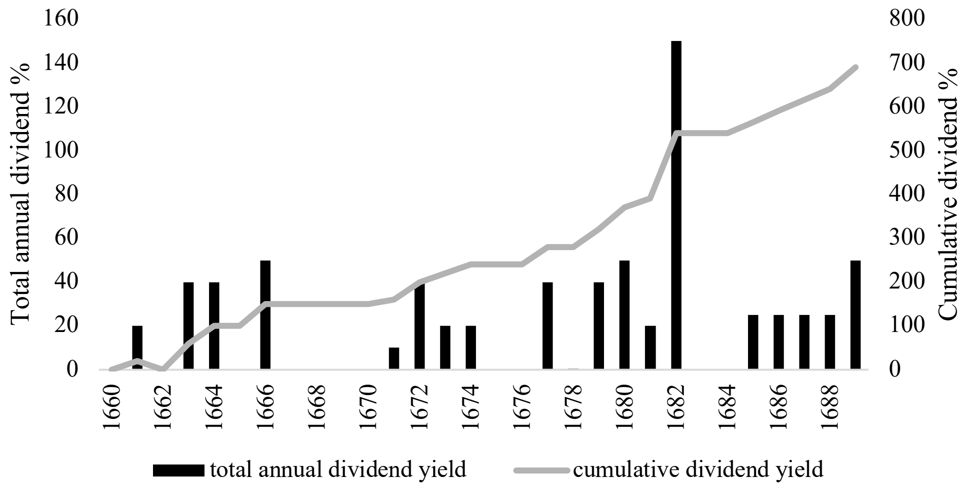
[484] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.
[485] Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*, 167.
[486] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1668-1670*; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*.
[487] Sudipto Bhattacharya, 'Imperfect Information, Dividend Policy, and "The Bird in the Hand" Fallacy', *The Bell Journal of Economics* 10, no. 1 (1979): 259–70, https://doi.org/10.2307/3003330.
[488] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*, 33–35.
[489] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*, 33.
[490] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*, 69–70.

Figure 6.3: Dividends over time, annual and cumulative (as a % of paid-in equity)



Sources: Chaudhuri, 1978, p. 421.

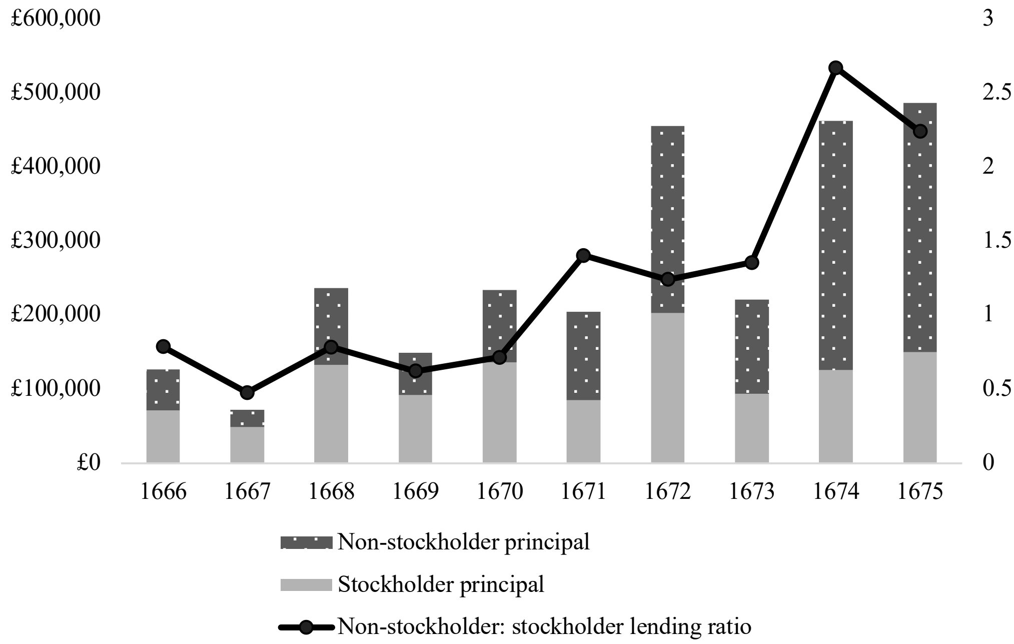
From 1671 onward, the EIC began issuing dividends more regularly. Between 1672 and 1678, dividends amounting to 120.5% of the share capital were declared (figure 6.3). These dividends were declared despite significant challenges, including the Third Anglo-Dutch War (1672-1674), Stop of the Exchequer (1672), challenges to the monopoly in 1676 and 1680, and forced loans to the Crown amounting to £157,000.[491] But the declaration of dividends had a notable, positive, impact on the share price. In 1672, during the downturn caused by the Stop of the Exchequer and the onset of the Third Anglo-Dutch War, the share price slumped to £80. But by 1677 the share price had rebounded to £245.[492]

By all measures, the EIC's borrowing increased substantially. In 1672 the Company borrowed £455,729 – an increase of 122.55% compared to 1671, which had been the third highest year of borrowing before 1672. The number of loans saw a similar rise, growing from 242 in 1671 to 537 in 1672, an increase of 121.9%. The number of individual lenders also expanded, from 166 in 1671 to 284 in 1672, a 71.08% increase. Although borrowing dropped to £220,940 in 1673, it rebounded to record levels in 1674 (£461,970) and 1675 (£486,754). Moreover, from 1672 onward, the majority of the Company's annual credit

[491] Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1671-1673*; Sainsbury, *A Calendar of the Court Minutes Etc. of the East India Company, 1674-1676*; Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:136–38; Horsefield, 'The "Stop of the Exchequer" Revisited'; Nichols, 'English Government Borrowing, 1660-1688', 87; Coleman, *Sir John Banks: Baronet and Businessman*, 72–75.
[492] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 421.

intake came from non-stockholders, marking a significant shift in where it sourced its credit (Figure 6.4).

Figure 6.4: Stockholder vs. Non-stockholder lending, 1666-1675



Sources: IOR/L/A/G/1/1/2-6,10.

From 1672 onward, the EIC appeared to have access to credit from non-stockholders at will, a testament to its effective management and also to the London financial environment. Unlike the near paralysis of trade experienced during the Second Anglo-Dutch War, the Third Anglo-Dutch War had relatively little impact on the Company's operations. During the Third Anglo-Dutch War, the Company imported £763,171 worth of goods and exported £665,656 – 217% and 297.68% more, respectively, than during the four years of the Second Anglo-Dutch War.[493] Moreover, despite the wartime conditions, the Company continued to redeem bonds on demand, solidifying on-demand bond redemption as a key component of its business model. Following the collapse of the major goldsmith banking houses, the EIC also assumed a quasi-banking role, giving it access to a consistent supply of liquidity to fund its operations.

After the Stop of the Exchequer in January 1672, the EIC emerged as the premier financial institution in London. The Crown's announcement that it would default on its debt

[493] Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 507–11.

of £1,214,940.85 devastated the city's major goldsmith banking houses, which had supplied £1,183,960.35, or 90% of the total.[494]

The accounts of merchant Charles Marescoe offer a glimpse at the dominant position of these bankers from the perspective of a merchant. Before 1672, Marescoe preferred to leave his money with the goldsmith bankers Robert Vyner, Edward Backwell, and Isaac Meynell, rather than to put his money into EIC stocks and loans and City of London loans. Between 1664 and 1668 Marescoe deposited £45,402 between the goldsmith bankers, invested in a total of £9,700 of EIC stocks and loans, and lent £500 to the City of London.[495] After Marescoe died in 1668, his accounts passed to his wife, Leonara. Leonara withdrew most of her goldsmith bank deposits before 1672. But in 1672 her records show a write-off of a £1,500 'banker's debt', or a defaulted bank deposit.[496] Both the EIC and City of London's credit flows saw immediate increases after the Stop.[497]

It appears that this new credit was used to fund cash dividends, during what might have been expected to be a period of financial tightening. A straightforward calculation can show how debt facilitated the EIC's ability to issue dividends. Although annual itemized balance sheets for this period are unavailable, operational cash flows can be estimated by excluding credit receipts and repayments of loan principal from total cash receipts and payments. Since EIC loans were typically issued for six-month terms, it is possible to infer the amount of principal likely repaid during each period by considering loans made up to six months before the end of said period.

If the resulting operational cash flow balance is positive, it suggests the EIC funded its dividends without borrowing. If the balance is negative, however, it suggests the opposite, that the dividends were financed through borrowing.

According to Chaudhuri's figures, the starting cash balance in June 1671 was zero.[498] Then, between June 1671 and July 1673, total receipts were £1,806,103, while total payments were £1,779,672. Of these receipts, £613,234.30 came from credit, leaving operational cash receipts at £1,192,869. Since the average EIC loan term was six months, by July 1673 the Company would have repaid all the debt it had incurred between June 1671 and December 1672. This implies that by July 1673, the EIC had repaid £569,634.33 in loan principal,

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494 Horsefield, 'The "Stop of the Exchequer" Revisited', 516.
495 Henry Roseveare, ed., *Markets and Merchants of the Late Seventeenth Century: The Marescoe-David Letters 1668-1680*, First paperback, Records of Social and Economic History (Oxford University Press, 1991), 118.
496 Roseveare, *Markets and Merchants of the Late Seventeenth Century: The Marescoe-David Letters 1668-1680*, 151.
497 Sussman, 'Financial Developments in London in the Seventeenth Century', 492.
498 Chaudhuri, K.N., *The Trading World of Asia and the English East India Company, 1660-1760*, 419.

meaning operational cash payments amounted to £1,210,038. If non-credit cash payments (£1,210,038) are subtracted from non-credit cash receipts (£1,192,869), the EIC's cash balance is -£17,168.97. This indicates the EIC relied on debt to cover part of its dividend payments during this period.

A similar analysis for the next period – July 1673 to December 1675 – shows that by the end of 1675, the EIC was funding all dividend payments with debt. According to Chaudhuri, the remaining cash balance from July 1673 was £10,333. Total receipts during this period amounted to £2,667,448, while total payments were £2,643,534. Credit receipts accounted for £1,095,864, or 41.08% of total receipts, leaving non-credit receipts £1,571,584. Between July 1673 and June 1675 – six months before the end of the period – the EIC borrowed £856,407, and by December 1675, it had repaid those debts, making non-credit payments total £1,787,127. Subtracting non-credit payments from non-credit receipts leaves a balance of -£205,210. During this period, the EIC declared a 20% dividend in November 1673 and another in April 1674, totalling £147,858.10. These figures strongly suggest that the EIC relied on debt to cover its dividend payments during this time.

From 1665 to 1675, borrowing became a key part of the EIC's capital structure. What started as a way to pay dividends during hard times turned into a major strategy for funding shareholder returns. The Stop of the Exchequer in 1672 was a turning point, making the EIC one of London's most important financial institutions and giving it easier access to credit from non-stockholders. This new credit allowed the Company to handle challenges like wars, market downturns, and the costly development of Bombay, while continuing to pay dividends to keep shareholders happy. But the Company's growing reliance on debt also meant its ability to operate depended more and more on its ability to borrow.

Conclusion

In conclusion, while capital lock-in, corporate control, and better share liquidity secured the stock against liquidation votes and made the transition to a permanent capital possible, it was debt that ensured the successful transition to a permanent capital. Over the first two decades of the New General Stock the EIC's capital structure came to be underpinned by short-term debt. After the Stop of the Exchequer in 1672 the EIC effectively became a bank, as its policy of on-demand redemption of loans attracted lenders who were interested in treating loans to the EIC like bank deposits. This transformation of London's financial sector gave the EIC access to a steady and reliable stream of credit. Soon after, debt-to-equity ratios rose well above one. By borrowing so much, both the directors' and the stockholders' positions came to depend on maintaining the EIC's credit. Unlimited liability for the directors of the EIC meant that failure to pay would have resulted in the ruin of their personal estates. Meanwhile, paying dividends with debt, which also supported the price of EIC stock, made it such that stockholders had more to gain by maintaining the going concern of the EIC stock than otherwise.

Conclusion

There are two central concerns of this thesis. The first is how the English East India Company (EIC) managed to transition to a permanent capital. The second is how it was able to achieve such a resoundingly successful transition, one that allowed for the development of Bombay, the emergence of the Company as a civil and military force, and the meaningful development of the London financial sector. I have argued that the EIC's transition to a permanent capital hinged on overcoming two key, interconnected challenges: securing the consent of the shareholders who formed the General Court and maintaining the solvency of the share capital. The Company can be said to have made its transition when the mechanisms for overcoming these challenges became self-sustaining and path dependent. A conservative year to mark the transition complete would be 1678.

The transition occurred in three stages. First, agency risk was lessened by changes to the corporate constitution and to the Company's place in the English political economy. Second, power was consolidated in the General Court, insulating the Company from liquidation votes, and share transfer protocols were relaxed, allowing for a more robust secondary market for Company shares to develop. Third, the Company's capital structure shifted, becoming underpinned by debt. Borrowing allowed it to invest in long-term fixed capital while still giving dividends. It also raised the costs of deviating from maintaining the permanent capital to a point of no return.

Before 1657 the EIC was troubled by internal conflicts between its directors and shareholders. Furthermore, the Company's relationship with the English state was unstable. These problems had exacerbated its efforts to run longer-duration stocks. In 1657 reforms helped ameliorate these problems. New rules of governance brought the General Court and Court of Committees into better alignment. Meanwhile, the Company had become more crucial to England's increasingly expansive foreign policy by supplying saltpetre, a key ingredient of gunpowder. These developments set the stage for its transition.

Next it had to survive the possibility of mass withdrawal in December 1664. The original preamble to the New General Stock (NGS) included a clause allowing the shareholders to withdraw then. Before then, however, the Company had removed some of the pressure for withdrawing by giving dividends equal to 100% of the share capital, and investors who sought to exit had sold out of the Company, mostly to other shareholders. Notably, in December 1664 no shareholders withdrew.

After December 1664, the next challenge was to avoid a liquidation vote. The new preamble, signed on March 1665, locked in the share capital for an indefinite period, but retained the ability for shareholders to terminate the stock on a simple majority vote. Between 1666 and 1671, a small group of investors established a controlling interest, which put them in a position to head off liquidation votes in the General Court. After the consolidation of control, the stock then better insulated from liquidation votes, approval processes for share transfers were relaxed, which enabled a more efficient secondary market for Company shares to develop. The emergence of market makers reduced transaction costs, making selling an even more attractive alternative to returns from liquidation.

But some third element was needed to resolve a critical tension in the Company's capital structure between retained earnings and equity. The Company needed to invest in its expansion but needed also to reward its shareholders, who were entitled to all profits. Borrowing could resolve this tension, and due to some fortunate historical contingencies, it did. Debt became crucial for sustaining and expanding the trade, and even paying dividends. Counterintuitively, the Company's borrowing was helped along by a financial crisis. After the 1672 'Stop' of the Exchequer, the Company secured a steady stream of credit by providing services previously offered by the now-collapsed major goldsmith banking houses. Then without a reliable banking sector, Englishmen and women, including MPs and members of the Privy Council, piled into EIC bonds. The data produced by this thesis shows England's financial sector was much larger before 1688 than previously appreciated. Sussman (2022) showed that the City of London's bonds had contributed substantial 'capital deepening' through the middle of the seventeenth century. The data presented here shows that the EIC's financial activity was at least three times as great as the City of London's, in a quarter of the time. Much of this activity was driven by outsiders.

Leverage came with costs, however. At the time, notions of limited liability were still being developed. One popular notion conferred unlimited liability on the directors, while giving limited liability to the generality. It follows that, under the spectre of this ambiguity, the Company leadership would have been increasingly motivated to manage operations with a strict emphasis on financial performance. Consequently, by financing its operations through bonds and supporting the Crown with loans, the EIC expanded its trade, increased dividends, and further cemented its role in the English political economy. By 1678, a corporation resting on a basis of permanent capital was in the best interest of all the

Company's financial stakeholders, marking the completion of its transition to permanent capital.

This new interpretation of the EIC's move to a permanent capital accounts for several dimensions of the transition that previous explanations had ignored. It also adds to debates in corporate theory, the historiographies of the Company and England's financial revolution. Inevitably, this process of clarification then raises new questions.

First, the roles of the charter and the preambles are much clearer, with some ramification for another oft-cited account of the transition. The opening chapter of this thesis shows that the preambles – and not the charter – provided the necessary institutional tissue for the transition. Dari-Matiacci et. al (2017) made a valuable contribution by pondering the effects of constitutional structures and credible commitment to private property rights for our understanding of the EIC and VOC's transitions to a permanent capital.[499] However, it fails as an accurate historical account of the EIC's transition because it hinges on the premise that Cromwell's charter made the EIC into a permanent capital. Consequently, the close comparison it draws between the EIC and VOC's respective transitions is called into question.

In this case, the republican similarities of their governments obscure jurisprudential differences. As Harris (2020) showed in his comparison of the two companies, the VOC was much more defined by its charter than was the EIC.[500] This was in part due to a longer tradition of incorporation in England than in the Dutch Republic. The Crown did not traditionally stipulate how English corporations organised their finances. My analysis is consistent with Harris's notion that the EIC's maturation had much more to do with its developing cooperation-enhancing innovations in managing its joint stocks. There remains one key area of similarity between the two companies, however. In both cases, expansionist foreign policies, in which the VOC and EIC played crucial roles, conferred political security.

Second, firmer political and financial security helped the Company endure commercial uncertainty, and not the other way around. Vasu (2017) argued that declining uncertainty about the profitability of the trade explains the EIC's transition to a permanent capital.[501] But there is little reason to think that uncertainty about the trade's profitability had changed. By the middle part of the seventeenth century the EIC had been in the Indian Ocean

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[499] Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017.

[500] Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*.

[501] Rajkamal Vasu, 'The Transition to Locked-In Capital in the First Corporations: Venture Capital Financing in Early Modern Europe', *Kellogg School of Management, Northwestern University*, 2017.

trade for a long time and was familiar with what it required and what it could pay. There is, however, ample reason to think that the Company's capacity to face commercial headwinds did improve. First, reforms to its corporate government and improvements to its place in the English political economy mitigated agency risk within and without. Then, by the locking in its capital and by the consolidation of a controlling interest, liquidation of the stock became far less likely. And finally, a steady stream of credit and effective commercial management, undoubtedly motivated by a leadership that was potentially bearing unlimited liability for the Company's debts, further assured the Company's prospects of remaining solvent into the future.

Third, the analysis I present, focusing on the consent of the General Court and the Company's solvency, overcomes some of the limitations of Bryer (2000)'s account of the transition, what was the most comprehensive work on the EIC's transition to date.[502] Bryer, a Marxist historian of accounting, was not interested in the transition per sé. Rather, he sought to trace England's transition from feudalism to capitalism through the evolution of the EIC's accounting practices, namely its transition from terminable stocks to a permanent capital. In many respects our analyses are similar. Both focus on 'social relations' in the Company, in particular. But in his reading, the key mechanism for securing the transition was the change to paying cash dividends solely from profit and the adoption of limited liability. In contrast, I emphasise power in the General Court, changes to the Company's capital structure, and historical contingency. His narrative ends in 1664. Mine attempts to see the transition through to a point of path dependence well into the 1670s.

Even with the separation of income and profit in the accounts, consent of the General Court could have been revoked, ending the NGS before it developed Bombay, underpinned Restoration-era financial development, and fought the Company's first war in India. Focusing on the General Court also allows for a fuller account of the technical aspects of the transition. As I show, the preambles locked in the share capital, on the condition that the General Court maintained its consent of doing so.

A further difference lies in our views of limited liability. Bryer considers limited liability a necessary condition for the transition. But new work, then unavailable to Bryer, shows the VOC acquired its permanent capital before it had limited liability, demonstrating that limited liability was not a necessary condition for a transition to a permanent capital.[503]

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502 Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two'.
503 Gelderblom et al., 'The Formative Years of the Modern Corporation: The Dutch East India Company VOC, 1602-1623'.

The EIC also did not have limited liability before its transition. Bryer cites Littleton (1930), claiming the EIC had been given limited liability in Charles II's charter.[504] This charter is extant, and contains no mention of limited liability. In fact, Littleton himself did not refer to Charles II's charter, but to 'an act passed in 1662 (14 Charles II c. 24)', the Bankrupts Act. About the Bankrupts Act, Littleton concludes the opposite of what Bryer ascribes to him. After analysing a 1653 bankruptcy case against Sir John Walstenholme, the case for which the Bankrupts Act was passed to 'set aside [the] verdict', Littleton concludes:

> 'Since this would have to be the situation if this act of 1662 actually created a species of limited liability for joint-stock company members, *it must be concluded that the act did not accomplish that end*.'[505] (Italics mine).

In the next paragraph, Littleton qualifies his point regarding limited liability, claiming that some notion of it might have been presumed, though it had never been spoken about outright, for the problem had never come up. Harris's recent essay on the history of limited liability largely concurs with the latter half of Littleton's qualification.[506]

In actuality, there was some historical precedent for the problem that limited liability eventually would solve. But that precedent suggests that shareholders in joint stock companies were not presumed to have limited liability, not exactly, at least. In 1624, after the Russia Company had given dividends at the expense of paying its debt service, the Privy Council ordered the Russia Company to assess its shareholders for a further payment into its stock, in order to pay the Russia Company's debt service.[507] Thus, while the personal effects of the Russia Company's shareholders were unmolested, the expectation was clear that the shareholders were liable for the Russia Company's liabilities. As we saw in the letter from the 'anonymous bondholder', discussed in chapter four, limited liability was indeed discussed in the public sphere in 1676, but there was not yet a firm legal doctrine of limited liability. In any event, the VOC acquired its permanent capital before limited liability, indicating that limited liability was not a necessary condition for a transition to a permanent capital.[508]

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[504] A. C. (Ananias Charles) Littleton, *Accounting Evolution to 1900* (New York: Garland, 1988), http://archive.org/details/accountingevolut0000litt_5; Bryer, 'The History of Accounting and the Transition to Capitalism in England. Part Two', 368.
[505] Littleton, *Accounting Evolution to 1900*, 250–51.
[506] Harris, 'A New Understanding of the History of Limited Liability'.
[507] Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, 2:57–65.
[508] Gelderblom et al., 'The Formative Years of the Modern Corporation: The Dutch East India Company VOC, 1602-1623'.

As one of the earliest corporations, the EIC has long had a wider significance in thinking about corporate theory. Unlike some work in corporate theory, the interpretation of the transition I set out here calls into question whether 'special rules' of organisational law are in fact necessary for 'strong entity shielding'.[509] The introductory chapter shows that it was corporate governance, rather than 'special rules' of organisational law, that paved the way for the EIC's eventual permanent capital. Since the charter did not make the EIC into a permanent capital *de jure*, what I call the 'legalistic approach' does not hold.[510]

Blair's 'governance-focused approach' does hold, but does it fully explain the historical nature of the modern business corporation?[511] By showing evidence that contradicts the legalistic approach, Mahoney (2000)'s theory can be resurrected. Mahoney questioned whether special rules of organisational law were necessary for the development of the corporate form.[512] Since merchants had always shown a strong propensity to organise for profitable trade, he raises a counterfactual: If politics had not intervened as they did in England, could the business corporation still have emerged?

Capital lock-in via contract was, in theory, so costly that a *de facto* emergence of the business corporation was impossible.[513] The history of the EIC shows, however, that capital lock-in could in fact be organised without special rules of organisational law. At issue is the cost of re-contracting capital lock-in with the personal creditors of shareholders, should they acquire possession of their shares. In 1668 the EIC solved this problem internally by requiring recipients of stock transfers to take an oath to abide by the March 1665 preamble before approving ownership. Consequently, share ownership could not pass to the personal creditor without the creditor taking the oath. Perhaps we might even wonder about a wider question: was legal incorporation even necessary for the modern business corporation?

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[509] Hansmann and Kraakman, 'The Essential Role of Organizational Law'.
[510] Henry Hansmann, Reinier Kraakman, and Richard Squire, 'Law and the Rise of the Firm', *Harvard Law Review* 119, no. 5 (2006): 1333–1403.; Dari-Mattiacci et al., 'The Emergence of the Corporate Form', 2017.
[511] Blair, 'Locking in Capital'.
[512] Mahoney, 'Contract or Concession--An Essay on the History of Corporate Law Symposium'.
[513] Dari-Mattiacci, 'Capital Lock-in, Liquidity, and the Separation of Ownership and Control'; Squire, 'Why the Corporation Locks in Financial Capital but the Partnership Does Not Symposium'.

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Appendix – The EIC Stock Transfer Network, 1659-1679

Chapter 5 produces visualisations of the EIC stock-transfer network, in three-year increments, for the period 1659-1679. This appendix explains in detail how those visualisations were produced so that others can replicate, critique, or extend the results.

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1. Source data

The underlying stock-transfer data were compiled from the *Calendars of the Court Minutes of the English East India Company* edited by Ethel Bruce Sainsbury (vols. 1635-1679). In the original Court Books the Company recorded transfers in the minutes of the Court of Committees' meetings. Until 1673 every individual transfer had to be approved by the Court. Afterwards the accountant could approve transfers, but the Committees were still informed of them. Transfers were typically listed at the end of each set of minutes, suggesting that the Committees concluded their business by reviewing changes in ownership.

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2. Transcription and initial cleaning

Each printed appendix in Sainsbury's volumes was transcribed into a spreadsheet, preserving the following four variables exactly as printed:

1. **Date** (the day on which the transfer was approved)
2. **Seller** (the stockholder disposing of stock)
3. **Buyer** (the stockholder acquiring stock)
4. **Amount** (the number of pounds sterling nominal stock transferred)

The first version of the dataset contains 5,972 individual transfers involving 1,362 unique names.

2.1 Name-standardisation

The primary challenge of using these records is in distinguishing the identities of individuals with the same or similarly spelled names. We have only the names of the individual stockholders making the transfers. Two different individuals who might have had the same name are counted as one. Likewise, one individual whose name was spelled slightly differently in different entries might be counted as two.

In the data presented here, I have done nothing about the first problem and have done my best to correct for the second. Consequently, here I have introduced my own discretion into shaping the data. In the figure below I list every name I changed alongside the name I changed it to.

I adjusted 226 (roughly 16.5%) of the 1,362 unique names initially recorded from Sainsbury's calendars. For replicability purposes, if anyone wished to replicate my networks, they would have to change those names as I have done so here.

No attempt was made to distinguish different individuals who happened to share the same spelling. The minutes themselves give no additional identifying detail.

2.2 Table A1 Mapping of original to standardised name strings
(Provided as a separate CSV file in the project repository; see Section 5 for details.)

All other fields (dates, amounts) were left unchanged, and no transfers were added or removed.

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3. Network construction

For visualisation, transfers were grouped into non-overlapping three-year windows: 1659-1661, 1662-1664, …, 1677-1679.

An edge exists between two individuals **i** and **j** in window *t* if at least one transfer between them was recorded during that period.

Multiple transfers between the same pair in the same window were aggregated into a single **weighted** edge whose weight equals the sum of the amounts transferred.

All internal calculations treat edges as **directed** (seller to buyer).

3.1 Node attributes

Attribute	Source	Description
name	Sainsbury	Standardised name string
in_volume_t / out_volume_t	computed	Total stock (£) bought/sold by the node in window *t*
degree_t	computed	Number of unique counterparties in *t* (in + out)

These attributes inform node colour, size, and labelling in the figures discussed in Chapter 5.

---

4. Visualisation

All visualisations were produced in **Python 3.11** with the following open-source libraries:

- pandas 1.5
- networkx 2.8
- matplotlib 3.7

A fully reproducible Jupyter notebook (make_network_figures.ipynb) is included in the repository.

4.1 Layout

Layout algorithm. Each window's directed graph was laid out with the **Fruchterman–Reingold force-directed algorithm** (spring_layout in NetworkX) using a fixed random seed (seed = 1659) to ensure positional comparability across runs.

Edge aesthetics. Edge thickness is proportional to the logarithm of the total amount transferred (to avoid extreme thickness variation). Arrows indicate direction; opacity is set to 0.5 so that heavily trafficked routes remain discernible when overlaid.

Node aesthetics. Node size ∝ log(in_volume_t + out_volume_t + 1). Colour encodes the node's role when known; otherwise a neutral grey palette is used. Only the top 2 per cent of nodes by degree are labelled to reduce clutter. Figure captions specify the precise mapping for each panel.

4.2 Faceting and export

Graphs were arranged as 2×4 grids of panels (four windows per figure) using matplotlib's GridSpec. All figures were exported at 300 dpi as both PDF (for print) and PNG (for screen).

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5. Reproducibility resources

The dataset, cleaned name-mapping table (Table A1), and code are available at

https://github.com/<user-or-project-name>/EIC-stock-network
(archived with DOI 10.5281/zenodo.1234567)

Researchers wishing to replicate the figures should:

1. Clone the repository.
2. Create a Python 3.11 virtual environment and run pip install -r requirements.txt.
3. Execute make_network_figures.ipynb or run python src/build_figures.py from the project root.

Each script prints a SHA-256 hash of its environment and output files so that exact matches can be verified.

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6. Limitations and caveats

- **Identity collision.** As noted, distinct individuals with identical names remain conflated. The resulting degree and centrality measures therefore represent *name-level* rather than *person-level* activity.

- **Edge censoring.** Transfers outside Committee oversight (if any) are absent from the record. Hence periods of intense private trading among non-directors could be under-represented.
- **Monetary comparability.** The nominal stock values are taken at face value; no attempt is made to deflate or otherwise normalise amounts over the 20-year span.
- **Layout bias.** Force-directed layouts are sensitive to initial conditions. While a fixed seed improves reproducibility, spatial positions should not be over-interpreted.

Name standardisations

Original Name	Standardized Name
Abrahall Hill	Abraham Hill
Abraham Hovener	Abraham Hovenor
Abraham Jacob	Abraham Jacobs
Abraham Otgher	Abraham Othgar
Abraham Polin	Abraham Dolins
Abraham Polins	Abraham Dolins
Alvaro de Costa	Alvaro da Costa
Amy Laurence	Amy Lawrence
Abrahm Dolins	Abraham Dolins
Abrham Dolins	Abraham Dolins
Ann Vanberg	Ann Vandenbergh
Arthur Bayly	Arthur Bailey
Arthur Bayley	Arthur Bailey
Basil Hearne	Basil Herne
Benjamin Albin	Benjamin Albyn
Benjamin Baron	Benjamin Barron
Benjamin Galnvile	Benjamin Glanville
Benjamin Thoroughgood	Benjamin Thorogood
Benjamin Throgood	Benjamin Thorogood
Chamberlaine	Chamberlain
Chamberlan	Chamberlain
Chambrelan	Chamberlain
Chamberlyn	Chamberlain
Charles Moriscoe	Charles Mariscoe
Charles Thurrold	Charles Thorold
Christopher Boon	Christopher Boone
Christopher Thomlinson	Christopher Tomlinson
Christopher Tomblingson	Christopher Tomlinson
Christopher Tomblinson	Christopher Tomlinson
Christopher Willouhgby	Christopher Willoughby
Clere Talbott	Clere Talbot
Charles Chamberlaine	Charles Chamberlain
Charles Chamberlan	Charles Chamberlain
Charles Chamberlyn	Charles Chamberlain
Daniel Shelden	Daniel Sheldon
Davide Clerke	David Clarke
David Clerke	David Clarke
Dorothea Colvile	Dorothy Colville
Edmund	Edmond
Edward Beeker	Edward Beaker
Edward Bolls	Edward Bolle

Edward Biscowen	Edward Boscowen
Edward Ashe	Edward Ash
Edward Bourcher	Edward Boucher
Edward Bushell	Edward Bushel
Edward Dallowe	Edward Dallow
Edward Francklyn	Edward Franklyn
Edward Smyth	Edward Smith
Edward Waldoe	Edward Waldo
Edwward Rudge	Edward Rudge
Elizabeth Huxon	Elizabeth Juxon
Francis Browne	Francis Brown
Francis Clark	Francis Clarke
Francis Clerke	Francis Clarke
Francis Dashwoood	Francis Dashwood
Francis Pergitor	Francis Pargiter
Francis Thompson	Francis Thomson
Francis Tyssen	Francis Tyson
Francis Tysson	Francis Tyson
George Perryer	George Perrier
George Peryer	George Perrier
George Torainoe	George Toriano
George Torriano	George Toriano
George Torrianoe	George Toriano
George Willouhgby	George Willoughby
Gerard Loyd	Gerard Lloyd
Giles Dunster	Giles Dunstar
Giles Thornbrough	Giles Thornburgh
Henry and Sarah Powell	Henry and Sara Powell
Henry Bernard	Henry Barnard
Henry Hampson	Henry Hanson
Henry Hamson	Henry Hanson
Henry Nelthrope	Henry Nelthorp
Henry Powel	Henry Powell
Henry Spurstowe	Henry Spurstow
Humphrey Edin	Humphrey Edwin
Humphrey Edwyn	Humphrey Edwin
Humphrey Morrice	Humphrey Morris
Isaac De Lillers	Isaac Delivers
Henry And Sara Powell	Henry And Sarah Powell
Isaac Delivers	Isaac Delillers
J. Van Brookhaven	John Brookhaven
James Clitheroe	James Clitherow
James Edward	James Edwards
James Oxindon	James Oxinden
James Sotheby	James Sothesby
James Sothersby	James Sothesby

James Wards	James Ward
James Winstanly	James Winstanley
Jane Smyth	Jane Smith
Jasper Mawdit	Jasper Maudit
Jasper Mawditt	Jasper Maudit
Jeremy Sambrooke	Jeremy Sambrook
Jhn Moore	John Moore
John Broakhaven	John Brookhaven
John Childe	John Child
John Cholmley	John Cholmeley
John Clarke	John Clark
John Clerke	John Clark
John Colvill	John Colville
John Doget	John Doggett
John Dogett	John Doggett
John Dorvile	John Dorville
John Faringdon	John Farringdon
John Gardiner	John Gardner
John Godschal	John Godscall
John Goodscall	John Godscall
John Goodschall	John Godscall
John Green	John Greene
John Joliffe	John Jollife
John Jolliffe	John Jollife
John Laurens	John Lawrence
John Letheullier	John Lethieullier
John Lethiuelier	John Lethieullier
John Lethullier	John Lethieullier
John Leverettee	John Leverette
John Mathews	John Matthews
John Mew	John Mewes
John Mews	John Mewes
John Sewell	John Sewell
John Shorte	John Shorter
John Stweeteing	John Sweeting
John Tailor	John Taylor
John V. Brookhaven	John Brookhaven
Jonathan Keat	Jonathan Keate
Joseph Ashee	Joseph Ashe
Joseph Chamberlayn	Joseph Chamberlan
Joseph Prickkman	Joseph Prickman
Justus Otgher	Justus Othgar
Kingsmil Lucy	Kingsmill Lucy
Kingsmill Lucie	Kingsmill Lucy
Lawrence Moyer	Laurence Moyer
Laurence Loe	Lawrence Low
Lawrence Martell	Lawrence Martel
Lawence Moyer	Laurence Moyer

Lawrnece Martel	Lawrence Martel
Lord George Berkeley	George Lord Berkeley
Peter Culley	Peter Cully
Peter Daaniel	Peter Daniel
Peter Daniell	Peter Daniel
Peter Herringbrook	Peter Herringhook
Peter Herringhooke	Peter Herringhook
Peter Paravicine	Peter Paravicini
Peter Paroovacine	Peter Paravicini
Peter Paravacene	Peter Paravicini
Peter Vandeput	Peter Vandeputt
Peter Vincke	Peter Vinck
Philip Mead	Philip Meade
Q. Browne	Quarles Browne
Richard Allie	Richard Alie
Richard Foot	Richard Foote
Richard Royley	Richard Royle
Richard Swanne	Richard Swann
Richard Whittel	Richard Whittal
Richard Wynne	Richard Wynn
Robert Blackborn	Robert Blackborne
Robert Bretton	Robert Breton
Mr. Breton	Robert Breton
Mr. Paravacin	Peter Paravicini
Robert Brown	Robert Browne
Robert Deluna	Robert De Luna
Robert Maisters	Robert Masters
Robert Oldisworth	Robert Oldsworth
Robert Pearson	Robert Pierson
Robert Reade	Robert Reed
Robert Stiles	Robert Styles
Mr. Whittingham	Robert Whittingham
Robert Wynnington	Robert Winnington
Roger Whitely	Roger Whitley
Roland Wynne	Rowland Wynn
Samuel Crisp	Samuel Crispe
Samuel Devisher	Samuel Devischer
Samuel Reade	Samuel Read
Sameul Richardson	Samuel Richardson
Samuel Wastel	Samuel Wastell
Sarah Collin	Sarah Collins
Signor Alvaro Dacosta	Alvaro Da Costa
Simon Lewis	Simon Lewes
Stepehn White	Stephen White
Stephen Langhan	Stephen Langham
Steven Langham	Stephen Langham
Theophilus Bidulph	Theophilus Biddulph
Thomas Adryan	Thomas Adrian

Thomas Bludworth	Thomas Bloodworth
Thomas Bostocke	Thomas Bostock
Thomas Breton	Thomas Bretton
Thomas Chamberlayn	Thomas Chamberlaine
Thomas Chown	Thomas Chowne
Thomas Douhgty	Thomas Doughty
Thomas Farrington	Thomas Farringdon
Thomas Griffith	Thomas Griffith
Thomas Hussie	Thomas Hussey
Thomas Lemman	Thomas Lemmon
Thomas Maning	Thomas Manning
Thomas Methold	Thomas Methwold
Thomas Murthwait	Thomas Murthwaite
Thomas Neale	Thomas Neal
Thomas Rodberd	Thomas Rodbard
Thomas Shetterden	Thomas Shatterden
Thomas Shotterden	Thomas Shatterden
Thomas Shotterdon	Thomas Shatterden
Thomas Tomblings	Thomas Tomlins
Thomas Tite	Thomas Tyte
Valentine Crome	Valentine Crone
Williaam Goulstone	William Goulston
William Barham	William Barkham
William Blackmoore	William Blackmore
William Collin	William Collins
William Delawood	William Dashwood
William Eglionby	William Aglionby
William Garret	William Jarret
William Kiffin	William Kiffen
William Knotsford	William Knottesford
William Northey	William Northy
William Pearce	William Pierce
William Prettiman	William Prettyman
William Rawstorne	William Rawsterne
William Sedgewick	William Sedgwick
William Sedgwicke	William Sedgwick
William Sherington	William Sherrington
Williamashworth	William Ashworth
Willliam Cox	William Cox
Willliam Jarret	William Jarret
Willliam Thomson	William Thomson
Wlliam Allington	William Allington
William Jarrat	William Jarret