

The Western Conquest of the Silk Routes

by Claude Markovits

The question has long preoccupied historians studying international trade and capitalism: Why did European trading companies, above all the Dutch East India Company (VOC) and the English East India Company (EIC), dominate Eurasian trade from the 17th century onwards?

Reviewed: Ron Harris, *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*, Princeton and Oxford, Princeton University Press, 2020, pp. 448.

Historiographical overview

In a book published in 1973, the Danish historian Niels Steensgaard¹ argued that the establishment of these companies in Asia was the sign of a "commercial revolution" which, from a Weberian standpoint, he saw as the advent of a form of economic rationality geared towards profit maximisation. He contrasted the centralised trade practices of these companies with those of Asian merchants who belonged to the category of "peddlers", as they physically accompanied their goods

¹Niels Steensgaard, *The Asian Trade Revolution of the Seventeenth Century: the East India Companies and the Decline of the Caravan Trade*, Chicago, London, University of Chicago Press, 1973.

and carried out vast numbers of "spot transactions" that yielded random results, given the degree of uncertainty and risk involved. His analysis took into account the Asian context in the early 17th century, and his chronological starting point was the capture of Hormuz from a Portuguese ally in 1622 by a combined Anglo-Persian expedition, which, he argued, coincided with the beginning of a permanent decline in caravan trade in favour of maritime trade. His analysis was widely accepted and acquired the status of a paradigm, although it was disputed by some Indian historians².

A new perspective on the commercial revolution of the 17th century

The legal historian Ron Harris, a Professor at Tel Aviv University, revisits this question in his book. Harris reaches roughly the same conclusions as Steensgaard, but broadens the focus considerably, both in terms of space — he covers the whole of Eurasia — and chronology — as he looks at the three-century period (1400-1700), corresponding to early modernity, during which trade between Europe and Asia expanded significantly. Leaving behind the Weberian conceptual framework in which Steensgaard was situated, he focuses on the legal forms of trade organisation. For him, the commercial revolution consisted in adopting a particular type of organisation, the "business corporation", of which the VOC and the EIC were the strongest examples for two centuries.

The author poses two distinct questions, and provides two types of answers. The first question concerns the nature of the business corporation and its unique ability to organise long-distance trade in an impersonal way, unlike all other forms of organisation that preceded it. He follows this question with another: Why did this form of organisation appear only in Northern Europe, and not in other parts of Eurasia? The latter question concerns the causal link between the legal form and these companies' domination. The author believes his answer to the first question to be definitive, while his answer to the second is open to debate.

² Irfan Habib, "Merchant communities in precolonial India", in James D. Tracy (ed.), *The Rise of Merchant Empires: Long-Distance Trade in the Early Modern World 1350-1750*, Cambridge, New York, Cambridge University Press, 1990, pp. 371-99, particularly pp. 397-98.

The origin of the corporation

The author makes a detailed, erudite study of the origin of the corporation, based on a vast body of reading on the whole of Eurasia (Europe, the Islamic Middle East, India and China) and an analysis of original documents. His discussion of each form is accompanied by a series of illustrative microstudies. The discussion is organised around the distinction between the various means by which the legal forms of commercial organisation circulated. Harris distinguishes between "migratory" forms that circulated between different areas, such as the *commenda* (a limited bilateral partnership agreement usually entered into for a single trip), a slightly modified Italian version of the *mudaraba* or *qirad* of the Islamic world (see his discussion of this controversial point on pp. 140-147); universally widespread forms such as the family firm — illustrated by three examples from India, China and Europe respectively (pp. 174-197) — and the merchant network — illustrated by two examples of Jewish networks and one of an Armenian network (pp. 198-225), which can be found with minimal variations in all regions of the world; and lastly, forms that he calls "embedded", which remain confined to a particular area.

The corporation is a case in point, but there are other examples such as the Chinese lineage firm. To explain why a particular legal form was adopted by a particular society at a particular time, Harris uses a "challenge-response" conceptual framework, which is highly reminiscent of the one popularised by the British historian Arnold Toynbee, although the author does not quote him in the book. Toynbee explained the rise and fall of civilisations by their greater or lesser ability to respond to the challenges they faced, such as environmental disasters or wars and invasions³. On a more modest scale, Harris shows that the Dutch and the English adopted the corporation in the early 17th century — a legal form developed in medieval Europe, first within the framework of the Catholic Church and then extended to other areas — as a response to the particularly severe challenges faced by their merchants who were latecomers to Eurasian trade and had to operate over the longest routes. The problems they faced in mobilising capital and circulating information were such that they could not be resolved by the family firm, even a large firm with multiple branches like the Fugger family firm in Augsburg, the merchant network, or the *commenda*. So they invented a new form, the "business corporation", which made it possible to combine impersonality (the organisation's legal existence was independent from that of the

³ Arnold John Toynbee, *A Study of History*, London, Thames & Hudson, 1988 (abridged edition).

individuals who made it up) and the pooling of capital through joint stock, which offered great flexibility to traders. According to Harris, the VOC was an incomplete form of the corporation because it overlapped with the authorities of the Dutch Republic, which still linked it in some way to the model of Portuguese state trading represented by the *Casa da Índia*. It was in the EIC that the business corporation reached its full potential thanks to the greater independence of the English company from the British Crown. This reveals a certain teleology in Harris, although he denies it and it remains concealed. When explaining why this form was adopted in these two northern European countries but not in other countries of the continent, he rejects the Protestant explanation favoured by Weber, which he considers to have played no role in the matter. Instead, he favours the political context and the fact that these two countries had established limits on the power of rulers and sovereigns, which made the implicit commitment not to expropriate the companies' assets more credible than in the context of an absolutist monarchy such as that of Portugal (during the period of union with Spain) or France. In England at least, the turbulence it experienced in the seventeenth century calls into question the relevance of this argument: it is difficult to see what would have prevented Oliver Cromwell from expropriating the EIC if he had chosen to do so. The fact that he did not may be explained in various ways, but the institutional barriers to arbitrary power were considerably weakened during the Lord Protector's (short) reign, with a Rump Parliament (1648-1653) unable to oppose him.

The companies' success

On the (second) question of these companies' success during the seventeenth century (the survey goes as far as 1700), Harris points out the difference in size between the two — with the Dutch company having a clear advantage over the English one, which decisively surpassed its rival only from 1720 onwards — but his survey is much more superficial and passes over the failures a little too quickly, particularly the reasons why the English company had trouble establishing itself. Of course, his aim was not to rewrite the history of the companies, but to focus on the legal form they adopted. However, he does not conclusively rule out other explanations put forward by numerous authors to explain the companies' success, such as the use of violence (in particular by the VOC against the natives of the Banda Islands and its English rivals in the Maluku Islands) and technological superiority in terms of navigation.

Consequently, the author acknowledges that his conclusions on this point are tentative.

Conclusion

Ultimately, the reader is torn between admiration for the enormous amount of work Harris has done, and the richness of his observations (we learn a great deal from this book, even if the author of this review cannot claim to be a specialist of the period) and a certain disappointment at his somewhat conventional conclusion. In some respects, this is rather like old wine in new bottles. On the other hand, however, the author's approach is original compared to other recent works such as Emily Erikson's, which frames the problem in the classical terms of a tension between monopoly and freedom of trade⁴. The global comparative method the author uses to establish the superiority of a European institution is indicative of a turning point in historiography: we can no longer be satisfied with taking European superiority for granted; instead, it must be based on a meticulous analysis of the forms of commercial organisation throughout the Eurasian space, which reveals the existence of diverse potentialities and untrodden paths that undoubtedly merit further exploration.

Translated by Susannah Dale

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⁴ Emily Erikson, *Between Monopoly and Free Trade: The East India Company 1600-1757*, Princeton, London, Princeton University Press, c. 2014.