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Imperfect Monopolies

The monopoly of East India companies is frequently considered to be synonymous with the conscious exclusion of competition in order to maximise profits. Proponents of this view say that these companies were only able to manipulate markets to obtain higher profits by their capacity to impose power and wield political privileges. Such privileges needed to be enforced, leading to inefficiency and the passing on of the costs involved as higher prices for consumers. Ensconced in their position to manipulate their markets, these companies made their fortunes by limiting supply when demand was high, later to sell their goods as exclusive and profitable luxuries. The logical upshot is that, if trade had been left to the devices of monopoly companies, no Asian commodity would ever have reached beyond the purlieus of the elites to consumers in all layers of European society. As the introduction has shown, such stereotypes might have held a grain of truth in the case of some of the goods which the East India companies brought back, especially the spices, but, as far as the two commodities which are the focus of this study are concerned, namely tea and textiles, these sorts of conclusions are problematic. Any attempt to gain a real monopoly of the trade in these goods was inhibited by external competition compounded by the internal organisational weaknesses of the East India companies. As this chapter will demonstrate, the real reason criticism of the monopoly companies mounted steadily during the eighteenth century was that the structural imperfections of company trade with and within Asia became increasingly apparent as their monopolies on trade eroded under the pressures and exigencies generated by the rivalry for trade in tea and textiles.
1 Imperfect monopoly in trade

‘(...), to have the sole right, at the exclusion of all others to be allowed to sail east of the Cape of Good Hope or through the Magellan Strait, on seizure, of those who would go against this, not only of ships and goods, but also to be punished by life and possessions. (...)’¹ With this stern warning, the States General of the Dutch Republic granted the sole right of trade between the Dutch Republic and Asia to the VOC. The goal of this monopoly on trade was to give the VOC sole access to the profits of trade between Asia and the Dutch Republic. Other European East India companies, such as the EIC, had been granted similar rights by their home states, couched in words just as menacing to those who might have nurtured ideas about trying to edge in on the profits.²

With every extension of their charter, the East India companies paid for this privilege, which also guaranteed that their home state would help them protect their monopoly on trade to Europe. Despite such backing, the limitations of such a national monopoly are quite blatantly evident considering that all the European companies had been granted similar rights from their own home state. Beyond this national claim on trade with Asia, in reality the monopoly on the trade in tea and Indian textiles to Europe often only dimly reflected anything close to an actual monopoly, as global competition was the real factor which determined the outcome of trade.

This form of a ‘national’ monopoly had made sense in the seventeenth century, when only the EIC and the VOC had been able to enforce their will on the trade in spices to the advantage of their own coffers. However, with the opening up of the trade in tea and textiles in Asia, new prospects and challenges loomed for the EIC and VOC as well as the other companies which had failed in the spice trade in the seventeenth century. This is particularly applicable if it is remembered that, within a span of forty years between 1680 and 1720, the consumption of tea and Indian textiles in Europe was propelled to previously unforeseen heights. The two companies which had been successful in the spice trade, the VOC and the EIC, were very aware of the growing demand for these new commodities and, in their efforts to expand trade in tea and textiles, they did succeed in satisfying it to some extent. Nevertheless, undismayed new companies were created and old ones revived as new competition was forced on the two companies which had dominated the East India trade to Europe in the previous century.