

*Essays in Economic & Business History*

2021, 39: 240-241

Published January 31, 2022



**Book Review: Harris, Ron. *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*. Princeton, NJ: Princeton University Press, 2020. 465 Pp.**

Three centuries of the development of trade, from the early ages of exchange between Europe and Asia through the Age of Discoveries and culminating in the rise and consolidation of joint-stock companies, viewed through the lens of the historical evolution of the business corporation, is what Ron Harris gives us in his new book *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700*.

The author has undertaken an ambitious project, taking a long-run approach and explaining how the early stages of trade paved the way to the golden age of eighteenth century trans-oceanic colonial commerce. And it has rendered a great result. *Going the Distance* provides a remarkable, broad, perspective of how business corporations, mainly the British East India Company (EIC) and the Dutch United East India Company—the *Vereenigde Oostindische Compagnie* (VOC)—flourished thanks to the path built by the early modern oceanic voyages of the Portuguese and Spanish.

*Going the Distance* utilizes a great and unusual set of sources, from papyri of the Egyptian desert to the powers of attorney from an Armenian monastery in Iran, in addition to more traditional official records, such as contracts made by the Portuguese king from the state archives in Lisbon. Despite his concern about making too much of a “Eurocentric analysis”, especially with his use of traditional primary sources, Harris partially achieves his goal of circumventing Eurocentrism by not using Europe as a yardstick. He argues that the success of business corporations is a result of Europe’s difficulties and not because of an inherent advantage or European superiority.

The book is divided into four parts: analyzing the context and providing a theoretical framework; the study of organizational building blocks; the development of long-distance trade enterprises at the dawn of the organizational revolution; and the transformation from personal merchant networks to the era of “impersonal cooperation”.

In the first part, Chapter 1 provides an overview of the literature on globalization and trade through a New Institutional Economics perspective, focusing on the evolution of commercial organization. The chapter takes us on a journey back to the late Middle Ages, circumscribing the geographical scope of Eurasian trade and elucidating the variations in oceanic journeys. The author argues that the great distances traveled by ships in the pre-European Indian Ocean voyages when compared to the Northern European routes or even discovery voyages to the Americas represented an advantage for Asians and an “organizational handicap” for Europeans. Europeans had to travel much longer to reach Asian and Eastern African trade hubs, compared to Chinese and Indian merchants. Voyages were costly and challenging. Ships had to be larger, as did the crew and travel supplies (water, food, ship repairing equipment, etc.). This created a logistical challenge for European traders to maintain the constancy of their enterprises, which the author analyzes carefully as he explains the reasons for Europe’s trade ascendancy. Chapter 2 creates a theoretical outline based on Douglass North and Avner Greif’s theories of institutions and organizations.

## Book Reviews

According to Harris, despite the development of general econometrics approaches to trade, dynamic analysis of the formation and evolution of trade institutions is still open for further exploration.

Part II is dedicated to the organizational building blocks. Chapter 3 describes the local, independent and endemic development of precursor endogenous institutions, mainly underpinned by three main cases: Roman-era trade (bilateral relations of loan and agency); Turfan contracts (individual itinerant traders) along the Silk route; and the ownership and operation of Indian Ocean ships (the ship as an organizational unit).

Chapter 4 explores migratory institutions (know-how, technology, religion, etc.) using insights from different disciplines, including archeology and the history of science. Chapter 5 digs deep into the origins, characteristics, and development of the *commenda*, i.e., the contractual trade partnerships between investors and traveling traders. The author explains how this mechanism was a game-changer in the commercial revolution.

Part III prepares the terrain for the organizational revolution of the seventeenth and eighteenth centuries. Chapter 6 goes through the examples of family firms which, on one hand, played a pivotal role as an organizational form in long-distance trade and, on the other, shows the fragilities of that model which business corporations overcame. Chapter 7 provides three microstudies of the development of merchant networks and the establishment of trade hubs, representing the first signs of a permanent transition from the old itinerant trade to the fixed strategic locations, normally port cities, that migrated institutions could use as gateways to the transformation of Eurasian trade.

Chapter 8 analyses the trade performed by rulers and late medieval/early modern states, fundamentally supported by early-stage and not fully developed fiscal mechanisms. Those taxation systems, with limited range, were mostly created to provide the rulers the necessary financial conditions to wage wars and, consequently, improve their trade capacities, establishing mercantile enterprises or “entrepreneurial domain/tax states” (see Pedreira 2010). The author examines two main case studies: early Ming China and sixteenth-century Portugal.

Part IV explains why and how European corporations were transformed during the seventeenth century “from public entities into joint-stock, for-profit entities” (pp. 254-255) and why northwestern Europe held the best conditions for this change. Chapter 9 provides a definition of “business corporation” based on a model of seven fundamental characteristics and the author uses the model to explain how corporations developed into joint-stock business entities. Chapters 10 and 11 are the book’s core, where the two case studies that form the pillars of the volume—the microstudies of the VOC and EIC organizations—are explained.

Chapter 12 and the conclusion provide the reader with a broad overview of the explanation for why the business corporation evolved only in Europe. The author relies on two factors: the interconnectivity and embeddedness of institutions and the acceptance of institutional migration. *Going the Distance* is an ambitious project. Harris misses some relevant sources and literature, perhaps due to a language barrier. However, the book’s greatest contribution is its deep analysis of trade within the framework of institutions, institutional migration and organizational development.

Rodrigo da Costa Dominguez, University of Minho, Portugal

### Works Cited

Pedreira, Jorge. 2010. “Costs and Financial Trends in the Portuguese Empire, 1400-1800.” In *Portuguese Oceanic Expansion, 1400-1800*, edited by Francisco Bethencourt and Diogo Ramada Curto, 49-87. Cambridge: Cambridge University Press.