The world’s first stock exchange: how the Amsterdam market for Dutch East India Company shares became a modern securities market, 1602-1700

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Publication date
2011

Citation for published version (APA):
1 A CHRONOLOGY OF THE MARKET

Introduction
The aim of this chapter is to give a general overview of the development of the secondary market for VOC shares. For that purpose, it discusses the main events that shaped the market in chronological order. Naturally, this overview starts with the subscription of 1602 and the basic rules for share transfers. Thereafter, the introduction of derivatives, the bear-trading* syndicate of Isaac le Maire, trading locations, the first dividend distributions, the relation between the company and its shareholders, the role of market makers and brokers, the growing participation of Portuguese Jews and the introduction of trading clubs will be discussed. This overview will show, and the long-term analysis of chapter 2 will corroborate this finding, that the development of the market gained momentum in the period 1630-50. In these two decades, new groups of investors started participating in the market and the market activity increased considerably. Investors now used the market because of the financial services it provided rather than because they were interested in the East India trade.

1602 – The subscription
The States General of the Dutch Republic granted the VOC its charter in March 1602. The charter invited the inhabitants of the United Provinces to subscribe to the capital stock of the new company. The company’s registers would be open for subscriptions from April 1 until August 31 in six different cities: Amsterdam, Enkhuizen, Hoorn, Delft and Rotterdam in the province of Holland and Middelburg in Zeeland, the seats of the six semi-independent chambers that together formed the VOC. The chambers were independent in the sense that each had its own management and fitted out its own ships, which sailed in combined fleets (i.e. together with the ships of the other chambers) to the East Indies and back. Once they had returned to the Dutch Republic, they went back to the chamber that had equipped them. Hence, each chamber received its own cargo and subsequently organized its own auction of the imported goods. The proceeds of the individual chambers, however, were added together and then allocated back to the chambers according to their share in the total

1 For more details on the founding of the VOC, see e.g. Van Dillen, Aandeelhoudersregister, 11-20.
company stock. Put another way, independent of the success of its own operations, each chamber always received a fixed share of the total profit.²

This somewhat complicated company structure influenced the organization of the secondary market for VOC shares. Investors subscribed their capital to one of the chambers and thereupon received a share in that particular chamber. Although these shares were intrinsically equal, they were not exchangeable. A share in the Delft chamber, for instance, could not be transferred in the books of the Amsterdam chamber. Hence, after the subscription books closed on 31 August 1602, six different company stocks had been formed.

The subscription was a big success – particularly in Amsterdam, where it took place in the private house of Dirck van Os, one of the company’s founders and member of the first board of directors of the Amsterdam chamber.³ The 1143 investors in the Amsterdam chamber signed up for slightly more than 57 percent of the company’s total stock.⁴ The first page of the subscription book informed the investors that they could transfer their shares. Investors who had agreed on a share transaction were to go to the East India house to ask the company bookkeeper to officially transfer the share from the seller’s to the buyer’s account in the company’s capital ledgers. The bookkeeper executed the transfer only after two directors agreed on it.⁵ The directors’ role in this procedure was to check whether the traders had observed all the company’s rules regarding share transfers. In practice, this came down to verifying whether the seller actually owned the share he was about to sell. An official transfer in the capital books involved transaction costs amounting to f2.80: the bookkeeper charged f0.60 per transaction and the stamp tax on the deed of transfer was f2.20.⁶

Trading began almost immediately after the closing of the subscription books, even though the last installment of the subscription was due only in 1606. Hence before that time investors traded the right to invest rather than real shares. Gelderblom and Jonker have shown that peaks in the transfer register coincided with the periods in which subscribers had to pay their installments (spring 1603, December 1604, De-

³ Van Dillen, Aandeelhoudersregister, 35-6.
⁴ See footnote 6 on page 2.
⁵ Transcript of this page: Van Dillen, Aandeelhoudersregister, 105-6.
⁶ Pieter van Dam, Beschryvinge van de Oostindische Compagnie 1a (1701), F.W. Stapel (ed.) (The Hague 1927) 145.
cember 1605), which indicates that in these years share transfers were partly driven by subscribers being unable to pay an installment rather than by regular trade. 7

The trade in VOC shares looked a bit different from today’s share trading. There was no standard denomination for ‘one VOC share’, so share traders always had to mention the nominal value of the share they traded. 8 Therefore, the market value of shares was expressed as a percentage of nominal value. Moreover, the VOC never issued stock certificates – bearer shares did not exist. The only evidence of an investor’s share ownership was a positive balance on the account under his name in the capital books of the VOC.

The East India house was therefore one of the locations in the city frequented by share traders. The actual trade, however, did not take place in the immediate vicinity of the East India house. Although there was as yet no designated place in the city for the dealings, traders grouped together at a few locations in Amsterdam. In the first decade of the seventeenth century, these centered on the Nieuwe Brug, the bridge crossing the Damrak by the harbor. Unsurprisingly, these were the same locations where commodities traders gathered; the same merchants also dominated the trade in financial securities.

Map 1.1 shows these locations. The Nieuwe Brug (1) had been the principal location for commercial trade in the city since 1561, when the city authorities instructed merchants to use that bridge for their trade. 9 Until that time, exchange dealings had taken place in Warmoesstraat, the main thoroughfare of the medieval part of the city, but this became problematic with the increasing economic activity in the city: the merchants clogged the street and shop entrances. The Nieuwe Brug, right by Amsterdam’s harbor, was a good location for commercial dealings: ships from overseas delivered international mail at the ‘Paelhuysgen’ (2), a small building on the west side of the bridge. The merchants present on the bridge were thus quickly abreast of the latest commercial information. On rainy days, however, merchants still sought shelter under the porches of the Warmoesstraat shops (3), until in 1586, the city government allowed the merchants to use the nearby St. Olofs-chapel (4) and also, occasionally,
the Old Church (5) during bad weather.\textsuperscript{10} The office of the notary who executed most commercial and financial deeds, Jan Fransz. Bruyningh, was also close by: he held office in Heintje Hoekssteeg (6), within five minutes walking distance from the bridge.\textsuperscript{11}

\textbf{1607 – The emergence of a derivatives market}

Soon after the founding of the VOC, traders also started to trade share derivatives – financial securities derived from shares, such as forwards, options and repos. These types of transactions had VOC shares as underlying assets; they allowed traders to participate in the share trade without necessarily having to pay the full value of the shares they traded.

Forward contracts, obligations to buy a share at a fixed price at a certain date in the future, start appearing frequently in the protocols of Amsterdam notaries in 1607. The Amsterdam merchant community was already familiar with forward contracting before the trade in VOC shares developed. Grain traders, predominantly from Antwerp, had frequently used forward contracts on the Amsterdam grain market from the mid-sixteenth century onwards.\textsuperscript{12} The forward market became the most important part of the market for VOC shares in the second half of the seventeenth century; several stock jobbers had a large turnover of forwards without ever transferring a share in the capital books of the VOC.

It was still only a minor division of the market in 1607, but the most remarkable difference with the later seventeenth century was that traders registered their forward transactions with notaries. They were willing to pay the notary’s fee, which amounted to at least f1.20 (excluding stamp tax and additional fees for authentic copies), for a formal registration of their contracts.\textsuperscript{13} Moreover, the contracts in the proto-

\textsuperscript{10} Clé Lesger, \textit{Handel in Amsterdam ten tijde van de Opstand: kooplieden, commerciële expansie en verandering in de ruimtelijke economie van de Nederlanden ca. 1550-ca. 1630} (Hilversum 2001) 237. Van Dillen, ‘Termijnhandel’, 503. An example of a share transaction that was negotiated in the Old Church in April 1610 can be found in Haringcarspel \textit{vs.} Meerhout, NA, Court of Holland, inv. nr. 632, nr. 1614-39.

\textsuperscript{11} Lesger, \textit{Handel in Amsterdam}, 238.

\textsuperscript{12} See for the use of forward transactions in the grain trade in the 1550s and 1560s: Milja van Tielhof, \textit{De Hollandse graanhandel, 1470-1570: koren op de Amsterdamse molen} (The Hague 1995) 215-219. Participation in forward share trade was far more widespread than in commodities trade. In early modern Antwerp and Amsterdam, only traders of a specific commodity traded the derivatives of that particular trade. In the case of the forward share trade, also non-specialized merchants participated: Gelderblom and Jonker, ‘Amsterdam as the cradle’, 194.

\textsuperscript{13} Throughout the seventeenth century, notaries charged a fixed fee for standard deeds. A register of fees charged by public notary Dirck Danckerts: SAA, Notaries, inv. nr. 2856. A bill for notary’s services (1686-1691): SAA, PIG, inv. nr. 678, nr. 476.
col of notary Jan Fransz. Bruyningh (25 in the first five months of 1607) show that traders made sure to officially register every step in the process of a forward transaction; they all came back to the notary’s office to register contractual changes and, eventually, the contract’s settlement. Soon after 1607, however, hardly any forward contracts were registered with notaries; traders had turned to contracting these deals privately, thus lowering transaction costs.

The first forward share traders were probably wary of using private contracts, because they anticipated a resolution of the States General that would declare invalid those derivative share contracts that had not been executed by either a city’s alderman or a notary. This resolution would also make it compulsory for share traders to inform the VOC bookkeeper and two directors of all transactions – even those that did not result in an actual share transfer. The States General passed this resolution on 13 June 1607, stating that the rule would shortly be publicly announced, but there is no trace that this resolution was ever publicly proclaimed. To be sure, by 1614, the provincial court of Holland had enforced several private forward contracts that had not been registered by any official institution, which indicates that this rule was very short-lived – if it had ever been in force at all.

These court rulings paved the way for the development of a market with very low transaction costs. From now on, the only requirement for a forward transaction was a written contract signed by the buyer and the seller. The large amounts of money at stake in the forward share trade created an incentive for forging these contracts, but the following procedure prevented this. When the contractors had come to an agreement on all the details of the contract, they drafted two handwritten contracts, or, in later years, filled out a standard printed form for forward transactions. Two standard forward contracts were printed on a single piece of paper, where three embellished letters (A, B and C) separated the two contracts (see Figure 1.1 for an example). After the traders had filled out the contracts, they separated the form by cutting through the letters, and they each received a signed copy. When they settled their contract, either through a transfer of the share and the money payable or through paying the price difference, the contractors exchanged their contracts and checked their authenticity. If

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14 Bruyningh was specialized in financial contracts. SAA, Notaries, inv. nrs. 105-8.
16 See e.g. Hans van Loon v.s. Isaac le Maire (4 July 1614), NA, Court of Holland, inv. nr. 633, nr. 1614-102; Dirck Semeij v.s. Maerten de Meijere, NA, Court of Holland, inv. nr. 636, nr. 1613-138.
the letters did not fit perfectly, the traders knew that one of the parties had cheated. Once the transaction had been settled successfully, the traders tore up their contracts.

The judgments of the Court of Holland, moreover, were proof that the legal system of the Dutch Republic officially recognized the derivatives trade. This may seem all too obvious from a twenty-first-century perspective, but Banner has argued that transactions in which a good or a service was moved only in time (and not in place) were regularly deemed useless and not legally valid in the early modern era. They were considered a form of usury: earning money by just moving it in time, rather than buying or building anything with it – putting it to use, in other words. Usury regulation certainly existed in the Dutch Republic; moneylenders were allowed to charge ordinary people 6% and merchants and shopkeepers – who were more familiar with money – 8%. Some forwards definitely exceeded the usury limit, but neither the courts nor the traders themselves ever called upon usury regulation to declare a transaction null and void.

I contend that the courts regarded the forward share trade as a trade in which only well-to-do merchants could participate; there was therefore no risk that ordinary citizens would be directly affected by the transactions and the trade was therefore not usurious in the strictest sense. The high counterparty risk of forward contracts caused this market to be confined to well-to-do merchants. The contractors of a forward made no payments when they agreed on the transaction. Hence, large share price movements during the contract’s term provided an incentive for either the buyer or the seller of the contract to renege rather than to comply with the contract – counterparty risk, in other words. If a trader chose to renege, the other party could start litigation in order to try to force his counterparty to comply with the contract, but this was a very costly procedure and traders generally tried to avoid going to court. As a result of these characteristics of the forward market, forward traders entered into con-

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[18] Johannes Cloppenburch, Christelijke onderwijsinge van woeker, interesseen, coop van renten, ende allerleye winsten met gelt (Amsterdam 1637) 20-1. Hugo de Groot wrote in 1631 that the usury rate was set at 6% in the Dutch Republic, adding to this that the authorities tolerated interest rates up to 8%: Hugo de Groot, Inleidinge tot de Hollandsche rechts-geleerdheid (1631) I, S.J. Fockema Andreæe ed. (Arnhem 1939) book III, part 10, §10, 140-2. The usury limit was cut back to 4% in 1655: Hugo de Groot, Inleidinge tot de Hollandsche rechts-geleerdheid (1631) II, Aantekeningen, S.J. Fockema Andreæe ed. (Arnhem 1939) 252.
[19] Nicolaas Muys van Holy, Middelen en motiven om het kopen en verkopen van Oost- en West-Indische actien, die niet getransporteert werden,... te besparen met een impost, ten behoeve van het gemeene land en de stad Amsterdam (Amsterdam 1687) 7.
tracts only with well-known traders with a high reputation, thus reducing the risk that the counterparty could be tempted to renge. Put another way, the forward market was accessible only for wealthy traders who regularly performed transactions on the exchange and who had a reputation that was known to other forward traders.\(^{21}\)

It would take until the second half of the century before the forward market also became accessible to participants of lower standing. From around the 1660s onwards, trading clubs, where traders regularly gathered together to trade forwards, emerged (see section 1660s – Trading clubs and rescontre on page 45 ff.). Amongst the participants of these clubs, peer pressure took over the role of a reputation based on wealth or built up over a large number of transactions. Secondly, traders started using repo transactions. A repo replicated a forward by combining a share transfer and a loan (see chapter 4 for more details). The main advantage of a repo over a forward was that the lender received collateral\(^*\) in the form of a share for the loan he granted to the borrower. This significantly reduced counterparty risk, for the lender could sell off the collateral in case of default and thus reduce his loss. Repos made the derivatives market accessible for a larger pool of traders from at least the late 1610s onwards – the earliest example I have found dates from June 1618\(^{22}\) – but they were not suitable for the speculative trade of stock jobbers, for a single repo involved several share and money transfers, thus also involving higher transaction costs and more hassle.

Options, finally, which allow traders to insure their portfolios against price changes or to speculate on price changes at low cost\(^{23}\), were widely used on the market in the second half of the seventeenth century. The earliest reference to an option contract I have found, in the financial records of Louis Trip, dates from January 1660.\(^{24}\) It is possible, though, that traders adopted the use of this derivate at an earlier stage; if all option contracts were settled successfully, they left no traces in the notarial archives. It is definitely true, however, that neither Hans and Anthoni Thijs nor Elisabeth Coymans, whose financial records predate the Trip files, traded options. Also,

\(^{21}\) Cf. infra, chapter 1 section 1660s – Trading clubs on page 45 ff. and chapter 3 section Private enforcement mechanism on page 107 ff.

\(^{22}\) BT, inv. nr. 113, fo. 47. Gelderblom and Jonker argue that repos were already used in the first decade of the seventeenth century, but I am not convinced that what they observed in the portfolio of Hans Thijs actually involved the use of repos: ‘Completing’.

\(^{23}\) See chapter 4, section Portfolio risk on page 134 ff.

\(^{24}\) Journal entry 16 January 1660, SAA, Merchants’ accounts, inv. nr. 50.
the official brokers’ regulations mentioned a special tariff for options only in 1689.25 I contend that this can be explained by the observation that the share trade became of speculative nature only in the second half of the seventeenth century. Forwards and repos were the perfect derivatives for investors who wanted to participate in the East India trade and be entitled to dividends without locking up a large amount of money in a share. These derivatives were thus already widely used in the first decades of the century. Options, on the other hand, are the most suitable derivative for risk seeking and risk mitigating purposes – but the share traders of the early seventeenth century were not yet interested in these issues.

1609-10 – Isaac le Maire

Apart from lowering transaction costs, the use of derivatives provided yet another advantage: they allowed traders to go short on shares. The VOC bookkeeper was of course not allowed to overdraft shareholders’ accounts, but derivatives bypassed the company’s capital books. On expiration of a forward short sale*, for example, there were two possibilities: either the contractors opted for money settlement, in which case the price difference between the forward price stipulated in the contract and the market price on the expiration date was paid, or they chose to actually transfer the share. In the latter case, of course, the seller had to make sure that he possessed a share to be able to transfer it to the buyer.

Short selling is often associated with speculators who seek to gain from intentionally bringing the price of a security down. This is of course objectionable behavior, but short selling is at the same time an indispensable financial technique, because it enables traders with a zero or small positive position in a certain stock to trade on negative information. On a market where short selling restrictions are in place, on the contrary, traders can choose only between buying a share and doing nothing. This could lead to a situation in which only optimistic traders will act when both positive and negative information become available, which could lead to overvaluation of the share – a price bubble.26 The possibility to go short thus leads to a better pricing of securities.

25 Gelderblom and Jonker, ‘Amsterdam as the cradle’, 205. Smith, Tijd-affaires, 82.
True, however, as the Amsterdam share market experienced in 1609, short selling is indeed the preferred trading technique of traders who deliberately try to bring the price down. This induced the directors of the Amsterdam chamber to submit a petition to the States of Holland, requesting a ban on short selling of VOC shares. The States ultimately acceded to their request. The discussion that preceded this first example of government intervention in the share market is worth examining closely, because it sheds light on the directors’ attitude towards the share trade and on the relation between the shareholders and the directors.

The VOC directors explained in their petition to the States of Holland that a group of share traders had conspired to sell a large number of forward contracts. They had sold many times the value of the shares actually registered on their accounts in the company’s capital books. When the agreed date of delivery approached, the sellers began to spread bad rumors about the company, thus bringing the share price down. Subsequently, this bear trading syndicate offered a small amount of stock for sale at a still lower price, thus reinforcing the downward motion of the share prices. Hence the short sellers could buy shares at far lower prices than agreed upon in the forward sales contracts and make a good profit.

The company directors argued that these practices were objectionable; innocent investors had become the victims of the bear traders. Widows and orphans, they wrote, could be harmed by the low share prices – they would be unable to wait until the share price recovered if they were in sudden need of liquidity. By stressing the vulnerable position of widows and orphans, the directors clearly tried to take advantage of the Christian morality of the members of the States of Holland; the Eighth Commandment, which treats theft and usury, states that harming the needy is to be highly condemned.

The directors further argued that the presence of bear traders could discourage people from investing money in the VOC. Finally, they suspected the involvement of competing foreign East India Companies, which tried to weaken the Dutch company and the young Dutch Republic. They thus claimed that one could tell the well

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being of the Dutch Republic by looking at the VOC share price. The directors asked the States to issue a decree that would force all forward traders to settle their contracts and register them in the capital books of the VOC within a month’s time.

In their petition, the directors avoided mentioning the name of the leader of the bear-trading consortium. They tried to persuade the States of Holland to take measures, arguing that this was a problem that affected all participants of the market. In fact, however, it was rather a conflict between opposing directors. The syndicate’s leader was Isaac le Maire (1558-1624) who had been one of the founding directors of the VOC in 1602. He had subscribed a staggering ƒ85,000 to the company’s capital stock, but his important position in the VOC did not last long: he resigned from the board of directors in 1605. The immediate cause was probably a failure on the part of Le Maire to present his expense account of the equipment of a fleet – the directors were entitled to a percentage of the company expenditure for rigging out fleets – and thus Le Maire implicated himself in cheating. Le Maire and the directors were unable to solve this conflict and subsequently, out of resentment, Le Maire kept searching for ways to thwart the company.

One of these ways was the bear-trading consortium, which failed to achieve its objectives. The consortium sold most of its forwards, with one- or two-year terms, between June 1609 and January 1610. Their sales seem to initially have brought the share price down, but the price started an upward trend after March 1610 – probably initiated by the first dividend distribution of 75% of the nominal value of the capi-

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30 The following is based on Van Dillen, ‘Isaac le Maire’, 1-28.
31 He tried to by-pass the company’s monopoly by finding a new sea route to the East Indies and was involved in the preparations of the founding of a French East India Company. The plan was called off when Henry IV died in 1610. A few years later, in 1614, Le Maire founded the Australian Company and equipped two ships to discover a passage south of the Strait of Magellan – by then the only known passage in South America, which also formed part of the charter of the VOC. This expedition, led by one of Isaac’s sons Jacob, discovered Cape Horn and thus by-passed the company’s monopoly. The States-General and Dutch courts of law, however, ruled that the route via Cape Horn was part of the Dutch West India Company’s monopoly. Le Maire’s efforts had been to no avail. See also Dirk Jan Barreveld, Tegen de Heeren van de VOC. Isaac le Maire en de ontdekking van de Kaap Hoorn (The Hague 2002) 16-32.
32 Le Maire himself participated for 4/15 in the consortium; Hans Bouwer had a 2½/15 share; Cornelis Ackersloot, Cornelis van Foreest, Willem Brasser, Jan Henrixcz, Rotgans, Jacques Damman and Marten de Meyere 1/15 each; Haermen Rosecrans and Steven Gerritsz. ½/15 each: Van Dillen, ‘Isaac le Maire’, 121.
tal stock in mace. The price increase came too soon for the bear traders. They quickly tried to settle a large part of their contracts before things got even worse for them, but they nevertheless incurred substantial losses; Van Dillen estimated the consortium’s total loss at \( f 45,000 \). Isaac le Maire fled the city of Amsterdam in 1611 and settled in Egmond aan den Hoef. Several other members of the consortium went bankrupt.

Although the share trading community generally condemned Le Maire’s behavior, they were also ill-disposed towards a ban on short selling. A number of shareholders reacted to the directors’ petition by also submitting one. They argued that the company itself was to blame for the recent decrease of the share price. To substantiate their argument, they explained meticulously how the share prices had reacted to the company’s successes and failures in the East Indies. Additionally, they stressed that there would be no fear of a further decrease of the share price if the company were managed properly – focusing on profitable trade rather than spending large amounts of money on warfare. According to them, a curtailment of the share trade would be meaningless and would have the opposite result from the directors’ intentions. They referred to the price of shares of the other five chambers of the VOC: they were cheaper than the Amsterdam chamber shares, which could only be attributed to the fact that the shares were more actively traded in Amsterdam. Curtailment would thus lead to a price decrease. Finally, the shareholders warned of the unintended consequences of the registration rule: the directors who watched over the registration would be fed with a constant stream of transaction information, providing them an information advantage that they could use in their own dealings.

In addition to these petitions, a memorandum on the state of the share trade and the VOC in general was sent to Johan van Oldebarnevelt, the most influential Dutch politician of the time. This memo, attributed to Isaac le Maire, is considered to be the first manifestation of shareholder activism in history. It did not have the desired effect, however; the States General followed the company directors’ petition and

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34 See section 1609-18 – First dividend distributions on page 28 ff.
35 De Velaer, for example, called Le Maire’s behavior ‘objectionable’ (odieus): De Velaer to l’Empereur, 8 January 1610, BT, inv. nr. 215, nr. B1/1.
issued a ban on short selling on 27 February 1610. The ban stated that all forward transactions should be registered in the company’s books within a month’s time after the conclusion of the deal. The bookkeeper transferred shares that were the subject of a forward contract to a special ‘time account’ for the duration of the contract. This time account was linked to the ‘normal’ account of the seller – he still held the economic ownership* of the share. If the traders of a forward failed to register the transaction within a month’s time, the buyer could let the transaction be declared null and void.

The States General never intended to declare the entire forward market illegal – probably understanding that this was an important and fully legitimate method of trade that had existed in the Netherlands in the commodities trade since the sixteenth century; they only ruled against short sales. The ban had far-reaching consequences for the development of the market. The traders generally ignored the ban; they knowingly continued drawing up short sale contracts that were unenforceable by the law. I will explain in chapter 3 how informal institutions guaranteed the functioning of the forward market.

1609-18 – First dividend distributions

The 1610 ban on short selling brought about a large number of insinuaties* of forward buyers who feared that their counterparties were short sellers. Interestingly, moreover, these insinuaties show that the forward traders were not sure how to deal with dividend distributions. Due to inexperience with the forward share trade, many forward contracts did not stipulate whether the buyer or the seller should collect the dividend. It is important to arrange for possible interim dividends, for the forward price should be adjusted if the buyer collects the dividend and likewise the buyer should be compensated if the seller receives an interim dividend. To complicate matters, the first dividend distributions of the VOC were in kind. This led to conflicts between forward buyers and sellers about how the dividend should be valued.

Shareholders could collect their first dividend in April 1610: 75% of the nominal value of their share in mace. In November of that same year, another 50% in

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38 The full text of the ban can be found in: Cornelis Cau (et al.), Groot plaquet-boeck, verzattende de placaten, ordonnantien ende edicten van de... Staten Generael der Vereenighe Nederlanden, ende van de... Staten van Hollandt en West-Frieslandt I (The Hague 1658) 554-555. See also Smith, Tijd-affaires, 57-8.
39 De Velaer to l’Empereur, 19 March 1610, BT, inv. nr. 215, nr. B1/5. G.C. Klerk de Reus mistakenly dated this dividend on August 30, 1610: G.C. Klerk de Reus, Geschichtlicher Überblick der administrativen,
pepper was distributed, together with 7.5% in cash – the latter distribution was only for those shareholders who had also collected the pepper. In March 1612, a distribution of 30% in nutmeg followed. Shareholders who had collected all dividends in kind had received a total of 162.5% of the nominal value of their shares, but the market value of the spices proved to be significantly lower. Shareholders complained that the distributed dividends had a market value of only 125%; the sudden abundance of spices on the market had brought the prices down.

The buyers of contracts without dividend stipulations argued that the sellers should collect the dividend and subtract the value determined by the VOC (plus interest over the remaining term) from the forward price. The sellers, for their part, argued that there was no obligation to collect the dividend. In their opinion, the buyers should simply wait until the contract expired and then decide for themselves whether to collect the dividend or not. Their position was stronger: in the absence of a special clause in the contract that specified the procedure in case of a dividend distribution, the seller could not be forced to collect the dividend. To prevent similar conflicts from arising again, a clause that stipulated how the contractors would go about dividend distributions during a contract’s term became standard after this episode.

The first dividend distributions yielded yet another problem. Many of the shareholders did not collect the dividend. These shareholders probably did not know what to do with the spices and therefore chose not to collect them, but it is also possible that the company’s warehouses contained an as yet insufficient quantity of spices to provide all shareholders with a dividend. In any case, this resulted in a situation where different types of shares were in circulation: shares on which no dividend had been received and shares on which either mace, or pepper or nutmeg or combinations of these distributions had been received. This complicated the trade in shares, all the more so because the shareholders did not value the dividends in the same way as the

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40 See Appendix B – Dividend distributions VOC, 1602-1700 for a list of all dividend distributions during the seventeenth century.
42 Jacques de Velaer advised his uncle Anthoine l’Empereur to collect the mace and not to wait too long before collecting it. He expected that the mace would be readily disposed of: De Velaer to l’Empereur, 19 March 1610, BT, inv. nr. 215, nr. 81/5.
company did. Shareholders now traded shares of all conceivable denominations and with widely diverging rights on dividends, leading to complex negotiations over prices.

The VOC managed to bring this situation to an end. The company decided to distribute dividends in cash (57.5% in 1612, 42.5% in 1613 and 62.5% in 1618) to those shareholders who had not collected the dividends in kind. So, after 1618, all shareholders had received 162.5% on their shares. Those shareholders who had collected the distributions in cash had the advantage that their dividend was actually worth 162.5%, but the shareholders who had collected the dividends in kind had the advantage that had they received the distributions earlier and hence earned interest on the proceeds of the dividends. In the end, both groups had received more or less the same. Most importantly, though, is that henceforth I have encountered no references to shares on which less than the total amount of dividends had been collected. So, after 1618, all dividend controversies had come to an end. The company did return to distributing dividends in kind (e.g. in 1623 and again twelve times between 1635 and 1644), but the dividend policy left no more room for discussion.

1611 – Exchange building

As the trade in Amsterdam grew larger, it became clear that the Nieuwe Brug would have to be replaced with a more permanent trading location. The city government therefore ordered the building of an Exchange, after the example of the Antwerp Exchange, in 1607. Figure 1.2 shows the building, designed by Hendrick de Keyser, and officially opened on 1 August 1611. Figure 1.3 gives an impression of the interior of the Exchange. The building consisted of a covered stone passage around a large rectangular courtyard. Each commodity that was traded on the Exchange had its own designated location by one of the pillars that held the roof of the passage. The dealings in financial securities took place by one of the pillars at the back of the Exchange.

Five days before the opening of the Exchange, on July 26, the magistrate issued a bye-law on trade in the city. Trade was to take place only in the Exchange, every day of the week except Sundays, from 11 a.m. to noon and, during summer months (May-August), from 6.30 to 7.30 p.m. During winter, the Exchange was open

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43 See Appendix B – Dividend distributions VOC, 1602-1700.
44 I will come back to the company’s dividend policy in chapter 2, section Share price and dividends on page 65 ff.
45 Van Dillen, ‘Termijnhandel’, 503.
46 In this book, ‘Exchange’ (written with a capital E) refers to the Amsterdam Exchange, the building designed by Hendrick de Keyser; ‘exchange’ refers to the general meaning of the word.
during the last thirty minutes before the bells of the city gates rang. The limited opening hours reveal that the city government was keen on concentrating the trade in a single location. This has several advantages: a concentration of traders increases a market’s liquidity, because it makes it easier to find counterparties willing to trade. Moreover, interaction between traders also reveals information that can be valuable for other traders. In 1613, the magistrate issued another bye-law to press home their objective. This bye-law declared legally void those commercial transactions that had been concluded during exchange hours, but outside the Exchange. The city government made the regulations even more stringent in 1619; from now on, brokers were not allowed to linger around the Exchange or on Dam Square after exchange hours.

The city magistrate’s intentions seem laudable, but they could not prevent trade from also taking place outside the opening hours of the Exchange. The share traders, for example, frequently met on Dam Square. In the second half of the century, moreover, the Kalverstraat inns were crowded with share traders at night. So, the opening of the Exchange did not result in a single location where all the trading in the city converged, but it did move the cluster of locations where share trading took place from the harbor front some six hundred meters south. I have plotted these locations on Map 1.2. The Exchange (1) was located just off Dam Square (2), which was also the site of the city hall that housed the Exchange bank (3), founded in 1609. The city hall on the map is the famous building (now royal palace) that opened its doors in 1655. The front cover of this book also shows Dam Square with the new town hall. Prior to that, the medieval city hall that stood at the same location had housed the Exchange bank. The notaries who specialized in commercial and financial deeds also moved their offices to the Dam Square area (4). They held office either in Beurssteeg, the street alongside the length of the Exchange, now called Rokin, or in Kromellingboogsteeg, the bent alley that connected the Exchange to Dam Square. There were many inns in Kalverstraat, but the one called ‘Plaetse Royael’ (5) is the only one where

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49 Jeronimus Velters, who started writing about share transactions to several correspondents in 1671, reported more often that he had been on Dam Square than in the Exchange: SAA, Velters, inv. nrs. 1-4.
50 The offices of notaries Lock and Van der Groe, whose protocols I have studied extensively, were both in Beurssteeg. Information about the locations of notary’s offices in Amsterdam can be found in: A.I. Bosma, *Repertorium van notarissen residerende in Amsterdam, Amstelland, ambachtsheerlijkheden en geannexeerde gemeenten* (Amsterdam 1998).
I am sure that share traders often gathered in the seventeenth century. Finally, the East India house (6) was not far away either. If a share transaction led to an actual transfer, the traders could walk the short distance to the East India house to transfer the share in the VOC capital books and to the Exchange bank to deal with the money transfer.

1622 – The relation between the company and its shareholders

1622 saw the start of a debate about the corporate governance of the VOC, highlighting the relations between the company and its shareholders. A number of pamphlets expressed the shareholders’ discontent with the company management. Interestingly, the debate followed a period of relatively uncomplicated relations between the company’s stakeholders and its directors. The only utterance of friction took place in 1613, when a group of shareholders served an *insinuatie* on the directors of the Amsterdam chamber, claiming that the directors managed the company badly. According to them, the company was charged with too many warfare responsibilities whereas it would be more profitable if the company solely focused on trade. This *insinuatie* did not impress the directors, however, probably because its authors did not gain large support for their cause. Additionally, it was simply a bad time to start shareholder activism: this was a period in which most of the shareholders were satisfied with the way things went. The company had started distributing dividends, shareholders calculated that the goods brought ashore so far already covered 80% of the initial investment and only positive news came from the East Indies. The bearish atmosphere had faded away and the share price rose to 230% in early 1611 and around 270% in 1612-3.

The relation between the company and its shareholders became subject of discussion in 1622 because this year marked the end of the VOC charter. The shareholders had awaited this moment for a long time: the company’s balance would be prepared and the shareholders would finally get information about the financial state of the company – the VOC had not published any financial reports during the first charter – allowing the shareholders to monitor the performance of the company management. But the directors had other plans: they asked the States General to renew the

31 See section 1660s – Trading clubs on page 45 ff.
32 Transcription of the *insinuatie* (16 December 1613): Van Dillen, Aandeelhoudersregister, 100-2.
33 De Velaer to l’Empereur, 30 September 1610, BT, inv. nr. 215, nr. B1/11.
If the States General would follow up on this request, the current shareholders would not get any official information about the company they co-owned during their lifetimes.

It is no wonder, then, that the shareholders protested strongly against this request; 1622 saw the publication of a number of pamphlets directed against a continuation of the charter. These protests resulted in the States General granting only another 21-year charter. The new charter moreover allowed the shareholders a form of supervision of the company management: the VOC would give inspection of its financial records to a special commission of shareholders. Finally, it changed the rights and privileges of the company directors, to avoid the semblance of personal enrichment on their part.

The pamphlets clearly show that the shareholders had their doubts about the good intentions of the company directors. They accused them of enriching themselves to the disadvantage of the shareholders by rigging out too many ships – thereby pocketing a percentage. They argued that the large number of ships that were still out on the seas at the end of the first charter proved their accusation; a company that was about to be liquidated should not equip new fleets. The directors merely tried to maximize their personal income rather than the company’s. Moreover, shareholders suspected the company directors of trying to profit from manipulating the share price. Directors were obliged to hold a considerable share capital (ƒ6,000 nominal for the Amsterdam directors) as a token of their commitment to the VOC. But according to the writers of the pamphlets, some of them traded actively on the secondary market, thus revealing that they tried to make short-term profits on their transactions. A sincere director, however, should try to maximize the company value over the long-term, securing the largest profits on his share capital by simply holding on to his possessions. Thus, or so the pamphlets suggested, the directors did not show the right commitment.

55 Simon van Middelgeest, Nootwendich discours oft vertooch aan de hooch-mogende heeren staten generaal van de participanten der Oost-Indische Compagnie tegens bewinthebbers (s.l. 1622).
56 Den Heijer, De gecastrooierde compagnie, 63-7, 82-4. Frentrop, Corporate governance, 84-95.
57 Van Middelgeest, Nootwendich discours. Korte aenwysinghe der Bewinthebbers Regeringe (s.l. 1622), fo. 3v. Korte Aenwysinghe van de kleyne profijten die de Participanten vande tegenwoordige gheoctroyeerde Oost-Indische Compaignie dese 19. jaren hebben ghenoten, ende waer uyt ‘tselve is gesproten op dat int nieuwe anstaende Octroy dor de E.H.M. Heeren Staten Generael daer in macht werden versien (s.l. 1622).
Although the States General declared the pamphlet *Nootwendich discours* libelous⁵⁹, they did give in to many of the shareholders’ requests – on paper, at least. The pamphlets certainly contributed to persuading the States General to change the corporate governance of the VOC, but the most forceful demonstration of shareholder power was the refusal of many investors to subscribe to the West India Company’s stock – the WIC was about to be granted a founding charter similar to the VOC charter of 1602. Thus they showed that the current charter was not the right framework for workable relations between a joint-stock company and its shareholders.⁶⁰

The following changes with respect to shareholder relations were enacted in the new charter. First of all, it provided for the establishment of boards of so-called chief participants (*hooftparticipanten*). Chief participants were given several rights. They got permission to inspect the company’s annual report and in later years, they were also allowed to be present when the company management read the letters from the East India branch and when they inspected the cargo of the return fleet. Finally, the chief participants could nominate a number of candidates for a vacant director’s seat. To become a chief participant, the same requirements applied as to become eligible for a directorship: for shareholders of the Amsterdam chamber this implied a nominal position of at least ƒ6,000. The charter made two further changes to the corporate governance. It stipulated that henceforth directors would be appointed for only three years instead of for life; afterwards, they could be re-elected, but only after a three-year period outside the board of directors. Relatives could not have a seat in the same board. Secondly, the charter abolished the commission directors received on equipment costs, but they retained the right to receive a 1%-commission on the value of the return cargo – besides their fixed salary.⁶¹

Despite these promises, the shareholder activism of 1622 had little effect. Soon after the renewal of the charter, the chief participants evolved into deputy company directors, rather than the protectors of shareholders’ interests. The omens were pointing this way already during the first chief participants’ election. A large number of the

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candidates and of the shareholders who had exerted themselves to go to the election were relatives of (former) company directors. Consequently, the boards of chief participants did not become the independent supervisory bodies the activist shareholders had probably hoped for.62 In fact, the chief participants originated from the same clique that furnished the company directors.

The obedient behavior of the chief participants is a clear indication of their dependency on the company management. First of all, they were only very rarely given the opportunity to inspect the company’s financial records, but they did not protest against this breach of the charter of 1623. They were allowed to take a look at the books in 1622, but the next inspection did not take place until 1647 – when the States General renewed the charter once again. Henceforth, the VOC presented its annual report to a commission of chief participants and a commission of members of the States General at four-year intervals. But the financial reporting did not take place ‘with open doors and windows’, as stated in the first renewal of the charter. It was, to the contrary, a closed meeting.63 Moreover, the commissions of chief participants and members of the States General did not have to report on their findings to the regular shareholders. The latter were, according to the charter, not in a position to judge the management’s decisions on their merits.64

Secondly, they had access to the correspondence between the branches of the VOC in the United Provinces and abroad and were allowed on the ships of the return fleet to examine the size and quality of the cargo, but they never opposed any of the decisions taken by the management. What is more, the information they had access to was confidential; they were not allowed to share it with the shareholders outside their committee of chief participants. Lastly, they did not make any effort to enforce the maximum term of the directors’ appointments – it was in their personal interest to refrain from enforcing this rule too strictly, because their own appointment was subject to the same rule. Put another way, they could stay on for life themselves as long as they did not complain about the appointment term of the directors.65

62 Proceduwen ghehouden over de verkiesinge der hooft-participanten, tot het opnemen van de een-en-twintichjarige reekeninge der Oost-Indische Compagnye (s.l. 1623).
63 Van Dam, Beschryvinge 1A, 367.
64 Van Dam, Beschryvinge 1A, 291-2. In Van Dam’s words: ‘[...] dat die sake niet soude mogen werden gediulgeert, nog overgegeven in handen van de particuliere participanten, die volgens ’t octroy geen qualiteyt hadden om kennis daarvan te nemen’ [emphasis added].
65 Van Dam, Beschryvinge 1A, 302-8. Please note that the chief participants received a salary for their duty to look after the shareholders’ interests [in 1622 set at f200 per year]: Den Heijer, De geoctrooierde compagnie, 84.
The new charter did not provide any additional monitoring rights to the company’s regular shareholders, nor were their interests properly looked after by the chief participants. Conversely, in the same period, the English East India Company granted many more rights to its shareholders. De Jongh has argued that this difference eminated from the different origins of the two companies. The EIC was originally a terminable joint-stock company, meaning that the company management had to make sure at regular intervals that there was sufficient support to continue the company. The best way to do this was to maintain good relations with its shareholders. The VOC was not dependent on investors for new stock issues or continuation of the company. Furthermore, the dividend policy of the company kept shareholders satisfied; the VOC began to distribute dividends on a regular basis shortly after the start of the second charter – biennial dividends in the 1620s and first half of the 1630s, and from 1635 onwards every year. These dividends provided information about the financial state of the company to the shareholders. Therefore, another corporate governance debate like the one of 1622 did not occur.

1630s and 1640s – Intermediation and a changing composition of the trading community

The best proof that the shareholders accepted their limited rights is the fact that trading activity on the secondary market increased rapidly during the 1630s and 1640s. This was a major development, because it suggests that investors increasingly used the market for purely financial purposes – they aimed increasingly at earning short-term profits rather than at holding a long-term position in the VOC to support the company and its trade with the East Indies. The increasing market activity coincided with the growing importance of intermediary services by brokers and market makers on the market. The brokers’ guild had existed in Amsterdam long before the secondary market for VOC shares came into being and in the early seventeenth century a number of brokers specialized in share transactions. The service they provided was to bring traders together; brokers were not allowed to take a position in the stock themselves. The

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66 The VOC, however, was a merger of the Voorcompagnieën. Investors had not invested directly in these companies; the subscription took place via one of the directors. Hence, there was no direct relationship between the company and its shareholders; each director knew some of the shareholders personally and maintained the relations individually. This structure obstructed the evolution of shareholder rights. The VOC did not use the same method for subscribing money to the company stock, but it did copy the corporate governance structure of the Voorcompagnieën. In sum, the diverging shareholders’ relations in early modern Western Europe were a matter of path dependency: De Jongh, ‘Zeggenschapsrechten van aandeelhouders’, Working paper (2009), 19-20, 72, 99-101.

67 I will go deeper into this subject in chapter 5.
broker’s commission on share transactions was 10 stuivers per ƒ100 nominal value (as of 1 January 1613) and this rate was reduced to 4 stuivers per ƒ100 nominal value in February 1647. Hence, from the late 1640s onwards, the total brokerage on the most frequently traded shares of ƒ3,000 amounted to ƒ6 (both the buyer and the seller paid ƒ3) – on average less than 0.05% of the money involved in a spot transaction.68

However, the part played by brokers was fairly small in the earliest decades of the development of the secondary market. Of all the transactions that took place in the period 1609-161269, for example, I have found only four that had been concluded through a sworn broker.70 The rest of the transactions were no doubt concluded without intermediation of a broker; my data stem from legal documents and plaintiffs would certainly have mentioned the intermediation of a broker as this would only have made their argument stronger. Traders apparently held the opinion that they were perfectly able to prepare their transactions themselves.

Brokers did become more important later in the seventeenth century, but another group of intermediaries, market makers, were the first to start playing a significant role on the market. Market makers constantly hold a positive position in a certain share to make sure that they can always sell a share if a prospective buyer approaches them. At the same time, they are always willing to buy shares. Hence they simplify the process of finding a counterparty for both buyers and sellers. The advantage for share traders is that they can always turn to a market maker if they want to make a transaction, but they will, of course, be charged for the services they get from the market maker. In return for the liquidity they provide, market makers pay less than the market price for a purchase and ask more than the market price for a sale. The difference between these prices is called the bid/ask spread. This spread represents the fee for the market maker. Market makers thus try to earn money by trading as many shares as possible rather than by holding shares for capital gain.71

68 Hermannus Noordkerk (ed.), Handvesten; ofte Privilegien ende octroyen : Mitsgaders willekeuren, costaumen, ordonnantien en handelingen der stad Amstelredam: ... tot den eersten Febr. 1747 vervolgt, met verscheide stukken verm., Mitsgaders in eene andere schikking gebraut / en met de nodige registers voorzien II (Amsterdam 1748) 1063. Smith, Tijd-affaires, 65. In 1689, the broker’s fee was changed again, but this measure was reversed shortly afterwards: Smith, Tijd-affaires, 81-2.
69 Many sources are available for these years, since the activities of Le Maire’s bear-trading syndicate and the first dividend distributions had led to quarrels between share traders.
On the Amsterdam market for shares, market maker was not an official profession; the traders who started to provide these services to the market in the 1630s simply saw a possibility to earn a profit by providing liquidity to the market. Between 1626 and 1642, the Raphoen brothers, Christoffel and Jan, were the first to become market makers. They transferred an impressive amount of shares (both sales and purchases) on their joint account with the VOC. Table 1.1 summarizes their share transfers in this period. They performed a large number of transactions, especially in 1633, 1638 and 1641, which, incidentally, does not mean that they were market makers. There are convincing indications, however, that they were indeed market makers. Firstly, their invested nominal capital fluctuated around a relatively low average. In June 1630 they owned a nominal share capital of f13,200. Their position grew to f21,450 in October 1633 and then declined to f3,000-4,000 between 1636 and 1641. Their share capital was thus very small relative to the amount of shares they transferred, which indicates that they did not either enlarge their capital because they expected the VOC to prosper in the future or reduce it because of an expected fall in the share price; they transferred shares because they made a profit just by trading.

<table>
<thead>
<tr>
<th>Nominal turnover (f)</th>
<th>Number of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale</td>
<td>Purchase</td>
</tr>
<tr>
<td>Sale</td>
<td>Purchase</td>
</tr>
<tr>
<td>1626</td>
<td>0</td>
</tr>
<tr>
<td>1627</td>
<td>9000</td>
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<tr>
<td>1628</td>
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</tr>
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</tr>
<tr>
<td>1641</td>
<td>79000</td>
</tr>
<tr>
<td>1642</td>
<td>18000</td>
</tr>
</tbody>
</table>

Table 1.1 Spot transactions of Christoffel and Jan Raphoen, 1626-42

Secondly, and most convincingly, they consistently bought small shares, i.e. shares smaller than f3,000. At the same time, however, they mostly sold f3,000
shares. By the 1630s, it had already become customary on the Amsterdam market to trade f3,000 shares.\textsuperscript{72} Forward transactions nearly always involved shares of f3,000 or a multiple of this amount. But many people owned a share capital that did not amount to f3,000 or an exact multiple. These ‘non-standard’ shares were less liquid than the ‘standard’ f3,000 shares. They could, for example, generally not be used in forward contracts and clearing of multiple transactions in a single payment and share transfer also required shares of the same denomination. Over the years 1636-41 the Raphoen brothers bought 41 shares of denominations smaller than f3,000, which means that they were involved in 11 percent of the total number of transferred shares of less than f3,000.\textsuperscript{73} In these same years, the average nominal value of a share bought by Christoffel and Jan Raphoen was f2,613, while the average sale amounted to f3,098. They sold significantly more f3,000 shares than they bought. They thus provided liquidity to the market for awkward denominations and contributed to the standardization of the market for VOC shares.

Finally, the Raphoen brothers made the market more accessible for shareholders. Investors could always turn to them to buy or sell a share and it cannot have been difficult to find them: Christoffel lived on Nes, the main thoroughfare behind the Exchange.\textsuperscript{74} They probably visited the Exchange on a daily basis.\textsuperscript{75} By constantly being willing to trade, they helped to overcome the asynchronous timing of investor orders, a major problem of many markets.\textsuperscript{76} The Raphoen brothers were the missing link between a trader willing to sell and a trader willing to buy, who happened to be not at the same place at the same time. Moreover, it seems that they specifically made the market more accessible for infrequent traders and traders who were inexperienced with exchange dealings in general. The VOC capital books do not allow for a social study of the people who traded with Christoffel and Jan Raphoen (only the names of traders are specified), but it is beyond doubt that the people who bought from the Ra-

\textsuperscript{72} In 1610, slightly less than 30\% of the share transfers registered in the capital books of the Amsterdam chamber involved shares with a nominal value of exactly f3,000. Share transfers of exact multiples counted for an extra 2.5\%: NA, VOC, inv. nr. 7066. The share of f3,000 shares had grown to 82\% in 1641 and 92.5\% if multiples of f3,000 are also taken into account: NA, VOC, inv. nr. 7068.

\textsuperscript{73} Total number of shares transferred in the period 1636-1641: 3614, total number of share transfers f3,000: 363.

\textsuperscript{74} J.G. Frederiks and P.J. Frederiks (eds.), Kohier van den tweehonderdsten penning voor Amsterdam en onderhooirige plaatsen over 1631 (Amsterdam 1890) fo. 236. Christoffel Raphoen was a relatively wealthy man. His property was taxed at f40,000 in 1631.

\textsuperscript{75} Notarial deeds show that they were also commodity merchants, shipping goods to several places in Europe: SAA, notarial card index.

phoen brothers were generally well-to-do merchants whose names appear frequently in the capital books and in any study on the economic history of seventeenth-century Amsterdam, whereas the traders who sold to them were relatively unknown and infrequent traders. This indicates that Christoffel and Jan Raphoen stood in-between the community of frequent traders and investors with limited access possibilities to the market.77

The Raphoen brothers were certainly not the only market makers active on the exchange throughout the seventeenth century, but the characteristics described above distinguish Christoffel and Jan Raphoen as market makers. Market makers who only provided liquidity for standard denominations can less clearly be identified, for a trader with a large turnover does not necessarily have to be a market maker. Anthony Lopes Suasso, for example, bought 41 and sold 47 shares in 166478, but this did not automatically make him a market maker. He rather acted as a banker, granting loans on the collateral of a share. These shares were temporarily transferred to his account, thus explaining the high turnover on his account. Incidentally, Lopes Suasso’s role on the market was not unimportant either, but he did not provide services similar to those of Christoffel and Jan Raphoen.

The appearance of market makers coincided with a rapid increase in the share price and in trading activity on the securities market in Amsterdam. These three events were interrelated. The share price increase, mainly caused by a change in dividend policy of the VOC79, gave long-time owners of shares – e.g. investors who had subscribed money in 1602 or who had inherited a share – a good opportunity to sell their shares with a considerable profit. The market makers made it easier for them to access the market. Hence, more shares became available for active traders, which enhanced trading possibilities. The result of this can be seen in Figure 2.2 (on page 77), which depicts the number and nominal value of share transfers in the records of the Amsterdam chamber for 1639. In this year, 713 share transfers were registered in the

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77 This bears resemblance to the findings of Ann Carlos, Larry Neal and Kirsten Wandschneider. Using a dataset of 6,844 Bank of England shares transactions performed in 1720, they conclude that the traders whom they designate as market makers were more often involved in large transactions and transactions in which women and/or investors from outside London were a contracting party. In other words: the market makers made the market more accessible for those traders with less information/access possibilities to the market (women and people from outside London) and for those who needed to sell off a large block of shares and were therefore in need of liquidity providers: Ann Carlos, Larry Neal and Kirsten Wandschneider, ‘Networks and market makers in Bank of England shares: London 1720’, Working paper (2007) 4, 12.

78 NA, VOC, inv. nr. 7070.

79 See chapter 2, section Share price on page 65 ff.
East India house – a marked increase in trading activity compared to the 365 share transfers of 1609 (see Figure 2.1 on page 76).

With so much more trade going on, it does not come as a surprise that the market participants increasingly used the services of brokers. The market became ever more complex, which made it harder for an individual trader to obtain all the information necessary to perform a transaction. It now paid to hire a broker who was specialized in collecting information about possible counterparties. The real upswing in the demand for brokerage services took place in the 1640s. This observation is corroborated by the member lists of the brokers’ guild: almost all brokers who dealt frequently in share transactions became members of the guild during or after the 1640s.\textsuperscript{80} Moreover, the Amsterdam city authorities justified their reduction of the brokerage fees in 1647 by pointing to the recent increase in market activity and demand for brokers’ services.\textsuperscript{81} But since the market had already started to expand significantly during the 1630s, the growing demand for brokers’ services a decade later cannot be fully explained by market growth alone. I contend that a structural change in the composition of the trading community, with the appearance of Portuguese Jews as its most conspicuous feature, explains the growing demand for brokerage in the 1640s.

The sources do not allow for a comprehensive social analysis of the trading community in general and, more specifically, an analysis of who traded with whom, for the capital books of the VOC and the records from several judicial institutions give only the names of the traders. And even these names must be treated with caution, because it is always possible that people performed transactions on the accounts of others – the names that turn up in the registers do not have to be the names of the actual parties to a specific transaction. Still, a simple analysis of the trading commu-

\textsuperscript{80} Membership list of the brokers’ guild: SAA, Brokers’ guild, inv. nrs. 1071, 1113. Inv. nr. 1115 lists the Jewish members. These registers do not specify the goods or services in which a particular broker specialized. I have therefore looked up names of brokers that are mentioned in other sources. In addition to the official brokers, there were also interlopers – bijlopers, persons who performed brokerage activities without being members of the brokers’ guild – active on the market. Their names were never mentioned in official documents, since transfers that had been contracted through an interloper were legally void and the traders involved liable to a fine. The files of the arbitration board of the brokers’ guild indicate that interlopers’ involvement in the share trade was limited: only a very small part of the disputes over interlopers concerned the share trade. Swetschinski, who focused on Jewish interlopers, counted only two cases concerning the trade in VOC shares over the period 1641-82. By way of comparison: in the same period, there were 57 conflicts over interlopers concerning bills of exchange: SAA, Brokers’ guild, inv. nr. 1289. Daniel Swetschinski, Reluctant cosmopolitans: the Portuguese Jews of seventeenth-century Amsterdam (London 2000) 145.

\textsuperscript{81} Noordkerk, Handiceten II, 1063. Smith, Tijd-affaires, 65. The justification gives the impression that the city authorities reasoned that brokers would still be able to make a living if they only earned f6 per transaction.
nity is possible, using the names of all the people that transferred a share at the East India house in a certain year as a proxy for that year’s trading community. In the first decade of the seventeenth century, shares were mostly traded by the wealthiest Amsterdam merchants, many of whom were of South Netherlandish descent and/or member of the board of directors. This changed from the 1630s onwards. From now on, also lesser-known merchants participated in the trade and the market makers such as Christoffel and Jan Raphoen allowed people who were inexperienced with exchange dealings to occasionally trade a share.

The most far-reaching change in composition of the trading community started in the 1640s, however. In that decade, Portuguese Jews began to become involved in the trade in VOC shares and they soon dominated the market. The start of Portuguese Jewish participation in the market coincided with the onset of their great commercial success in Amsterdam. A large number of Portuguese Jewish merchants had been active in commerce in the Dutch Republic during the Twelve Years’ Truce (1609-21) in the war between Spain and the Dutch Republic. During the truce, trade restrictions with the Iberian Peninsula were lifted, allowing the Portuguese Jewish merchants to benefit from their strong trading networks in that part of Europe. When the truce came to an end, and trade restrictions were again implemented, a large part of Amsterdam’s Jewish population left for Hamburg and later also for Dutch Brazil – the Dutch colony where governor John Maurice of Nassau-Siegen granted a high level of religious freedom to Jews. During the 1640s several circumstances again provided an incentive for Portuguese Jews to settle in Amsterdam. John Maurice was forced to come back to the Netherlands and a little later the Dutch lost control over Dutch Brazil. Moreover, Portugal gained independence from Spain in 1640, which made trade with Portugal from the Dutch Republic possible. Finally, peace with Spain was signed in 1648, after which the Portuguese Jews could again exploit their trading networks on the entire Iberian Peninsula.82 Their strong participation in commerce is visible in the number of Portuguese Jewish accountholders in the Amsterdam Exchange Bank, which more than doubled during the 1640s.83

It did not take long before they invested their newly gained wealth in shares of the VOC and from the 1660s onwards, they dominated the trade. The Portuguese-

Jewish synagogue responded with amazing speed to these developments: in 1641, it imposed a community *imposta* on the trade in shares and in 1662 the congregation’s board of directors decided to halve the tax, because the number of transactions performed by Jews had grown significantly.\(^{84}\) Portuguese-Jewish share traders often traded within their community. This is not surprising, for the simple fact that there were so many Portuguese-Jewish share traders. Moreover, they met each other regularly: they tended to live in the same neighborhood where they sometimes traded when they encountered each other in the street\(^{85}\) and sources give evidence that they also traded shares when they attended the weekly service in the synagogue.\(^{86}\) Finally, the trading clubs (to which I will turn in the next section) were almost fully Jewish.

All this does not mean that transactions between Jewish and Christian share traders never occurred, however. The capital books give proof of frequent share transfers between members of the two religious groups, but to conclude from this that both groups of share traders were fully integrated would stretch the truth. Notarial deeds from 1672 suggest that Jewish and Christian traders preferred to conclude forward transactions, the transactions involving the highest risk, within their own community. Intercommunal transactions occurred more often for less risky deals: repo and spot transactions occurred frequently between the two religious groups.\(^{87}\)

It is plausible that this diversification of the trading community resulted in an increase in the demand for brokerage services. The traders who dominated the share trade in the earliest decades of the seventeenth century all belonged to the Christian merchant community; they met each other regularly in the Exchange and were often even connected through marriage. The interconnectedness of the traders and the small number of active traders made it easy to get information on possible counterparties for a transaction. Moreover, the traders could easily obtain information about a

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\(^{84}\) Swetschinski, *Reluctant cosmopolitans*, 145.

\(^{85}\) Several notarial deeds give evidence that Portuguese-Jewish share traders regularly traded on the streets of the Jewish quarter. An attestation dated 13 September 1688, for example, gives information about a transaction that had been concluded on Jodenbreestraat, in the heart of the Jewish quarter. Four Portuguese Jews (Jacob da Costa Athias, Isaack de Jacob Belmonte, Isaack Gabaij Henriques and Guillelmo Vega) and one Portuguese-Jewish broker (Samuel Perero) were involved in this transaction: SAA, Notaries, inv. nr. 3704, fo. 448.

An anonymous English description of the stock exchange postulates that shares were traded daily ‘at eight in the morning in the Jewes-street’, but I have no evidence that confirms this. *A Description of Holland, with some necessary directions for such as intend to travel through the Province of Holland* (London 1691) 40.


\(^{86}\) In 1677, when it had been forbidden for some time already for brokers to talk business before or after prayers in the synagogue, the Mahamad also prohibited shares being traded on the patio of the synagogue or in its immediate vicinity: Swetschinski, *Reluctant cosmopolitans*, 208.

\(^{87}\) SAA, Notaries, inv. nrs. 2238-40.
possible counterparty’s reputation – particularly important for transactions with high counterparty risk such as forward transactions. Moreover, reputation mattered greatly to members of the merchant community, because loss of reputation (e.g. after reneging on a forward) would severely hamper a merchant’s career. The entry of new groups of participants on the secondary market for VOC shares made the market more complex and thus significantly raised the cost of information, which created possibilities for brokers to expand their activity on the market: the brokers specialized in gathering information, both about supply and demand of shares on the market, but also about the reputation of traders.

Various sources give evidence that the part played by brokers had become very important by the last quarter of the century. Jeronimus Velters, for example, kept a register of share transactions (December 1691 – August 1692) in which he noted which broker had negotiated the transaction. The word ‘sonder’, meaning that he had concluded the transaction without intermediation of a broker, appears only very rarely in his register. The brokers’ bills in the business papers of Manuel Levy Duarte, dating mainly from the 1680s, show that the same held for the traders who belonged to the Sephardic community. Furthermore, when a conflict arose over a share transfer, plaintiffs almost without exception mentioned the name of the broker who had negotiated the deal. The large number of brokers attesting before a notary in cases relating to the share trade also indicates their important position.

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88 This is based on the concept ‘learning’. It has been shown traders could enter into high-risk transactions after successfully completing a number of lower-risk transactions. The trading community ‘learned’ about a trader’s creditworthiness in the course of completing these lower-risk transactions. Conversely, contract non-compliance in a certain transaction would also have influenced a trader’s ability to enter into transactions on other markets. Peter Temin, ‘Financial intermediation in the early Roman Empire’, The journal of economic history 64 (2004) 705-733, there 710. Ann M. Carlos, Jennifer Key and Jill L. Dupree, ‘Learning and the creation of stock-market institutions: evidence from the Royal African and Hudson’s Bay Companies, 1670-1700’, The journal of economic history 58 (1998) 318-344, passim.

89 Broker Cornelis de Bruijn, who intermediated in a transaction between Philips de Bacher and Willem Muijlman in September 1644, for example, first approached De Bacher on the Exchange, asking him whether he was interested in buying a f3,000 share. De Bacher answered that his willingness to buy a share depended on the price and the counterparty. De Bruijn then made the first bid and assured De Bacher that his client was ‘a very good man’: Philips de Bacher vs. Willem Muijlman (1650), NA, Case files, IIIB274.

90 These registers can be found in Velters’ letter book: SAA, Velters, inv. nr. 4.

91 The bills are scattered throughout his papers. Most of them can be found in: SAA, PIG, inv. nr. 685a-b.

92 Attestations were often registered before a public notary in preparation of a civil lawsuit: Aries van Meeteren, Op hoop van akkoord: instrumenteel forumgebruik bij geschilbeslechting in Leiden in de zeventiende eeuw (Hilversum 2006) 172.
The intermediation by brokers in the late seventeenth century went beyond simply bringing together a trader willing to buy a share and a trader willing to sell one. Traders often only learnt who their counterparty was after the deal was made.\(^93\) Put another way, brokers took care of the entire negotiations and the traders themselves only needed to sign the contract.\(^94\) Brokers thus evolved from intermediaries into business partners. The 1672 notarial data indicate that traders fully trusted the information provided by brokers as long as the risk involved in the transaction was not too high. In the case of forward contracts, where the incentive to renege was considerably higher, they wanted to know their counterparty personally and therefore relied more strongly on community ties.

1660s – Trading clubs and rescontre
The emergence of trading clubs in the second half of the seventeenth century created sub-markets with very strong internal ties. The basics of these clubs can be explained in a single sentence: a delimited group of traders met on fixed dates in an inn or coffeehouse to trade shares. The importance of the clubs, however, was far-reaching and needs further elaboration. There were several closely connected advantages of trading on one of the sub-markets. Firstly, all members traded frequently. Hence they formed a community of active traders, who were all very experienced with the rules and customs of the share trade. Secondly, because they traded frequently, their reputation mattered greatly to them. It is easy to see why: for traders who only traded once, it did not matter if they got a bad name, because they never intended to return to the market in the first place. Frequent traders, on the contrary, were dependent on their good reputation to be able to keep participating in the trade. As a result, in a community that consisted solely of frequent traders, the chances that a trader would renege were smaller than on the market as a whole. Moreover, the confined community size enabled its members to monitor each other; peer pressure made sure that everybody obeyed the rules. This was very different from the secondary market for VOC shares as a whole: contrary to today’s stock markets, there were no membership requirements.

\(^93\) E.g. attestation 29 December 1672, SAA, Notaries, inv. nr. 2240, fo. 892. *Insinuatie* 15 June 1688, SAA, Notaries, inv. nr. 4133.
\(^94\) The brokers’ ordinance of 1693 indicates that by that time it had become customary for brokers to conclude a deal and only then hand it over to their clients. The ordinance decreed that brokers should always report to their clients within 24 hours’ time and that they were not allowed to sign in the name of their clients: Smith, *Toże-affaires*, 83.
for entering the Exchange building, let alone formal requirements to participate in the market on the streets.\footnote{The Paris Bourse was the first to impose a type of access restrictions. From the 1720s onwards, the Paris Bourse was publicly accessible (albeit for men only), but only the official agents de change were allowed to perform transactions: Eugene N. White, ‘The Paris Bourse, 1724-1814: Experiments in microstructure’, in: Stanley L. Engerman et al. (eds.), Finance, intermediaries, and economic development (Cambridge 2003) 34-74, there 42. The London Stock Exchange set up membership requirements on its foundation in 1801. In the preceding years, people already had to pay a fee to enter the exchange building: Ranald C. Michie, The London stock exchange. A history (Oxford 1999) 35.}

The literature suggests that there existed separate Jewish trading clubs. The sharp price fall of August 1688, for example, would have been initiated in Jewish clubs.\footnote{Israel, ‘The Amsterdam financial crash of 1688’, 472-4. Israel bases his argument on De la Vega’s Confusión de confusiones.} However, I have not found any evidence in the sources of exclusively Jewish trading clubs. The documents of the Portuguese-Jewish share traders Jacob Athias and Manuel Levy Duarte show that they frequented trading clubs, but these clubs were not attended solely by members of the Jewish community. True, however, most participants of these particular meetings were Portuguese Jews.\footnote{Jacob Athias and Manuel Levy Duarte kept ledgers of their dealings in trading clubs: SAA, PIG, inv. nrs. 687-8.}

I have found direct evidence of one trading club: the \textit{Collegie vande Actionisten}, which existed from at least 1672 until 1678. The club’s name – meaning corporation of share traders (actionist is derived from actie, the seventeenth-century Dutch word for share) – was official, for traders mentioned it in a court case.\footnote{Cf. footnote 101.} The traders gathered in the inn De Plaetse Royael on Kalverstraat in the evening. The inn stood at the corner of Kalverstraat and Papenbroekssteeg (nr. 5 on Map 1.2), the latter named after the family who owned the inn in the seventeenth century. The inn had the perfect location to attract the stock exchange crowd: it stood exactly halfway between the Exchange and Dam Square. In 1747, the owner of De Plaetse Royael expanded the inn (which had been transformed into a coffeehouse) and customers could now also enter via Beurssteeg, the bent street that directly connected the Exchange to Dam Square – the favorite location of several notaries who specialized in trade-related deeds. The inn was thus located at the very heart of Amsterdam’s financial district.\footnote{Jaap Verseput at the Amsterdam City Archives helped me find the exact location of De Plaetse Royael. Information on the expansion of the inn and its proprietors: transcript of a deed in the register of discharges (27 January 1747), SAA, Registers of discharges, book 121, fo. 196v-7v.}
There are few direct references to these trading sessions in the sources. Anthony Alvares Machado and Hubertus Pollius made a deal there on a Monday night in early August 1678. They described the inn, in a court case that arose from a conflict over the contingency claim in their contract, as a place where a lot of trading in VOC shares took place. Jeronimus Velters wrote to one of his correspondents that he had visited De Plaetse Royael on 26 February 1672 to trade shares. Interestingly, he had also been in the Exchange and on Dam Square to trade shares that very same day. It could well be that this was the same trading club where Athias and Levy Duarte regularly traded shares; the names of Velters and Machado also turn up in the ledger they kept of the trading sessions. If this is true, then the Collegie was a predominantly Jewish affair; the names in the ledger are largely of Sephardic origin. The fact that Velters went to De Plaetse Royael on a Friday night is inconsistent with this line of reasoning, however. The Jewish Sabbath starts from sundown on Friday night, which must have happened too early in February for the Jews to attend the trading session. It is also possible that the trading sessions took place every night; I have not been able to discern a pattern in the dates of the sessions that would contradict this. The Friday night sessions would then have differed from the sessions on other nights by there being no Jews present.

The scarcity of references to the nightly trading sessions might indicate that there was some kind of private regulatory mechanism in place. The word collegie implies that the meetings had an official character, with some kind of committee that organized and chaired the meetings. It could well be that this committee also adjudicated conflicts. This point takes up a large part of chapter 3, but it is important to stress at this point that peer pressure and easy monitoring reduced the chances of reneging and hence of costly litigation. If peer pressure alone could not prevent a conflict from arising, the presence of the board could prevent the necessity of filing an official lawsuit. Moreover, the high concentration of information in the collegie –

100 Apart from the two examples in the text, I have found only an attestation before a notary public that mentioned De Plaetse Royael as the place where two traders had met: attestation Samuel Pereira (25 October 1672), SAA, Notaries, inv. nr. 2240, p. 400.
101 Anthony Alvares Machado and Hubertus Pollius had agreed in the collegie on a forward deal that led to a conflict. This deal was contingent on a possible peace treaty between the Dutch Republic and France (and its allies) in the Franco-Dutch War (1672-8), but dissension arose between them over the definition of peace: Anthony Alvares Machado vs. Engelbert de Geyselaar (guardian of Pollius' heirs), NA, Court of Holland, inv. nr. 816, nr. 1681-55.
102 Velters to Buijsero, 26 February 1672, SAA, Velters, inv. nr. 1, fo. 252. Velters also regularly went to Dam Square in the evenings, which suggests that there must have been parallel evening trading sessions.
brought together by all its members – reduced the traders’ search costs. There was less need for individual traders to gather as much information as possible, for the transactions during the trading sessions would disclose the available information. Lastly, the concentration of traders made it easier to find a counterparty willing to trade. Brokerage services were simply redundant within the collegie. The advantages of trading clubs such as the collegie can thus all be translated into transaction-cost benefits: information costs were lower and chance that enforcement of a deal would require costly litigation was smaller within the trading club.

Besides the collegie, and possibly similar trading clubs, there existed another gathering of share traders: the monthly rescontre*. Every holder of a forward contract that was due on the first day of the next month could participate in the rescontre; traders came together in the rescontre to mutually settle their forward contracts. It was of course also possible to negotiate a rollover for a forward during the meetings and, since there were many traders present, it is also likely that traders made all kinds of other deals. Still, however, the rescontre was principally a meeting for settling contracts, rather than a sub-market in its own right, such as the trading clubs.

To understand the rescontre, it is important to trace the evolution of the use of the word throughout the seventeenth century. The general meaning of rescontre is ‘meeting’.103 Merchants gave the word a more specific meaning, using it mainly to describe the meeting of two traders on the expiration date of a contract to settle the contract or even more specifically to cancel out a transaction with another transaction. The earliest mention of the word rescontre in connection with the share trade, dating from 1610, had the latter meaning: Franchoijs Alewijnsen informed his counterparty that he wanted to settle their contract; if they would not come to an agreement, he would try to resell his contract or cancel it out by making an opposite transaction, which he called rescontreren.104 From around the 1660s onwards, rescontre gained yet a different meaning. It was now also used metonymically to refer to the meeting where share traders gathered to settle their contracts. So it was no longer a meeting between

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103 In seventeenth-century Dutch, the word rescontre (riscontro in Italian; rescontre seems to be a gallicized loan word) was often used in the description of battles – the place where two armies meet.
104 Alewijnsen had bought a forward. He could cancel it out by selling a similar forward to a third party. Insinuatie Franchois Alewijnsen (28 April 1610): SAA, Notaries, inv. nr. 120, fo. 9v. See also Van Dillen, ‘Isaac le Maire’, 87 (doc. nr. 29).
two traders who had a contract between them; sources now refer to the *rescontre* – monthly meetings that took place on the last Thursday of each month.\textsuperscript{105} The settlement procedure of the *rescontre* had its roots in late medieval trading: there were settlement meetings for merchants with bills of exchange during the Champagne fairs. At that time, however, the *rescontre* was a quarterly event. The merchants met in February, May, August and November; unsurprisingly, these were the exact same months in which the *rescontre* of the Amsterdam share trade took place in the eighteenth century when the frequency had been decreased to quarterly *rescontre* days.\textsuperscript{106} The system of fixed settlement dates had been very advantageous to late medieval trading: it simplified international payments because a large number of merchants from all parts of Europe came together at the same location, all holding payment orders that were due in the same month. Continuous trading, which first appeared in sixteenth-century Antwerp, technically rendered the settlement dates superfluous. Nevertheless, they stayed in existence, mainly because the concentration of trade provided advantages.\textsuperscript{107}

This was also true for the share trade. It was advantageous to have many contracts that were due on the same day, because this made it easier to settle them by cancelling out two contracts, which only required a relatively small money payment. But to get a high number of contracts that were due on the same date, the forward trade first needed to become standardized. Signs of a process of standardization are visible in the printed contracts used in the trade. On the earliest printed forward contract that has survived until today, dating from 1629, only the standard forward transaction clauses appear pre-printed, stipulating for example that the seller could deduct any interim dividend from the forward price. There were open spaces for the contractors to enter their names, the forward price, the interest rate on the possible dividend deduction and the term of the contract. The settlement date was thus calculated as the contract date plus a certain term.\textsuperscript{108} A printed forward contract from 1644 shows that traders could now choose to specify the contract’s term or its exact settlement date (see

\textsuperscript{103} E.g. 28 October and 30 December 1683: SAA, Pig. nr. 688, fo. 7, 15. 21 August 1687: SAA, Velters, inv. nr. 4, fo. 62. 26 August 1688: SAA, Notaries, inv. nr. 3704, fo. 448. 27 January 1698: Dias Henriques to Levy Duarte, 27 January 1698, SAA, Pig. inv. nr. 681b, pp. 162-3. It is unknown where the *rescontre* meetings took place. It is possible that the *rescontre* traders met in the Exchange, but since this was a very crowded place, it is more plausible that they met in a separate room of an inn.

\textsuperscript{106} Smith, *Tijd-affaires*, 130.

\textsuperscript{107} Interestingly, in a sense, the *rescontre* days have survived until today; around the world, option contracts expire on the third Friday of the month.

\textsuperscript{108} A picture of this contract can be found in: Gelderblom and Jonker, ‘Amsterdam as the cradle’, 199.
From at least 1683 onwards, however, the settlement date was always the first day of the month: *primo* was pre-printed, followed by an empty space where the contractors could write down the month. Between 1683 and 1688, a clause was added to the bottom of the printed forward contracts in order to make sure that the *rescontre* proceeded smoothly. It specified the terms of delivery and payment of a share. A transaction should always be completed (i.e. transferred, rolled over*, cancelled out or paid for the price difference) 20 days after the original expiration date. This enabled the traders to submit the share or the rollover* to the next *rescontre* meeting.

The printed contracts are a usable indication for the changing customs on the forward market, but it was of course not the book printer responsible for printing and selling these contracts, Aart Dirksz. Oossaan (whose shop was located right by the Exchange building on the corner of Dam Square and Beurssteeg) or the city authorities that initiated these changes. On the contrary, the developments in printed contracts followed on developments in trading customs. Notarial deeds show that the forward trade became standardized from the 1660s onwards, when forward trades had almost without exception the first day of a month as settlement date. The standardization of the 1660s paved the way for *rescontre* meetings.

Data from the transfer registers from the Amsterdam chamber of the VOC corroborate this dating. I will elaborate further on this in chapter 2, but a quick glance at Figure 2.3 (page 78) reveals my point: the first days of March, May, September and November of 1667 witnessed a higher than average number of share transfers. The November peak is particularly interesting: the return fleet had arrived in the previous month, generating a lot of information relevant to the share trade. However, share

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109 Contract between Willem Muijlman and Philips de Bacher (2 September 1644), NA, Case files, inv. nr. IIB274.
110 Contract between Vincent van Bronckhorst and Sebastiaen Cotinho (25 June 1683), NA, Case files, inv. nr. IIK98. Please note that the dates mentioned are not (necessarily) the dates when the new forms started to appear. Since very few forward contracts have survived, I am not able to date these events more precisely.
111 Contract between David Abraham Cardoso and Jan Schott (14 June 1688), SAA, PIG, inv. nr. 654.
112 SAA, Notaries, Card index. Please note that the original contracts were not registered with a notary. These data stem from so-called *insinuaties*, where one of the contracting parties summons the other party to perform a certain action.
113 Exact arrival dates: October 9th (3), 10th (1), 21 (1), 22 (1), 25 (4): Data about all VOC voyages can be found in: J.R. Bruijn, F.S. Gaastra and I. Schöffer, *Dutch-Asiatic shipping in the 17th and 18th centuries* (3
traders did not react to the new information in the spot market; they bought forwards that were due on November 1. This enabled them to trade on the information with low transaction costs: chances were high that they would find somebody in the rescontre to settle their contract with. However, it could occur that transactions could not be cleared or that traders could not find a counterparty to roll over their contracts. Consequently, the impact of the rescontre on the number of share transfers is visible in the number of share transfers around the first days of the month. A similar pattern of transfer peaks during the first days of a month is not visible in, for example, the graph of 1639 (Figure 2.2, page 77), which gives evidence for my argument that the rescontre did not exist yet in that year.

The concentration of traders in the rescontre provided liquidity to the forward market. Forward price data show that share traders recognized this advantage and they were willing to pay a liquidity premium for participating in the forward market. Over the period 1675-94, the premium on forwards that were due in one or two months’ time, converted into a yearly rate, ranged from 3 to 8 percent, whereas forwards due within two weeks’ time had premiums of between 15 and 20 percent.114 This difference can have been caused only by a liquidity premium. The liquidity premium was similar for short- and longer-term contracts, but it had a relatively larger weight in the short-term contracts.115

The rescontre thus yielded much the same advantages as the collegie. It provided liquidity and the deals that were made during the meetings revealed information to other participants. The rescontre meetings thus reduced transaction costs. However, because the rescontre was not a sub-market, brokers’ services were still needed for the forward deals that were concluded outside the meeting. In the case of the collegie, on the other hand, brokers’ services were redundant; there was no need for intermediaries to bring parties together nor was it necessary to buy information about a possible counterparty’s creditworthiness – the structure of the trading club made sure that

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114 On 25 July 1687, for example, the spot price was 485.5 and the price for a forward due on August 1st, 6 days later, 487. The forward premium, converted into a yearly rate, is 18.8 percent. The data can be found in Velters’ letter books: SAA, Velters archive (2), inv. nos. 1-4.

115 This becomes clear by writing the price of a forward contract in an equation. The price of a forward that is due at a future time $T$ can be written as follows: $F_{t,T} = S_t e^{r(T-t)}$, where $S_t$ is the spot price of the share at time $t$ and $r$ is the interest rate. If a liquidity premium $l$ is added, the pricing equation becomes: $F_{t,T} = S_t (1 + e^{r(T-t)} l)$. This equation clearly shows that the liquidity premium $l$ has a relatively larger weight in short term contracts, where $(T-t)$ is small. (I owe this point to Peter Koudijs.)
traders would live up to their agreements. I have not found indications of access restrictions — other than holding one or several forward contracts — to the rescontre meetings. There is evidence, however, that in the eighteenth century a distinction was made between ‘qualified’ and ‘non-qualified’ rescontre participants, which suggests that the rescontre traders also recognized the advantages of an admission policy that created better monitoring possibilities. Interestingly, the developments of both the Collegie vande Actionisten and the monthly rescontre meetings therefore trace the origins of modern stock exchanges where entrance is restricted to professional traders who are affiliated to financial institutions that pay fees to be allowed to trade on the exchange.

Conclusions
This chapter has discussed the main developments that shaped the market in the seventeenth century. After a first formative stage in the first decades of the seventeenth century, the market entered into a second stage of development in the period 1630-50. New participants entered the market, where brokers and market makers stood ready to assist them in contracting a deal. In the years thereafter, the trading clubs enabled the market to process the increasingly complex nature of the trade. It is interesting to remark that the share traders themselves initiated all developments that took shape after 1610. The corporate governance debate of the 1620s could have resulted in greater involvement in the share market on the part of the company, but it seems as if the outcome of the debate was rather a state of mutual disregard. The shareholders, for their part, were highly interested in the company’s dividend distributions, but it hardly mattered to them that they did not have a say in the company management, nor that they only received scattered bits of information about the financial state of the company. After the period 1630-50, investors were

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116 Smith, Tijd-affaires, 135-8.
117 Several authors have stressed the importance of the emergence, in 1683, of trade in ducaton VOC shares — shares with a nominal value of ƒ300 instead of ƒ3,000 — that was also organized in a club-like environment. This development would have attracted new participants to the market: Israel, ‘The financial crash’, 464. Swetschinski, Reluctant cosmopolitans, 145-6. Van Dillen, ‘Termijnhandel’, 520. Their information is based on De la Vega, Confusión de confusiones, 203. See also: Smith, Tijd-affaires, 94. The trade in ducaton shares did not differ substantially from the trade in trading clubs. It was not a structural development, but merely a convention to trade smaller shares, which might incidentally have lowered barriers to entry in the market: Gelderblom and Jonker, ‘Amsterdam as the cradle’, 199. Moreover, the ducaton trade vanished as a result of the 1688 price crash (De la Vega, Confusión de confusiones, 288) and seems to have hardly impacted the trade in the years before — I have found only one reference to ducaton trade in the sources: attestation (23 March 1688), SAA, Notaries, inv. nr. 4132.
primarily interested in the financial services the secondary market provided, rather than in the East India trade itself.
Figure 1.1 Forward contract used in a transaction between Willem Muijlman and Philips de Bacher, 2 September 1644
Nationaal Archief, The Hague, Case files, IIB274
Figure 1.2 Amsterdam Exchange of Hendrick de Keyser, etching by C.J. Visscher (1612) Stadsarchief Amsterdam, Drawings and etchings collection
Figure 1.3 Amsterdam Exchange of Hendrick de Keyser, interior, painting by Job Adriaensz. Berckheyde (between 1670 and 1690)
Amsterdams Historisch Museum, Amsterdam
Map 1.1 Main share trade locations in the first decade of the seventeenth century
1) exchange dealings on Nieuwe Brug (east side); 2) Paelhuysgen – international postal services; 3) exchange dealings in Warmoesstraat; 4) St. Olofs-chapel; 5) Old Church; 6) notary Jan Fransz. Bruyning’s office. Map used: Pieter Bast, Map of Amsterdam (2nd ed. 1599), Kunstsammlungen der Veste Coburg, Coburg, inv. nr. VIII, 512, 1
Map 1.2 Main share trade locations after the opening of the Exchange (1611)
1) Exchange; 2) Dam Square; 3) Exchange Bank; 4) principal notaries’ offices; 5) Kalverstraat inns; 6) East India house. Map used: Daniel Stalpaert, Amstelodami veteris et novissimae urbis accuratissima delineatio (1662), Cartographic collection, University Library, University of Amsterdam