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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Introduction
The growth in market activity of the 1630s came at a remarkable moment. In the previous decade, activist shareholders had started a corporate governance debate because they were dissatisfied with the way the company was run. The principal subject of the debate was information. Shareholders wanted to be informed about the financial state of the company. The VOC had skipped its intermediate liquidation in 1612 and again did not make up its books at the end of the first charter. Consequently, investors remained ignorant of the company’s financial situation.

The outcome of the corporate governance debate did not alter much in this situation; the chief participants did not share the information they got access to with the other shareholders – they merely acted in the directors’ interests. This created a principal-agent problem: the company’s shareholders (the principals) were insufficiently able to monitor the performance of the company management (the agents). The shareholders could have made their dissatisfaction with this situation known to the VOC directors by selling their shares in the company. But the opposite happened; the number of shareholders increased and trading activity skyrocketed. This chapter seeks to find an explanation for this seeming incongruity.

The argument is structured in three sections. In the first section, I will discuss on what kind of information the investors of the first decade of the seventeenth century based their investment decisions. This was the time when investors still believed that the company would be liquidated in 1612 or 1623 at the latest. I will subsequently contrast the findings of this section with later periods; first by showing what kinds of information the share price reacted to and then by analyzing how share traders in the

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1 Investors in equity have higher information requirements than investors in debt. In the case of debt financing, investors know before they enter into a transaction what the rate of return on their investment will be, for the interest rate on the loan is fixed. They also know when they will get the principal back, for the term is fixed as well. So, the main thing moneylenders typically worry about is whether the borrower will live up to his agreements. Investing in equity, however, is different. Investors in a company’s equity provide the company with a sum of money whilst there are no arrangements on when the money will be paid back or how the investors will be recompensed for putting their money at the company’s disposal. In exchange for this, investors get unlimited upside potential (the chance, in other words, that the return on the investment will be higher than the going interest rate). The level of uncertainty is thus much higher for equity financiers than for moneylenders. Investors therefore need detailed information to make an assessment of the expected risk and return.

2 See chapter 1, section 1622 – The relation between the company and its shareholders on p. 32 ff.
second half of the seventeenth century obtained the information necessary for their investment decisions.

The theme of this chapter falls into a broader literature on the relation between the availability of information and economic or financial development. According to Shiller, speculative bubbles could occur only after the advent of news media; newspapers enlarged the interest in financial speculation. McCusker and Gravesteijn, on the other hand, argued that developments in the dissemination of information and more specifically the rise of commercial and financial journalism always followed economic developments. Naturally, information is not confined to printed news media. Neal, Neal and Quinn, and Murphy all analyzed the relationship between the development of financial markets in London and the availability of financial information. The general conclusion of their works is that printed information, mainly in the form of price lists, was widely available by the end of the seventeenth century, but that investors relied on their personal networks if they needed information for more complicated investment decisions.

Seventeenth-century Amsterdam, meanwhile, is renowned for its status as an information centre. It became the newspaper centre of Europe, supplying for instance the heavily censored French market with French-language newspapers. Lesger argued that Amsterdam became the commercial centre of the Northern Netherlands after the Dutch Revolt because the city functioned as a crossroads for information flows. Finally, Smith contended that innovations in processing commercial information in seventeenth-century Amsterdam contributed to the modernization of capitalism. An extra research question emerges from this literature: to what extent was the development of Amsterdam’s financial market dependent on the city’s status as an information centre?

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In hindsight, it seems odd that anyone would have taken the risk to invest money in the VOC in 1602. The company directors did not state in any way how they would use the money raised by the stock subscription and the shareholders did not get a say in the management. So why would anyone subscribe to the equity stock of this newly founded company?

Four things are of importance in this regard. Firstly, the VOC did not come out of the blue. It was a merger of earlier initiatives in the East India trade: a total of eighty ships had left different ports of the United Provinces between 1595 and 1602, so these ventures were widely known amongst the Dutch. These pioneering ventures had proved that the East-India trade could be very profitable and it had also become clear that in order to really outrun the Portuguese and other competitors, it was necessary to build fortresses, permanent trading posts, refreshment stations along the route, etc. – in sum, more than simply going there, loading the ships and sailing back.\(^9\) Also, the transition from the pioneering voyages to the VOC would not be that big; shareholders would get the opportunity to liquidate their investment every ten years and if they did not want to wait this long, they could also sell their shares to a third party on the secondary market. Hence, from an investors’ point of view, the step from investing in one of the *Voorcompagnieën* to investing in the VOC was bridgeable. And that is the second point: shareholders expected their investment to last for only ten years. There can be no doubt about this: the investors called the entity to which they had subscribed their money ‘the first ten-year account of the chartered East India Company’.\(^10\) At the same time, however, they knew that the company as a whole would stay in existence for a longer period of time, for the States General had granted the charter for 21 years.

Thirdly, the investors did not subscribe to a faceless company. In Amsterdam, for example, the capital subscription took place at the private house of company director Dirck van Os. Moreover, company directors canvassed for potential investors.\(^11\) All company directors formed part of the local merchant elite: people knew who they were and were also confident that they could entrust these highly reputable merchants

\(^9\) Gelderblom and Jonker, ‘Completing’, 649-53. Amsterdam alone had accounted for fifty of these ships.

\(^10\) See, e.g. notarial deeds of share transfers in 1604: SAA, Notaries, inv. nr. 96, fo. 173; inv. nr. 98, fo. 53. Also, *insinuatie* 20 February 1610, SAA, Notaries, inv. nr. 267, fo. 128.

\(^11\) Ibidem, 651. This strategy to attract investors had been more important for the financing of the *voorcompagnieën*. 
with their investment.\textsuperscript{12} Lastly – and this may seems odd in the particularistic Dutch Republic and given the somewhat strange structure of the VOC with six semi-independent chambers – the subscribers of 1602 thought the company to be directly connected to the Dutch Republic as a state. Since the highest governmental body had granted the company charter, the investors felt that they did not simply invest in a company, but rather in the Dutch cause.

However, the VOC did not become profitable as quickly as the pre-companies. In the final years of the first decade of the seventeenth century, the first signs of discontent amongst the shareholders became apparent. The share price stood at a high in 1607 (167\%\textsuperscript{13}) when bad news started to arrive from the East Indies. Cornelis Matelief, the leader of a large operation against the Portuguese in 1606, wrote a critical report on the state of the VOC in the East Indies on his return in 1608. At about the same time, shareholders voiced their doubts about the profitability of the company: its warehouses were packed with spices, while they held the market to be saturated.\textsuperscript{14} This was also the period of Isaac le Maire’s bear-trading consortium. Le Maire was convinced that the shares were overvalued and there was good reason to believe his information to be correct, for he had been a company director until 1605. Finally, in these years the Dutch Republic and Spain were negotiating a truce. The VOC existed only by grace of the war with Spain, for according to the treaty of Tordesillas (1494), the territories outside Europe belonged to either Spain or Portugal. So the signing of a truce could very well have meant the end of the VOC.\textsuperscript{15}

It was during this turmoil that Anthoine l’Empereur corresponded with his nephew Jacques de Velaer Junior about the trade in VOC shares.\textsuperscript{16} This correspondence gives insight into the considerations and motivations that were the basis for share-traders’ investment decisions in the first decade of the seventeenth century. l’Empereur lived in Leyden, some forty kilometers from Amsterdam, and he therefore

\textsuperscript{12} Frentrop, \textit{Corporate governance}, 50.
\textsuperscript{13} This is the highest share price I have found (10 April 1607): SAA, Notaries, inv. nr. 106, fo. 229. However, in a memo dating from August 1609, probably written by Isaac le Maire, a share price of 180-200\% for 1607 is mentioned: Van Dillen, ‘Isaac le Maire’, 43 (doc. nr. 4).
\textsuperscript{14} Frentrop, \textit{Corporate governance}, 74. The shareholders were also worried about the fact that the company had become heavily indebted: it had taken out large loans at 8\% interest.
\textsuperscript{15} Israel, \textit{The Dutch republic}, 401-5.
\textsuperscript{16} l’Empereur was married to the aunt of De Velaer’s wife; De Velaer called l’Empereur ‘uncle’. They corresponded anywhere between one and eight times per month from December 1608 until June 1611. l’Empereur had received irregular letters – also from VOC director Jacques de Velaer Senior – before this period, but the frequency increased after l’Empereur informed his nephew about his intention to buy a VOC share. For unknown reasons, the intervals between two letters increased markedly after June 1611.
asked De Velaer to keep him updated about news concerning the East India trade and to perform his dealings on the Amsterdam exchange. De Velaer lived on Oudezijds Voorburgwal, right in the financial heart of Amsterdam; he went to the exchange on a daily basis and was the son of one of the directors of the Amsterdam chamber of the VOC. De Velaer did not provide his services for free: he charged his uncle a commission of 1% of the nominal value of shares purchased and sold.

The primary service De Velaer provided to his uncle was not buying and selling shares, though, but forwarding information. He forwarded both newsletters and international business correspondence – these letters from abroad first arrived in Amsterdam, so the fastest way to get them in regional cities was via an Amsterdam-based receiver – and informed l’Empereur about news he had heard on the exchange. The newsletters, precursors of newspapers, often contained news about the VOC fleet. They were generally considered to be very well informed; even the Amsterdam Chamber of the VOC subscribed to them.

An example of a handwritten newsletter that has survived in the l’Empereur papers reveals the sort of information that shareholders could get from this source. This particular newsletter contained information only about the company’s activities east of the Cape of Good Hope, which suggests that there were other information channels available in Amsterdam for VOC-related information concerning events that had taken place closer to the Netherlands. It mainly informed its readership about recent conquests of the VOC and the fortunes of the VOC fleet. It recounted, for exam-

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17 De Velaer also forwarded news from Amsterdam to his father-in-law Andries van der Muelen in Utrecht. See the correspondence in RAU, Van der Muelen, inv. nr. 47. Van der Muelen was less interested in information related to the share trade, however.

18 His letters do not give evidence of inside information, however. In his letter dated 11 June 1611, for example, he reported to his uncle that the company directors had received a letter from St Helena containing extensive information about the business in East India. He did not know the contents of this letter, however – or chose not to inform his uncle about it. De Velaer to l’Empereur, 11 June 1611, BT, inv. nr. 215, nr. B2/7.


20 By an old rule, all letters coming from Hamburg to the Netherlands had to pass through Amsterdam: Milja van Tielhof, The ‘mother of all trades’: the Baltic grain trade in Amsterdam from the late 16th to the early 19th century (Leyden 2002) 165. However, De Velaer forwarded letters from Antwerp and Paris too (e.g. De Velaer to l’Empereur, 8 July 1609, BT, inv. nr. 215, nr. A3/14). De Velaer charged his uncle postal charges for this service: BT, inv. nr. 215, nr. A3/6.

21 Annie Stolp, De eerste couranten in Holland: bijdrage tot de geschiedenis der geschreven nieuwsstijdingen (Haarlem 1938) 84.
ple, how six ships had left Bantam on 16 November 1608, of which one, named De Grote Sonne, had had to return shortly thereafter because of leakage and another one, named Erasmus, had had leakage problems too, but it had been able to sail on to Mauritius. It also told about the conquest of the island of Makéan and how bad weather had broken two ships, lying at anchor there, from their moorings. This information was partly correct: this incident had indeed occurred (in July 1608), but in fact both ships were wrecked. The last bit of information dated from yet earlier: July 1606. This news must have reached the Netherlands earlier on, but it concerned such a heroic event that the compiler of the newsletter did not want to hold it back: the ship named d’Eendracht had arrived at Bantam and had burnt four or five Portuguese ships on its way there.22 This news touched on the future of the company and was therefore undoubtedly of interest to investors.

It is remarkable, however, that the newsletters did not contain information about the cargo of the return fleet, which would have been of primary importance for the short-term profitability of the company. So De Velaer had to rely on other sources for this type of information. De Velaer’s reports about the approaching return fleet of 1610 allow for a reconstruction of the way this information reached the Amsterdam exchange. Between May 25, when the first rumors circulated, and July 26, when De Velaer could finally check the correctness of all bits of information, a number of different and sometimes contradictory rumors could be picked up on the exchange. It must thus have been difficult to base investment decisions on these bits of information. The most interesting aspect of De Velaer’s reports, however, is the sequence with which the news became available in Amsterdam.

The first rumor, about which De Velaer wrote his uncle on May 25, named the ships that were about to arrive, but did not give any information about their lading. It emphasized the fortunes of two Dutch admirals: Paulus van Caerden had been taken prisoner and Pieter Willemsz. Verhoeff had been treacherously killed together with some of his men after they had built a fortress in Bantam.23 This news came from the crew of the English ship Hector, under command of William Keeling, which had

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22 Handwritten newsletter, undated, BT, inv. nr. 215, nr. A2/8. The publication date of this newsletter is unknown. It can be found in l’Empereur’s correspondence of January 1609, but it was probably compiled on a later date, for it contained news about ships that had left Bantam in November 1608. Another example of a handwritten newsletter in the correspondence of l’Empereur, dated 22 June 1609, was written in French and came from Cologne. It did not contain information on the East Indian trade however: BT, inv. nr. 215, nr. A3/8.

23 Velaer younger to l’Empereur, 25 May 1610, BT, inv. nr. 215, nr. B1/7. According to this rumor, the ships underway to the Dutch Republic were called ‘Gelderlant, Bantam, Seelant, Banda or Delft’.
encountered the VOC return fleet at sea on 23 December 1609. Keeling had talked to the commander of the Dutch fleet and informed him about the fate of the two admirals – Keeling’s ship was faster than the Dutch return fleet; he had left Bantam on a later date than the Dutch, so he had more recent information.\(^{24}\) Keeling must have had much more information, however, for example about the cargo of the Dutch fleet. He also knew about two other ships heading for the Netherlands: ten days before the Hector had left Bantam, two Dutch ships (Banda and Patania) had left.

De Velaer sent his uncle an update on June 15, in which he again did not give priority to the fleet’s cargo. He reported that due to some illness, many crewmen of the ship Gelderland had died. On its way to the Dutch Republic, this ship had called at Mauritius, where the leaky ship Erasmus was stranded. The Gelderland did not bring the cargo of the Erasmus, though, but it did bring 48 healthy members of its crew – many of the crew had died during the journey. The ship mainly carried coarse quality pepper. De Velaer did not have any new information on the other ships of this same fleet, but he did have extra news about the situation in East India. It was now commonly held to be true at the Amsterdam exchange that Paulus van Caerden was kept in prison in Ternate and that the other admiral, Pieter Willemsz. Verhoeoff, had been killed, ‘although he had been very friendly to the local population of Banda’. Moreover, De Velaer had now also learned that Keeling’s crew had reported about the two Dutch ships (Banda and Patania) that had left Bantam shortly before them as well. These ships were laden with wares from the Moluccas (cloves, mace, nutmeg) and were to arrive soon, too.\(^{25}\)

De Velaer did not report on the arrival of the first ships of the fleet in June and early July. His next letter was dated July 26, when the last two ships had arrived at Texel. The news these two ships carried was far more recent and therefore more valuable than the news from the ships that had arrived earlier, for the newly arrived ships

\(^{24}\) Hendrick Jansz. Craen wrote in the Gelderland’s log about the information William Keeling gave them at sea on 23 December 1609: A. de Booy (ed.), De derde reis van de V.O.C. naar Oost-Indië onder het beleid van admiraal Paulus van Caerden, uitgezeld in 1606 II (The Hague 1970) 94-95. On this date, the ships were still east of Cape of Good Hope. They accompanied each other during their stay at the Cape, at St. Helena, and during their journey all the way to 48.5 degrees north latitude (according to Craen’s log). The Gelderland was in great difficulties: the ship was damaged and due to an unknown illness, a large part of its crew died. The fleet did not get updated information at any of the company’s refreshment stations along the route.

\(^{25}\) De Velaer to l’Empereur, 15 June 1610, BT, inv. nr. 215, nr. B1/8. De Velaer did not mention the source of the new information, but it was probably a letter from Craen to the Heeren XVII, written in Dartmouth on 20 May, which is published in De Booy, Derde reis II, Appendix 24. The information in this letter corresponds to the news De Velaer reported to his uncle.
had left East India more than six months later. The ships reported only good news about East India: the trade was going fine, there was hope of conquering Ternate soon and the Dutch had formed an alliance with Japan, so that they could now trade with Japan as well. Details about the cargo went together with the news: the ships brought pepper, nutmeg, cloves, mace, silk and china.26

This excerpt from the De Velaer-l’Empereur correspondence reveals two things. Firstly, the information l’Empereur received was inadequate for a short-term speculative trading strategy. De Velaer reported only news that he had heard on the exchange; therefore, by the time it reached l’Empereur, the share price had already adjusted to the new information.27 But this did not matter to l’Empereur; he had invested in the VOC for long-term gains.28 The correspondence moreover suggests that l’Empereur was not after only financial gain. His decision to invest in the VOC was also motivated by his wish to support the Dutch cause in the East Indies. He for example corresponded with De Velaer about Isaac le Maire’s attempt at persuading the French king to found an East India Company – a competitor for the VOC – rather than about his bear-trading syndicate. They saw Le Maire as a traitor to his country rather than a cheater who had deceived his fellow shareholders.29 l’Empereur need not be representative for all shareholders of the VOC, but the bits of information that reached the Amsterdam exchange give evidence that this was a more general feeling amongst the shareholders. The investors talked about heroic deeds of the Dutch in the East Indies: the burning of Portuguese ships and the conquest of several strongholds on islands of great importance to the spice trade. These events obviously directly influenced the future performance of the company. At the same time, however, shareholders thought illness on board of one of the ships a more important subject to talk about than the specifics of the cargo that was about to arrive in the VOC cities. The fact that petition-

27 De Velaer himself also often received new information too late to make profitable trades on it. On 4 August 1609, for example, he wrote to his uncle about the first news regarding the return fleet. Four ships had been seen near England and De Velaer had heard that they would bring good news about East India, but did not know any details yet. To his surprise, the share price had already risen in the days before: some people had received the information through a private channel and they had taken advantage of their private information. De Velaer to l’Empereur, 4 August 1609, BT, inv. nr. 215, nr. A4/3.
28 l’Empereur to De Velaer, between 8 and 12 January 1609, BT, inv. nr. 265. Judging by the fact that he bought his first share with borrowed money on which he had to pay 8% interest, he expected the rate of return on VOC shares to be very high: De Velaer to l’Empereur, 13 January 1609, BT, inv. nr. 215, nr. A2/9.
ers and pamphleteers regularly linked the state of the company to the well being of the Dutch Republic further stresses my argument that support for the Dutch Republic was an important motivation for many to invest in the VOC; the authors of these texts realized that many people were susceptible on this point and therefore used it as an argument for their own cause.30

This might also explain why l’Empereur chose to invest in the VOC at a moment when the future of the company was insecure. He bought a share in January 1609, when the outcome of the negotiations for a truce with Spain was still uncertain31, because by purchasing a share, he could show that he wanted the company to continue its activities in the East. Being an immigrant from the Southern Netherlands — like so many of the early investors in the VOC32 — l’Empereur was probably particularly sympathetic towards the Dutch cause in the conflict with Spain.33 So, although the information available to l’Empereur was nowhere near enough to really know what was going on within the company, he probably did not care: l’Empereur learned that the VOC had a growing chance of success in the East and by investing he supported the Dutch cause.

**Market reactions to information**

During the period 1602-9, shareholders never received an official statement from the company, so the announcement of the first dividend in March 1610 was an important

30 The company directors, for example, used it in 1609 to argue that short-selling should be prohibited: the short sellers not only disrespected the company, but also the United Provinces as a whole. Petition VOC directors to States General, 1609: Van Dillen, ‘Isaac le Maire’, 31-2 (doc. nr. 2). See also: De Marchi and Harrison, ‘Trading “in the wind”’, 51-2. The shareholders who made a case for leaving the share trade free, replied in a counter petition to the States of Holland that they were devoted to their fatherland: Van Dillen, ‘Isaac le Maire’, 34 (doc. nr. 3). The activist shareholder who took open action against the company management also linked the VOC to the condition of the country. E.g. *Vertooch aen de Ed. Hu. Mo. Hieren Staten Generael*. Finally, according to De la Vega, even in the late seventeenth century, there were still investors, so-called ‘liefhebbers’, who always held long positions; as ‘devotees’ of the company, and the Dutch Republic, they were constantly trying to push up the share price: De la Vega, *Confusión de confusiones*, 102.

31 See footnote 15.

32 301 (or 26%) of the 1143 subscribers to the Amsterdam chamber capital stock in 1602 came from the Southern Netherlands. Their average subscription to the stock was relatively high; they subscribed slightly over 38% of Amsterdam’s stock: Van Dillen, *Aandeelhoudersregister*, 55.

33 Cornelius Plancius voiced similar feelings about the predecessors of the VOC in his late-sixteenth-century description of Amsterdam: they were deployed to maintain the freedom of the Dutch Republic, rather than to suppress other countries. Their revenues went to the churches and to other laudable institutions: Cornelius Plancius, ‘Beschrijvinge der loflijcke ende wijtvermaerde coopstede Aemstelredamme’ (1597), in: P. Scheltema (ed.), *Aemstel’s oudheid of Gedenkwaardigheden van Amsterdam* II (1856), 1-12, there 11. Very little is known about Cornelius Plancius, but it could very well be that he belonged to the same family as Petrus Plancius, the famous cartographer and clergyman who immigrated from the Southern Netherlands to Amsterdam.
event. The market participants had to assess the value of this dividend; was it more or less than they had expected? The fact that the directors announced a dividend in kind (shareholders were given the opportunity to receive 75% of the nominal value of their shares in mace) did not make the assessment any easier. Did this, for instance, indicate that the company had cash-flow problems? And what was the market value of the batch of spices shareholders could collect at the East India house?

The company set a price for the mace (11 and 9 stuivers per pound, for high and lower quality mace, respectively) to be able to calculate the amount of mace each individual shareholder was entitled to. To make the offer more inviting, the company promised that it would not sell mace at a lower price in the next two years. De Velaer advised his uncle to accept this dividend, because he did not expect a cash dividend to be imminent. He also wrote that l’Empereur should ship it to another place, as the dividend deluged the Amsterdam market for mace. l’Empereur hesitated and did not take any action. This pattern recurred in September 1610, when De Velaer advised his uncle to accept the second dividend (50% of the nominal share value in pepper plus, only for those shareholders who had accepted the dividends in kind, 7.5% in cash) and either grant a spice trader authority to sell it on the Amsterdam market or ship it to Venice, Naples or Danzig: there were ‘good ships’ leaving for these places shortly.

The De Velaer-l’Empereur correspondence clearly shows that the company’s decision to distribute spices burdened the investors with a hard choice. The directors of the first hour were all experienced spice traders themselves (they were the pioneers of the East India trade for a reason) and there were quite a few investors who were keen on receiving the dividend, but traders with little or no experience as commodity merchants – there were quite a few of them amongst the shareholders – must probably have had no idea what to do with the spices. Even those who had an interest in

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34 See footnote 39 on page 28.
35 De Velaer to l’Empereur, 19 March 1610, BT, inv. nr. 215, nr. B1/5. The prices of 11 and 9 stuivers equaled the prices at which the company had recently sold mace on the market.
37 De Velaer to l’Empereur, 30 September 1610, BT, inv. nr. 215, nr. B1/11.
38 There were even people who bought shares after the dividend announcement in order to be able to receive the mace: De Velaer to l’Empereur, 24 March 1610, BT, inv. nr. 215, nr. B1/6.
39 De Velaer wrote to his uncle that many shareholders were hesitant about what to do with the mace: De Velaer to l’Empereur, 24 March 1610, BT, inv. nr. 215, nr. B1/6.
East-Indian wares did not know what to do with spices, as the example of l’Empereur, a silk trader, shows.

The market nevertheless reacted positively to the earliest dividend announcements. The *cum*-dividend price – the price paid for shares that were entitled to receiving the dividend distribution – increased from around 130% in October 1608 to 156.8% right after the announcement. The *cum*-dividend price rose further to 170% after the second dividend. The dividends were of course not isolated events, so these increases in the share price cannot be solely attributed to the announcements, but the market undoubtedly reacted positively to the dividend distributions. Shareholders probably regarded them as official confirmations of the news shareholders had already received via information channels external to the company: business was going well in the East Indies.

From 1623 onwards, the VOC started distributing dividends on a regular basis. It is not surprising that the company changed its policy in 1623; this was the principal reaction to activist shareholders’ requests for financial reports. The shareholders did not get permission to inspect the company’s financial records, but from this moment on the dividend distributions functioned as reports on the financial situation of the VOC. The information concealed in the dividends was of course inadequate to assess, for example, the value of the company’s assets and liabilities, but it did give the shareholders an impression of the performance of the company. A dividend increase could very well be a sign that the company’s financial situation had improved. A decrease, on the other hand, meant bad news. A conversion from dividends in cash to either kind or obligations would also be negatively interpreted. In sum, the absolute value of the dividend was of no particular importance to the shareholders; what really interested them was the size of the dividend compared to earlier years and hence the informational value of the dividend.

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40 l’Empereur regularly asked De Velaer if the VOC return cargo contained silk and he had a special interest in the silk price on the Amsterdam market.
41 This price quote, 9 April 1610: SAA, Notaries, inv. nr. 120, fo. 2. See chapter 2, section Share price and dividends on page 65 ff. for a discussion on *cum* and *ex*-dividend prices in the period before 1618.
42 This price quote, 30 October 1610: SAA, Notaries, inv. nr. 196, fo. 597v-598r.
43 Two-yearly dividends in the 1620s and first half of the 1630s; from 1635 onwards every year. In the remainder of the century, only the wars with England and France made the company deviate temporarily from the distribution pattern. See also chapter 2, section Share price and dividends on page 65 ff. and Appendix B – Dividend distributions VOC, 1602-1700.
44 In corporate finance models, which assume the existence of perfect capital markets, a firm’s value is unaffected by its dividend policy. See e.g. the famous article by Modigliani and Miller: Merton H. Miller and Franco Modigliani, ‘Dividend policy, growth, and the valuation of shares’, *The Journal of Business* 34 (1961) 411-33. In these models, a share’s value equals the present value of all future divi-
In the first half of the seventeenth century, the company directors determined the size of the dividend soon after the arrival of the return fleet, generally in autumn. The management thus really let the owners of the company have a share in the success of the trade. This policy changed in the second half of the century. From now on, the dividends were announced at the end of the yearly meeting of the Heeren XVII in spring. At this meeting the directors also drafted the annual report, allowing them to adjust the size of the dividend to the performance of the company as a whole.45 Clearly, the outcome of this meeting was very important for the shareholders. The transaction data from the VOC capital books show a heightened level of activity in the share trade around the spring meetings in March (see Figure 2.1 on page 78 and Figure 2.5 on page 80) and a letter of share trader Rodrigo Dias Henriques confirms this. He wrote that as soon as the first rumors about the dividend went round on the exchange, a great game for liefhebbers (those who loved the trade) started.46 In other words, the traders immediately started speculating on the correctness of the rumors and the impact the dividend would have on the share price.

The tension amongst the share traders on the night of the dividend meeting of the directors becomes clear from a letter of Jeronimus Velters, dated 13 March 1688. The meeting was closed and the outcome confidential, so shareholders had to rely on rumors until the directors made an official announcement – some weeks after the meeting. Already months before the meeting, however, traders started assessing the size of the upcoming distribution. In 1688, many traders had expected the dividend to be 25% in cash.47 But then Velters heard a rumor, which he held to be correct, that the distribution would amount to only 22.5% of the nominal value of the company stock. He instantly liquidated his position and sold two forward contracts (nominal values: f6,000 and f30,000 at 557.75 and 559% – please note that these were short sales) with a settlement date of 1 May. Not everybody believed the rumor, though, so the price increased a bit in the next few days.

dends – which instantly explains why the share price decreases by the value of the dividend just distributed. However, this does not hold in a world with capital markets that are imperfect, due to e.g. asymmetric information, where dividends also have information content. See e.g. Merton H. Miller and Kevin Rock, ‘Dividend policy under asymmetric information’, Journal of finance 40 (1985) 1031-51.

45 J.P. de Korte, De jaarlijkse financiële verantwoording in de VOC, Verenigde Oostindische Compagnie (Leyden 1984) 65, 68.
46 Dias Henriques to Levy Duarte, 17 February 1698, SAA, PIG, inv. nr. 681b, p. 109.
47 Ibidem. In previous years, the VOC had distributed 20% in cash (15 April 1687) and 12.5% in cash (1 May 1686): Van Dam, Beschryvinge 1A, 433-436.
On the night of the meeting, broker Gerrit Loot offered many shares for sale; there were rumors amongst the traders who were present on Dam Square that these shares belonged to Adolf Visscher, others said Jacob Quina, Isaac les Paul, Gerard Putmans, Cornelis de Groot or Velters himself – these were prominent share traders and they were generally considered to be well-informed. Consequently, nobody dared to buy the shares; the price sunk 2%, but Loot refused to sell for less.\textsuperscript{48} This situation lasted until 8.30 p.m. and then reversed: the price rose to 566% and there were suddenly only buyers on the market. Minutes earlier, the meeting of the \textit{Heeren XVII}, which took place in the East India house, less than 500 meters from Dam Square, had ended. The company directors did not want to release any information about the size of the dividend, but after having talked to some of the directors, the shareholders got the feeling that they had had a pleasant meeting. Hence they concluded that the dividend would be higher than expected. The next day, many shareholders held the opinion that the company would distribute 22.5% in cash and another 15% if the return fleet arrived safely. Velters had tackled all his contacts about extra information and he was pretty sure that the dividend would be 33 1/3% in cash, to be distributed on 1 May.\textsuperscript{49} His information proved correct. Apparently Velters had personal access to (one of) the company directors, chief participants or their close relatives – not surprising, for Velters himself belonged to the regent clique.

This example clearly shows how important the outcome of the meeting was for the shareholders: a large number of them were present on Dam Square during the meeting to be able to instantly react to any rumors regarding the dividend. Share-price movements around the yearly meeting are thus particularly telling about how the shareholders interpreted the signal that was concealed in the proposed dividend distribution. Unfortunately, my dataset does not allow for a more thorough analysis of these (probably) volatile periods; I have too few price observations for the periods around the dividend announcement dates.\textsuperscript{50}

Naturally, the market not only reacted to company-specific information. On the contrary, political and military events were of major influence to the share price. The share price movements of 1672 and 1688 give insight into the kinds of informa-

\textsuperscript{48} Velters to Holla, 14 March 1688, SAA, Velters, inv. nr. 4, fo. 78.
\textsuperscript{49} Idem.
\textsuperscript{50} Nor do I know when exactly during the meetings, which took several days, the subject of the next dividend distribution came up. The official dividend announcement dates are known, but as the Velters-Holla correspondence shows, the information concealed in the announcement already filtered through long before the official announcement.
tion the market reacted to and how it reacted. Both years witnessed large price falls, which led to a high number of insinuaties – share traders wanted to make sure that their counterparties would not walk away from their losses. Hence there is a relatively high number of price observations available for these years (55 and 35 for 1672 and 1688, respectively).

Figure 5.1 shows the price of Amsterdam chamber VOC shares for the period 7 July 1671 – 28 December 1672. The 7 July 1671 (566%) observation is the highest price I have found for the entire seventeenth century – accidentally, the share price reached the exact same level on 13 March 1688. The shareholders received several indications that things were going very well with the company: in May 1671, the VOC announced a record-high dividend (60% of the nominal value of the company’s stock in cash; 45% was distributed on June 1, the remaining 15% on July 20)\(^{51}\) and also in this year, a total of 22 ships arrived from the East Indies.\(^{52}\) But the bullish atmosphere made way for fear that war would break out.\(^{53}\) On 30 October, Jeronimus Velters wrote that the share traders’ fear of war had brought the share price down to 480%.\(^ {54}\) Over the next months, it became clear that war would be unavoidable and the share price decreased steadily to 406-13% in late February.\(^{55}\) The price remained stable – it even rose slightly – until the day England declared war on the Netherlands (March 12). It then tumbled to around 370% in late March and fell even further when France followed England and also declared war on April 8th. The share price decreased by more than 100 percentage points in a single month and stood at 311% in early April.\(^ {56}\) The lowest point was reached only in July (290% on July 20)\(^{57}\), however, after the enemy forces had occupied much of the east and north of the Dutch Republic. A month earlier, on 13 and 16 June, the French armies had even taken the towns Utrecht and Naarden – both very close to Amsterdam.

The share price again started an upward trend in early August, after a convoy of fourteen VOC ships had managed to sail around the English navy and the momen-

\(^ {51}\) Van Dam, Beschrijvinge 1A, 435.
\(^ {52}\) Eleven ships arrived in mid-June, another nine ships in mid-July, and the remaining two arrived on August 24th and September 2nd: DAS.
\(^ {54}\) Velters to Fletcher, 30 October 1671, SAA, Velters, inv. nr. 1, fo. 237.
\(^ {55}\) Velters to Fletcher, 26 February 1672, SAA, Velters, inv. nr. 1, fo. 252.
\(^ {56}\) Velters to Fletcher, 29 March and 5 April 1672, SAA, Velters, inv. nr. 1, fo. 258-9.
\(^ {57}\) SAA, Deutz, inv. nr. 293, fo. 86. Please note that this is an ex-dividend price; the VOC distributed 15% of the nominal value of the company’s stock on June 2.
tum of the war in the east and the north changed. The fact that the murder of the De Witt brothers is not visible in the share price indicates that the share traders were either not surprised by the political upheaval, or that domestic politics were deemed of lesser importance for the profitability of the VOC than foreign relations. The upward trend stalled in May 1673, when the share price fell back to 314%. This price, however, incorporates the dividend distribution of 33 1/3% of the nominal value of the company’s stock in obligations of the States of Holland and Zeeland (June 1), which had been announced on May 16. Interestingly, the share price fell by about the size of the dividend distribution. This indicates that the shareholders did not react strongly on the signal that the company was unable to distribute cash to its shareholders. Put another way, they did not update their beliefs on the state of the company after this dividend announcement. In the following years, the share price started to rise quickly. The war with England had come to an end and the Dutch Republic had found several allies in its war with France. The dip in 1678 (see Figure 2.6) must probably be attributed to the disappointing outcome of the Peace of Nijmegen. The share price movements of 1672 and the years thereafter thus show that the share price reacted particularly strongly to events in the international political and military situation. Hence shareholders would have derived benefit from an international information network.

Figure 5.2 shows the share price for 1688. A 33 1/3% dividend distribution caused the price decrease that is visible in April, but the large price fall in late August and the smaller one in October of course deserve all the attention. Israel has dealt with this episode extensively in his article ‘Jews and the stock exchange: the Amsterdam financial crash of 1688’. Using mainly the reports to London of Daniel Petit, English consul at Amsterdam, Israel has shown that until the end of August only a very small number of people knew about Stadholder William III’s plans for an invasion of England, even though William had started preparations for the invasion already in May. In early August, some marine preparations were underway, but on such a small scale that people believed that they were aimed at Algerian corsairs. Around this time, moreover, share traders were mainly concerned with the news about the return fleet.

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58 Israel has noticed the same: Israel, *Dutch primacy*, 86.
59 This is thus not a structural price change, but merely the difference between the *cum-* and *ex*-dividend price.
According to Israel, the first rumors about the invasion reached the stock exchange on August 24, on which day foreign diplomats at The Hague also mentioned the possibility of war with England for the first time.\(^60\) Israel got his information on this episode from De la Vega’s *Confusión de confusiones*, who wrote that the news reached the share market via Jewish trading clubs. Hence, Israel argues that the Sephardic community, and in particular a number of influential Jews who stood in close contact with William III\(^61\) and who may therefore have had private information about the invasion, played a very important part in this stock market crash. They probably deliberately manipulated the news in order to bring the share price down.\(^62\)

Surprisingly, Jeronimus Velters gave a different explanation for the price fall of late August 1688. On August 24, he wrote to Jacob Boreel that the first price decrease had occurred in the afternoon of Saturday, August 22. The night before, the Amsterdam delegates to the States of Holland had returned to the city. On Saturday, Jacob ten Grotenhuijs, one of the delegates, ordered several brokers to sell shares at any price. This instantly brought the price down to 480%. Velters named four reasons for the setback of the price: the naval preparations that were underway, the recruitment of 18,000 soldiers, the decree to levy a tax on French produce and lastly, and according to Velters most importantly, a plan of the provincial authorities to curb the share trade. Velters took this point very seriously, because the Grand Pensionary, the highest official in the Dutch Republic, had started the discussion on this topic.

Velters further wrote that in the following days, the price fluctuated. It even temporarily climbed back to 505% on August 24, the day on which, according to Israel, the price started to collapse, but later that afternoon news about French troops advancing to Liège brought the price down to 488%.\(^63\) Velters had been to the exchange that day, but had not linked the naval preparations to an invasion of England. He sent Boreel an update of the share price (491%) on August 27, without specifying

\(^{60}\) Israel, ‘The Amsterdam financial crash of 1688’, 472-4.

\(^{61}\) Israel names the following members of the Sephardic community: Jacob Pereira, Antonio (Moseh) Alvares Machado, Jeronimo Nunes da Costa and Francisco Lopes Suasso: Israel, ‘The Amsterdam financial crash of 1688’, 482-3.

\(^{62}\) Israel quotes the pamphlet *Relaes en contradictie* to prove this claim: Israel, ‘The Amsterdam financial crash of 1688’, 484. However, the anonymous author of *Relaes en contradictie* only stated in general that it had occurred that people deliberately tried to bring the share price down. He did not specifically mention the Jews or the price crash of 1688, which, incidentally, would not even have been possible, for the pamphlet was published in 1687. *Relaes en contradictie op de motiven, om het koopen en verkoopen van Oost- en West-Indische actien, die niet getransporteerd werden, ende ophie partijen te beswaren met een Impost by de Heer Nicolaes Mays van Holy, Advocaet tot Amsterdam, ontwetende voogestelt, en daer en boven getoont weare in waerlyk Hollants intrest en welvaeren bestaende* is (s.l. 1687) 1. See also: Smith, *Tijd-affaires*, 76.

\(^{63}\) Velters to Boreel, 24 August 1688, SAA, Velters, inv. nr. 4, fo. 87.
On August 31, he reported that VOC shares now sold for 463%. The share traders feared that the authorities would decide to levy a tax on every share transaction – following the proposal of Nicolaas Muys van Holy. Three days later, the share price had recovered to 474%. The most plausible explanation for Velters not mentioning the fear that war would break out is that he tried to link what he saw happening on the stock exchange with the information he was sure to be correct. Velters, himself city secretary of Amsterdam, had good connections with the authorities, so he knew what was going on within the governmental bodies of the Dutch Republic. And indeed, the States of Holland had held deliberations about a renewal of the ban on short-selling on August 21. He probably also heard rumors about the invasion, but deemed these to be premature and decided not to write about them.

But Israel’s account, heavily influenced by De la Vega’s dramatized account of this episode, is not fully correct either. The Jewish traders were not solely responsible for the price fall and, more importantly, the crash was not as large as Israel’s sources suggest. Velters may not have reported all the causes for the price fall to Boreel, but his price observations were no doubt correct – he had been among the share traders in the days of the crash and he had even traded shares himself. The share price did not tumble from 580 to 370% between August 24 and 28 and even to 366% in early September, as De la Vega and Israel write, but from 563% in March to 463% on August 31. The strong ‘patriotic’ rally, that should have followed in the first half of September, where the share traders suddenly endorsed William’s plans, never occurred; the share price rather continued falling until it reached its lowest point on September 14 (414%); the day on which the Amsterdam city council made inquiries about the purpose of the naval preparations. It then climbed up again to 433% on September 16, and fell back for the last time to 416% on October 17, just after the

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64 Velters to Boreel, 27 August 1688, SAA, Velters, inv. nr. 4, fo. 88.
65 Velters to Boreel, 31 August 1688, SAA, Velters, inv. nr. 4, fo. 89. For the Muys van Holy proposal, see p. 72.
66 Velters to Boreel, 3 September 1688, SAA, Velters, inv. nr. 4, fo. 91.
67 Resolutions States of Holland, 21 August 1688, NA, States of Holland, inv. nr. 121, fo. 491.
68 Israel’s price observations can be found in the appendix to his article: Israel, ‘The Amsterdam financial crash of 1688’, 487.
71 Dreiskämper, Aan de vooravond, 61.
73 Velters to Holla, 17 October 1688, SAA, Velters, inv. nr. 4, fo. 92.
authorities in the Dutch Republic had decided on economic sanctions against France.\footnote{Dreiskämper, Aan de vooravond, 62.} Hence, by the time William III’s invasion actually took place (the first attempt to sail away on October 30 failed, the second attempt on November 12 was successful\footnote{J.R. Bruijn, Varend verleden. De Nederlandse oorlogsvloot in de zeventiende en achttiende eeuw (Amsterdam 1998) 122.}), the share price had already started an upward trend. In the following decade, it fluctuated between 485 and 517\%.

So far, this chapter has discussed the factors that influenced the share price. Share traders were interested in news about the state of affairs in the East Indies, about the return cargo that was underway, about the size of dividend distributions and the political and military situation in Europe. The trading behavior of other share traders of course also influenced the price, so it was also profitable to have some knowledge of the investment sentiment of other traders. Speculators needed constant updates on all these different categories of information. Furthermore, for their trades to be profitable, they needed to be the first to get news that could influence the share price. The next section will explore how share traders managed these information needs.

The information networks of Christian and Jewish share traders

De la Vega already noticed that speculators needed to have private correspondents in the Indies, who could send them the latest news via the overland route or on an English ship, thus trying to get information on return cargoes and the overseas branches of the company quicker to the Dutch Republic than on the VOC return fleet. He also wrote that it was vital for a share trader to keep abreast of news about the political situation in Europe.\footnote{De la Vega, Confusión de confusiones, 92.} It is doubtful whether all share traders had private correspondents, but the correspondence of two active share traders, Jeronimus Velters and Manuel Levy Duarte\footnote{The Levy Duarte correspondence is kept in the archive of Amsterdam’s Portuguese-Jewish synagogue: SAA, PIG, inv. nrs. 675-91. The Velters papers can be found in the Velters family archive, which, incidentally, contains the correspondence of only Jeronimus Velters: SAA, 2.}, shows that these investors were constantly trying to get information concerning the East India trade. Their correspondence reveals how early modern share traders managed their information needs.

Comparing the correspondence of the two traders is interesting for yet another reason: these traders belonged to two distinct groups of share traders – Christians and
Portuguese Jews. Their letters therefore give insight into the information networks of both communities. Velters was a very wealthy Christian merchant: his estate was valued at £107,760 at his death in 1707. He (and his family) had gained this wealth in commodity trade with France and Spain. But Jeronimus shifted the focus from international trade to civil administration. He became city secretary of Amsterdam in 1673, accepted other administrative duties in regions around the city and became a VOC director for the Amsterdam chamber in 1693.78 Levy Duarte, on the other hand, was a Portuguese-Jewish merchant jeweler, who formed part of an international network of merchant jewelers.79 Moreover, as a member of the Portuguese-Jewish community, he could probably benefit from the information network of the Diaspora. The Sephardic Jews had business and family connections in the Iberian Peninsula, the Caribbean, France, Italy, India, North Africa and London.

Israel has pointed out that the cohesion of the Diaspora’s information network was unsurpassed and this seems to have also held true for the Portuguese Jews who traded shares.80 When, for example, Rodrigo Dias Henriques, the exchange agent of Manuel Levy Duarte who was also in charge of gathering information for his master,81 met some other Portuguese Jews during the Sabbath in the first week of October 1693, they sat together and shared their news about the VOC.82 Dias Henriques had the advantage, moreover, that he was the exchange agent of several Portuguese Jews, including, from 1697 onwards, Francisco Lopes Suasso and Abraham del Sotto.83 These cousins were prominent members of the Sephardic community of Amsterdam. Lopes Suasso was the political and financial agent of the King of Spain in the Dutch Republic and he was also one of the Jews who had access to the court of William III, stadholder of the Netherlands and king of England.84 He had thus a very good network in several parts of Europe.

78 Elias, Vroedschap II, 669.
81 Levy Duarte sometimes gave Dias Henriques specific buying or selling orders: e.g. Levy Duarte (from Antwerp) to Dias Henriques, 9 October 1692, SAA, PIG, inv. nr. 683, p. 20. But in August 1692, Dias Henriques received £15,000 to trade as he thought proper: Levy Duarte to Dias Henriques, 25 August 1692, SAA, PIG, inv. nr. 683, p. 18.
82 Dias Henriques to Levy Duarte, 8 October 1693, SAA, PIG, inv. nr. 677, pp. 887-9.
83 Dias Henriques to Levy Duarte, 16 January 1697, SAA, PIG, inv. nr. 681a, pp. 534-5 and 11 February 1698, SAA, PIG, inv. nr. 681b, pp. 125-6.
The traders on the Amsterdam market were well aware that different groups could dispose of different information sources; they watched each other closely. Dias Henriques noticed in September 1697 that the Dutch traders sold large amounts of shares. This led him to question the correctness of his own information, but in the end he trusted his personal information and decided to hold on to his shares. On 3 September 1688, Velters stepped up to Alvares, the only big share trader who gave selling orders after the large price fall of August 1688, to ask him for his motivation, but he did not get an answer. This shows that the information of the Portuguese Jews was unattainable for someone like Velters.

It was not only the Sephardic community, however, that frequently possessed valuable information. Velters also observed the English traders on the exchange, who obviously had reliable information from England. As shown in the previous section, the English news was very important, for threats of naval war had large impact on the profitability of the VOC and thus on the share trade. During the Anglo-Dutch naval wars, the English tried to hijack all Dutch ships, including those belonging to VOC return fleets. The Dutch let navy ships escort the trading vessels to reduce the risk of hijacking, but they could not take it away entirely. Moreover, since Dutch politics could influence the share price, share traders also closely watched the trading behavior of members of the various governmental bodies. Velters thus instantly grew suspicious when he observed in late November 1687 that a number of these men sold their shares. He had heard three different rumors, but wanted to get confirmation before he took action. He therefore turned to Theodore Holla, one of his correspondents.

tuguese Jews of Amsterdam were famous for their information network. The example of Sir Salomon de Medina is telling of the way Portuguese Jews organized the supply of information. De Medina, a famous supplier to the English troops, stood at the rear of the army during military campaigns in the War of the Spanish Succession (1701-14). He sent his information through special couriers to his agent on the exchange. His agent was the first to receive the news from the war and could thus perform very profitable transactions: Oskar K. Rabinowicz, *Sir Solomon de Medina* (London 1974) 35.

85 Dias Henriques to Levy Duarte, 22 September 1697, SAA, PIG, inv. nr. 681a, pp. 440-1.
86 Velters did not mention Alvares’ first name. He might have been Rodrigo Alvares Pinto or Isaac Alvares.
87 Velters to Boreel, 3 September 1688, SAA, Velters, inv. nr. 4, fo. 108.
88 Velters to Holla, 25 July 1687, SAA, Velters, inv. nr. 4, fo. 59.
89 The East India return fleet also took a different route in times of war; they went round the British Isles and sailed as close as possible to the Norwegian coast.
90 He wrote to Theodore Holla that he had heard that there was something concerning the relation with the County of Bentheim, close to the eastern border of the United Provinces; others said that the authorities were recruiting 9,000 navy men and he had also overheard that certain members of the ruling elite were susceptible to a proposal ‘by a certain Muys van Oli’ to reform the regulations of the share trade. Velters to Holla, 28 November 1687, SAA, Velters, inv. nr. 4, fo. 66. For the Muys van Holy proposal, see p. 72.
who was a delegate to the States of Holland in The Hague, to find out what was going on.\textsuperscript{91}

Velters used his The Hague correspondent to get any political news that could have an effect on the share price as quickly as possible. This information was vital for his investment decisions, but Holla was not as reliable a correspondent as Velters had hoped for.\textsuperscript{92} On 24 February 1688, for example, Velters noticed on the exchange that Isaac Abenacar was selling shares. Velters himself held the opinion that the share price was about to increase, but he now sensed that something was up, because Abenacar was the broker of Adolf Visscher, an active and very wealthy share trader who was generally thought to dispose of high-quality information.\textsuperscript{93} But Velters had heard no news or rumors that he could link to Visscher’s willingness to sell. He returned home and shortly afterwards came upon the postman who held an express delivery from Holla. The postman was agitated that the letter carried the wrong address: Holla had mistakenly written Herengracht instead of Keizersgracht. Velters tore the letter open and learned immediately why Visscher expected a drop in the share price. He hurried back to the exchange and still managed to sell shares for a total nominal value of £18,000 at 558 and 558.5%. This was a significantly lower price than the price for which Visscher had managed to sell (565%); Visscher had reaped all the profits.\textsuperscript{94}

Clearly, chances of quick profits went by in a matter of an hour, so reliable private information channels were indispensable for traders whose aim it was to make profits by quickly buying and selling shares. Holla’s inaccuracy had thus taken away a chance for a good profit and Velters became angry with him. Velters’ temper got worse when it turned out that Visscher had also obtained his information from Holla. Velters could not tolerate such a situation and demanded that Holla immediately discontinue his correspondence with Visscher.\textsuperscript{95} When Holla did not react to Velters’ request right away, Velters terminated their correspondence.\textsuperscript{96}

\textsuperscript{91} Holla was a former burgomaster of the city of Schoonhoven. Velters to Holla, 12 September 1687, SAA, Velters, inv. nr. 4, fo. 63.
\textsuperscript{92} This frequently led to quarrelling: e.g. Velters to Holla, 19 August 1686, SAA, Velters, inv. nr. 4, fo. 32. Velters to Holla, August 1687 (no exact date), SAA, Velters, inv. nr. 4, fo. 61. Velters to Holla, 12 September 1687, SAA, Velters, inv. nr. 4, fo. 63. Velters to Holla, 24 July 1690, SAA, Velters, inv. nr. 4, fo. 138.
\textsuperscript{93} Adolf Visscher, who lived right by the exchange building, was an insurer and merchant, who traded with the West Indies, the Baltic region and the Mediterranean. He was assessed for a capital of £140,000 in 1674: Elias, Vroedschap I, 473.
\textsuperscript{94} Velters to Holla, 24 February 1688, SAA, Velters, inv. nr. 4, fo. 74.
\textsuperscript{95} Velters to Holla, 29 February and 14 March 1688, SAA, Velters, inv. nr. 4, fo. 76, 78.
\textsuperscript{96} Velters to Holla, 18 March 1688, SAA, Velters, inv. nr. 4, fo. 79.
find a replacement informant, however, and resumed corresponding with Holla during the 1688 crash when fresh political news was very valuable. But only a few months later, Holla violated Velters’ confidence again. Velters suspected Holla of having passed on his investment sentiment (which he shared with Holla: he regularly gave Holla investment advice) to the leading share traders Visscher and Les Paul. Velters again became angry with Holla.97 And no wonder, for if this was true, Velters’ chances of getting high returns on his trades would diminish noticeably. Visscher and Les Paul were among Velters’ main competitors; Velters definitely did not want them to be informed about his investment sentiment.98

Velters was lucky to be not fully dependent on Holla’s information. He also ensured that he had always access to the information available on the Middelburg exchange. What he tried to do with this information was quite sophisticated. The shares traded on the Amsterdam and Middelburg exchanges were technically identical and although they did not trade at the same price the price pattern was similar: the prices in both cities incorporated the same information and expectations about the profitability of the company.99 So, Velters constantly tried to assess whether VOC shares were relatively cheaper in one of the two cities – he performed a form of arbitrage. On 26 July 1675, for example, he wrote to Mark Fletcher – his first Middelburg correspondent of whom very little is known, except that he went bankrupt in 1709100 – that the Amsterdam and Middelburg share prices diverged widely: they could make a profit out of this!101

The strategy of Velters and his Middelburg trading partners was fairly simple: they exchanged information to try to get an information advantage in either of the two trading cities. So, when Velters received, for instance, detailed information about the return fleet cargo and the diplomatic relations with China and Japan in Septem-

97 Velters to Holla, 11 August 1689, SAA, Velters, inv. nr. 4, fo. 120.
98 To reduce the impact of their trades, prominent share traders tried to hide their trading sentiment from the market. In November 1692, for example, Velters ordered broker Henry Momber to perform a transaction without mentioning his name. He asked him if he could use his own name or perhaps – with his consent – his father-in-law’s: Velters to Henry Momber, 6 June 1692, SAA, Velters, inv. nr. 4, fo. 197.
99 See, for an analysis of the price differences between the various VOC chambers, chapter 2 section Divergent developments: Amsterdam and peripheral markets on page 68 ff. and, particularly, Figure 2.12 on page 87.
100 Announcement of the Middelburg chamber of insolvent estates, Amsterdamse donderdaegse courant, nr. 1709-128, SAA, PIG, inv. nr. 685a. Fletcher’s name obviously suggests that he came originally from England.
101 Velters to Fletcher, 26 July 1675, SAA, Velters, inv. nr. 2, fo. 57. See also Velters to Fletcher, 25 August 1671, SAA, Velters, inv. nr. 1, fo. 220.
ber 1676, he instantly shared it with Pierre Macaré, the second merchant in Middelburg with whom he frequently corresponded, hoping that this information would not yet have become publicly available there, allowing Macaré to make a profit. Naturally, the two merchants always informed the other about the share price in their city of origin.

This strategy could work, but involved high risks. The Amsterdam and Middelburg shares were not exchangeable, so they had to guess whether the share prices diverged or whether they were actually equal. The tensions this provoked were palpable in the correspondence, all the more so since Velters and his Middelburg correspondents really traded on each other’s accounts. They gave each other limit orders, e.g. ‘try to sell a f3,000 for at least 450%’, but also occasionally carte blanche. Velters had replaced Fletcher with the seemingly more reputable merchant Macaré in September 1675, but the high risks (and at times possibly also major losses) involved in their trading relationship soon led to insurmountable frictions: Velters accused Macaré of making bad transactions and providing poor quality information.

Velters was definitely not the only share trader who pursued this strategy of performing trades on more than one market. The sources show that Isaac Semach Ferro performed the Middelburg transactions for a large number of (very prominent)
Portuguese Jews from Amsterdam, who apparently all traded on the Middelburg exchange – possibly also to profit from information lags. 107 Semach Ferro, who became the Spanish consul in the same city in the 1690s, was obviously the main Middelburg contact for the Portuguese Jewish community, but he did not restrict his services to his co-religionists; when Velters needed a new authorized agent in Middelburg, after he had lost his confidence in his share-trading partners there, he sought the advice of Samuel Gomes Cotinho and was referred to Semach Ferro. 108 Velters and Semach Ferro did not belong to the same religious community; they did not even know each other before Velters gave him power of attorney. Semach Ferro thus provided professional services for anyone who wanted to perform share transactions in Middelburg.

Clearly, the provision of information was vital for the active share traders. Velters, for example, organized his day around the postal services: he did not go to the exchange until the post had been delivered and quickly finished his letters when he knew that the post chaise was about to leave. 109 Moreover, he made sure – just as De la Vega advised his readers – that his information network spanned the globe: Velters asked his relative Balthasar Cosett, who went to the East Indies as supercargo in 1687, to send him information on a very regular basis. Velters told him that reliable information was of the utmost importance to him and requested him to describe the state of the company’s trade in great detail, because he had considerable personal interest in it. He emphasized that there were no excuses for big intervals between two letters: there were plenty of ships destined for the United Provinces and Cosett could also send his letters via England. It is unclear whether Velters profited from this private information channel – the letters he received have not survived – but Cosett probably did his best to satisfy Velters, for he was indebted to him (he had borrowed f4,800 before he left). 110

107 In the 1688 protocol of Amsterdam notary Dirk van der Groe alone, he received power of attorney from David de Pinto, Jacob Nunes Henriques, Moses Nunes Henriques, Manuel de Belmonte, David Gabaij Henriques, Jacob Gabaij Henriques, Abraham Penso, Moses Henriques, Manuel Mendes Flores and Salomon Aberbanel Sousa: SAA, Notaries, inv. nrs. 4131-5.
109 Velters to Semach Ferro, 14 December 1691, SAA, Velters, inv. nr. 4, fo. 155.
110 Velters to Balthasar Cosett, 20 December 1687, SAA, Velters, inv. nr. 4, fo. 69; 30 December 1687, SAA, Velters, inv. nr. 4, fo. 70. Interestingly, their correspondence was not cut short instantly once Vel-
Velters did not have a private informant in England, which placed him at a disadvantage to other traders. He did receive the English news, but not at first-hand; he heard it on the exchange.\textsuperscript{111} Hence he received it too late to realize a profit with it on the exchange. Velters knew this all too well; on 28 August 1688, in the midst of the 1688 crash, he wrote to Holla that all traders on the exchange had the exact same information as he had, so he could not make profitable transactions.\textsuperscript{112}

Dias Henriques, on the contrary, received the main part of his information from Sephardic correspondents in various European countries. In July 1697, for example, he reported in a single letter about news he had received from correspondents in Paris, Porto and London. His London informants had spoken to Dutch seamen in Bristol and London who had just arrived from Asia. Dias Henriques had also received information from a man who had sailed as a passenger on a Portuguese ship. He had reported that French and English ships had attacked several Dutch ships in the Bay of Bengal, but the ships were undamaged. Dias Henriques immediately decided to buy shares on the basis of this information.\textsuperscript{113} Levy Duarte’s information network was not confined to places with large Sephardic communities, however. He also had a private informant in the East Indies.\textsuperscript{114}

Which information network was better? A comparison of the returns realized by Velters and Dias Henriques would be the best way to find out, but my data on their transactions are very incomplete. Velters’ information exchange with Middelburg and the arbitrage possibilities ensuing from it look sophisticated, but his ongoing quarrels with Fletcher and Macaré suggest that it did not yield the returns he had hoped for. His access to governmental bodies, on the other hand, must have given him private information that he could use on the exchange. Velters certainly had an information advantage on days when he had private information and when there was no English news. Dias Henriques, on the other hand, could probably have made quick profits on days when he received news from his informants in England and other parts

\textsuperscript{111} Velters to Holla, 25 July 1687, SAA, Velters, inv. nr. 4, fo. 59.
\textsuperscript{112} E.g. Velters to Holla, 28 August 1688, SAA, Velters, inv. nr. 4, fo. 89.
\textsuperscript{113} Dias Henriques to Levy Duarte, 31 July 1697, SAA, PIG, inv. nr. 681a, pp. 643-5. Another example of first-hand information from Portugal about the cargo of the VOC return fleet: Dias Henriques to Levy Duarte, 22 November 1691, SAA, PIG, inv. nr. 677, pp. 883-5. More news from England regarding the Dutch return fleet: Dias Henriques to Levy Duarte, 31 October 1697, SAA, PIG, inv. nr. 681, pp. 405-7 and 12 February 1698, SAA, PIG, inv. nr. 681b, p. 121.
\textsuperscript{114} Levy Duarte to unknown, shortly after 11 May 1683, SAA, PIG, inv. nr. 679, pp. 489-90.
of Europe. He moreover benefited from news shared by his co-religionists. So, in the end, the better information network was the network that provided information with the largest impact on the share price.

It is undoubtedly true, however, that the information networks of Velters and Levy Duarte put them in an advantageous position over counterparts without access to similar networks. The latter traders had to make do with the information that was publicly available on the exchange or in newspapers. This would have been insufficient for active speculators – even though Amsterdam had developed into the newspaper centre of Europe during the seventeenth century, with several titles regularly giving information about arrivals and departures of ships, sometimes also stating details about their cargo.\textsuperscript{115} But for speculators, the newspaper content had negligible informational value; the news had become outdated before it reached them.

An example from the \textit{Ordinaris Dingsdaeghsche Courant}, an Amsterdam-based newspaper published by Johannes van Ravesteyn, illustrates my point. The 27 September 1667 issue contained news from The Hague, dated 25 September. It stated that a number of sailors, who had arrived in the Maas estuary shortly before, had come into town on the 24\textsuperscript{th}, bringing the news that they had parted from nine VOC ships off the English coast on September 9. They reported that the return fleet was in good condition, but it had originally consisted of twelve ships; three of them had strayed off in dense fog somewhere east of the Cape.\textsuperscript{116} This was irrefutably interesting information for the share traders, but they did not need a newspaper to obtain it; they could have obtained it earlier. Private letters travelled from The Hague to Amsterdam in a day’s time. Hence, this news had probably reached the market already by the 25\textsuperscript{th} or the 26\textsuperscript{th} at the latest – at least a day before the newspaper came out. It did not take long for news to become public once it had reached the Exchange; an Exchange employee wrote the news of general interest on a slate\textsuperscript{117} and the merchants of course talked to each other about it.

The Amsterdam-based publishers seem to have been aware that share traders did not use their newspapers to obtain information regarding the share trade: they hardly ever mentioned share price data. The only newspapers that occasionally quoted the most recent share price came from The Hague – newspapers with a read-

\textsuperscript{115} Dahl, ‘Amsterdam: earliest newspaper centre of Western Europe’, 163.
\textsuperscript{116} \textit{Ordinaris Dingsdaeghsche Courant}, 27 September 1667 (nr. 39), PA, microfilm SP119/86.
\textsuperscript{117} Velters to Holla, 25 March 1689, SAA, Velters, inv. nr. 4, fo. 110.
ership that did not frequent the exchange in Amsterdam. But they did so at irregular intervals; apparently not aiming to provide financial information, but rather to contextualize for example the news about the Second Anglo-Dutch War by showing its effects on the share trade.118

Share traders had to respond quickly to news that could influence the share price. The examples from the Velters correspondence have shown that it was only a matter of hours before new information got incorporated into the share price. Active share traders therefore had to build an information network that would occasionally give them an informational advantage over other share traders. As a result, newspapers frequently received their news from merchants, rather than the other way around.119

What is more, the pace at which the share price moved provides an explanation for the fact that share prices were not included in Amsterdam’s commercial and financial newspapers until the mid-eighteenth century.120 The foremost price current, *Cours der Koopmanschappen tot Amsterdam* appeared only on a weekly basis in the period 1585-1775.121 This price current thus always published outdated price data. The prices of the commodities listed in the *Cours*, as well as the exchange rates for international currency, fluctuated less dramatically and, more importantly, these prices were also of interest to merchants outside Amsterdam; the *Cours* was also published in Italian, English and French.122 The Amsterdam commodity market was an international market and the *Cours* provided foreign merchants with necessary price information, whereas the market for VOC shares was to a large extent a local market. To be sure, the odd foreign share trader hired an Amsterdam exchange agent to perform his trades.123 So, in order to participate in the market for VOC shares, a trader either needed a sophisticated information network, preferably with correspondents spread

119 E.g. *Oprechte Donderdags Rotterdamse Zee- en Post-tijdingen*, 28 July 1667 (nr. 60), PA, microfilm SP119/81. This issue mentioned the preparations for the peace treaty that ended the Second Anglo-Dutch War. The newspaper had derived its information from the business letters several merchants had received from London.
120 There are examples of pre-printed forms, probably used by brokers, listing all the securities that were traded on the Amsterdam exchange dating from the 1720s. The spaces for price quotes were left open. The first printed list of stock prices dates from 1747. Neal, ‘The rise of a financial press’, 172-4.
121 McCusker and Gravesteijn, *The beginnings of commercial and financial journalism*, chapter 1.
122 Ibidem, 49.
over the Dutch Republic, Europe and the East Indies, or he could perform his trades through a broker or exchange agent. Manuel Levy Duarte and Jacob Athias, who acted as exchange agents during the 1680s, charged a £30 commission on every pair of transaction and counter-transaction in VOC shares, which shows that traders without access to an information network were willing to pay a high fee (five times the regular brokers’ commission) to be able to share in the information advantage. This also suggests that regular brokers merely brought traders together, probably giving information about a possible counterparty’s reputation; they did not provide the information that could lead to profitable transactions.

**Conclusions**

It was definitely inconvenient that the VOC did not make its accounts public. However, as this chapter has shown, this did not pose an insurmountable problem for the share traders. They made do with the dividend announcements and information they received from other sources. The active traders of the late seventeenth century built private information networks that kept them up to date of the latest information. They could make the short-term profits they were aiming at if they received new information slightly earlier than their main competitors. Consequently, speculative trade became the domain of (semi-)professional traders who made great efforts to gather the latest information. Less active traders could not keep up with these (semi-)professionals, but they were lucky that due to the high trading activity of the speculators, the share price always reflected the most recent news; they could trust the share price to be ‘correct’. Newspapers did publish relevant information for the share trade, but the news from this source always reached the share traders too late – traders with private information networks would already have reaped the profits. The printed news media contributed in no way to the increased enthusiasm for the share trade after 1640.

Things were different in the first decade of the seventeenth century. Many of the early investors still awaited the liquidation of the company in 1612 or 1623 at the latest. For them, it was not necessary to get information with the same level of detail that Jeronimus Velters or Manuel Levy Duarte needed. They simply hoped that the spice trade would eventually prove profitable. Secondly, many traders of the early years invested in the VOC to support the conquests of the Dutch Republic in the East

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124 SAA, PIG, inv. nrs. 687-8.
Indies. They of course hoped to gain a profit on their investment, but it was equally important for them that the young Dutch Republic was able to compete with its European counterparts. They were interested in news on the fortunes of the Dutch in the East Indies, but did not need to get it first-hand to be able to trade on it. The market of the first decade was not yet the market for professional traders it would later become.

Presumably, the groups with the best inside information were the company directors and chief participants of the VOC; they had access to the company accounts and to the internal correspondence with the company’s East India branch. However, as the following example will show, it is impossible to analyze to what extent they profited from their position. Jeronimus Velters became a company director for the Amsterdam chamber in June 1694. He had discontinued his share-trade-specific correspondence some five years earlier (maybe the quarrelsome nature of the letters annoyed him too much), but started anew as soon as he had taken up the directorship – although at a lower frequency. On 29 July, after a month in office, he bought shares with a nominal value of ƒ15,000 on the forward market. It was not forbidden for company directors to trade shares, as long as they held on to a share capital of ƒ6,000 – really the only requirement to become or remain eligible for a company directorship. But Velters’ activity on the forward market is definitely a bit suspicious. Unsurprisingly, then, he did not perform these transactions himself – he asked Jan de Wilhelm and Jacob Gabay Henriques to do them for him. Trying to reconstruct the directors’ trades is therefore pointless: they were smart enough to ask someone else to perform their trades. And it is clear why: they did not want to be accused of enriching themselves at the expense of other shareholders and thus tried to prevent other share traders from observing their trades. Otherwise, no one would ever have bought, for example, a forward from a company director – the informational value of company directors’ transactions was simply too high.

The share market benefited from Amsterdam being an important centre of information in so far as this helped traders to build and maintain their information networks. Amsterdam’s position as a major trading port in international commerce made information from abroad quickly available on the exchange. Regular shipping traffic between England and the Dutch Republic, for example, made it possible for

125 Please note that he had remained active on the share market in the intermediate years.
traders to receive news from the Dutch East Indies before the VOC return fleet arrived: they asked their informants to send their letters on English fleets to Europe, hoping that they would thus receive the news before it became public information on the exchange. The Portuguese Jews, lastly, did not build their information network to use it specifically for the share trade. The network of the Diaspora already existed before the Portuguese Jews started to participate in the share trade and the traders subsequently gladly used it. Hence, to paraphrase Smith, Amsterdam being an information exchange contributed to the modernization of finance.
Figure 5.1 VOC share price, 7 July 1671 – 31 December 1672

Number of observations: 55. Sources: SAA, Velters, inv. nr. 1; SAA, Deutz, inv. nr. 293; SAA, Merchants’ accounts, inv. nr. 40; SAA, Notaries, inv. nrs. 2238-40.
Figure 5.2 VOC share price, 6 January 1688 – 22 November 1688

Number of observations: 35. Sources: SAA, Velters, inv. nr. 4; SAA, Notaries, inv. nrs. 4131-6; Israel, ‘The Amsterdam financial crash of 1688’. Please note that the data from Israel’s article have been corrected for the dividend distribution of April 15 (33 1/3% in cash) to fit in with the other data.