

## The Amsterdam Capital Market and the Dutch East India Company

It is well known that the emergence of Amsterdam as a financial centre in the early modern world was a consequence of the dominant place that it had gained in world trade. It was only in the course of the 17th century that the financial services provided by its institutions as the *Wisselbank* (Exchange Bank) and by private banking-houses became an important independent sector that was developed further in the 18th century when trade and shipping stagnated or even declined. While the city lost its role as the principal entrepôt for commodities from all over the world, Amsterdam became the clearinghouse for European trade and the pre-eminent capital market, where foreign governments could find a source to finance their debts.

One of the institutions, that contributed greatly to the ascendancy of Amsterdam, was the United East India Company (*Verenigde Oostindische Compagnie* or VOC), founded in 1602. The VOC became a joint-stock corporation, working with a fixed and permanent share-capital of 6,4 million guilders. It thus provided a possibility for long-term investments as well as for speculation. The phenomenal growth of the VOC made it the largest commercial and financial enterprise of the world until it was surpassed by its English competitor in the course of the 18th century. The importance of financial innovations introduced by the VOC has been stressed by Larry Neal, who analyzed the stockmarkets of Amsterdam and London and compared the developments in the share prices of the Dutch and English East Indian Companies.<sup>1</sup>

It is difficult, if not impossible to describe and analyse in quantitative and qualitative terms the influence of the VOC on the capital market of Amsterdam. But the evidence about the close personal and institutional links between the Company and the city, as well as the amount of investments in the VOC can give some idea of the impact of the Company for Amsterdam as a financial centre.

<sup>1</sup> Larry Neal, *The Rise of Financial Capitalism. International Capital Markets in the Age of Reason* (Cambridge 1990), especially chapter 6: 'How the East was won'.

## The Amsterdam Chamber of the VOC

The interest of Amsterdam in Asian trade was strong from the beginning of Dutch shipping to Asia in 1595. The first Dutch fleet that succeeded in reaching Asia was equipped by a number of Amsterdam merchants. From the total number of 65 ships sent to Asia in the period from 1595 up to 1602, 38 were from Amsterdam. As early as 1600, the Amsterdam based East India Companies had formed an 'United Amsterdam Company' and the Burgomasters had granted this company a municipal monopoly for the trade to Asia.

When, in 1602, the VOC was founded, the Amsterdam Chamber as the successor of the United Amsterdam Company got a share of one half in the activities of the new Company: thus half of the number of ships of the VOC were built and fitted out in Amsterdam, half of all the commodities received from Asia were sold there. The Zeeland Chamber (based in Middelburg) got a share of one fourth, the smaller Chambers in Delft, Rotterdam, Hoorn and Enkhuizen each one sixteenth only. This internal division of the activities between the Chambers had been entered into the charter on the instigation of the Zeeland. The Zeelanders had been concerned that, if the capital subscription was taken as measurement for the division of labour, Amsterdam should be allotted more than half of it and thus should become the all-mighty power within the VOC.

The political compromise behind the charter of 1602 resulted in a number of regulations that made the organization of the new Company very complex. According to the charter, the total number of directors or *bewindhebbers* would be sixty, i.e. twenty in the Chamber Amsterdam, twelve in Zeeland and seven in each of the smaller Chambers. The central management was laid into the hands of a 'Meeting of the Gentlemen Seventeen', made up of the directors of the six Chambers. Amsterdam had eight delegates in this board, Zeeland four, the smaller chambers each one. The seventeenth member was appointed alternately by Zeeland and the smaller Chambers. These rules should, of course, prevent the Chamber of Amsterdam from overruling the other chambers. But this was difficult to achieve in practice. The smaller Chambers followed the lead of Amsterdam and, apart from some clashes, for instance about the dividend-policy, Zeeland too resigned itself to the superiority of Amsterdam.<sup>2</sup>

As the VOC stands out as the great success of a corporate company in the early-modern period, one could easily conclude that the prosperity and the commercial growth of the Dutch Republic has to be ascribed to this Company. Some Dutch historians have argued, however, that the contribution of the trade of the VOC has been overestimated and that the real base for phenomenal growth in Dutch commerce has rather to be ascribed to European trade. Recent publications have taken a somewhat different view. In his *Primacy of Dutch Trade*, Jonathan Israel argues that in the 17th century the Asian trade already made a vital contribution to the

<sup>2</sup> See for the organization of the VOC: F.S. Gaastra, *De geschiedenis van de VOC* (Zutphen 1991). A short survey in J.R. Bruijn, F.S. Gaastra, I. Schöffers, *Dutch-Asiatic Shipping in the 17th and 18th Centuries* (3 vols., The Hague, 1979–1987), Vol. I, 1–21.

Table 1. Estimation of the value of total Dutch foreign trade and VOC-trade, 1636 (in guilders).

	total value without VOC and WIC	VOC (invoice value of imports)	VOC (sales value of imports)
import	30,500,000	1,900,000	4,500,000
import + export	61,000,000	3,400,000	6,000,000

entrepôt-function of Amsterdam.<sup>3</sup> The growth of the Company's trade in a period of economic stagnation or decline after 1700 gave the VOC, according to J. de Vries and A. van der Woude, a central role in the Dutch economy.<sup>4</sup> An impression of the share of the Company in the total trade of the Dutch Republic can be given on the base of the figures in Tables 1 and 2.

These figures represent only the direct share of the Company's trade in total Dutch commerce. A great part of the commodities imported from Asia were exported to other European countries and are thus comprised under the 'European trade'.<sup>5</sup>

But it was not only because of the volume of trade that the Company gained a 'central place' in the Dutch economy. The role of the VOC can also be measured in other terms. The Company was the biggest employer in the Republic, sending thousands of seafarers, soldiers and servants on its ships to Asia. In the cities with a chamber the Company employed an enormous workforce on the dockyards, in the warehouses and the offices. In Amsterdam, some 1000 to 1300 man worked on the wharves and in the *Oostindisch magazijn*, built between 1660 and 1670 on the new outlay of the city, Oostenburg. Its headquarters were in the East India House in the Hooghstraat, in walking distance from the Townhall, Exchange Bank and bourse. This was the place where the directors as well as the Gentlemen Seventeen held their meetings and where circa fifty higher officials, as the bookkeepers, cashiers and clerks, worked in their offices.<sup>6</sup>

### The personal links between the VOC and the financial institutions in Amsterdam

The close relationship between the VOC and the financial institutions as well as private banking houses in Amsterdam is reflected in the composition of the board of directors of the Chamber Amsterdam.

<sup>3</sup> J. Israel, *Dutch Primacy in World Trade, 1585 – 1740* (Oxford 1989).

<sup>4</sup> J. de Vries, A. van der Woude, *Nederland 1500 – 1815. De eerste ronde van de moderne economische groei* (Amsterdam 1995) 538.

<sup>5</sup> See for a discussion of the role of the VOC in Dutch economy F.S. Gaastra, 'The Dutch East India Company in National and International perspective', paper for the Vth French-British Maritime Historical Congress (1994), in press.

<sup>6</sup> J.H.G. Gawronski, *De Hollandia en de Amsterdam: twee schepen en een bedrijf. Organisatie en materiële cultuur van de VOC in Amsterdam* (Amsterdam 1994) 30 – 33. See for the buildings and the personnel of the VOC also: J.B. Kist (ed.) *Van VOC tot Werkspoor. Het Amsterdams industrieterrein Oostenburg* (Utrecht 1986).

Table 2. Estimation of the value of total Dutch foreign trade and VOC-trade, c. 1780 (in guilders).

Trade with Europe	200,000,000
VOC trade	35,000,000
Atlantic Trade	28,000,000
Total	263,000,000

The charter prescribed that, when a vacancy arose, the States of the Province (in the case of Amsterdam the States of Holland) were to appoint a new director from a list of three names, made up by the sitting directors. But even before the charter was published, the city of Amsterdam had raised objections against this rule. The result was that the States of Holland transferred the right of appointment to the burgomasters of the Chamber cities concerned. In 1622, the shareholders were given some influence on the nomination. In case of a vacancy, shareholders had to elect as many 'principal shareholders' (shareholders who had at least invested a sum of 3000 in the Company and were thus entitled for election to a directorship) as there were sitting *bewindhebbers*. The elected shareholders and *bewindhebbers* jointly made up a nomination of three names, from which the burgomasters choose the candidate. As a result, the election procedure became more complicated, but the shareholder's influence did not increase very much. The shareholders of the Chamber Amsterdam didn't even try to challenge the power of the burgomasters and sitting directors, and normally there were only a few principal shareholders in the election committee. Only after 1748, when the Stadholder was appointed to the function of *opperbewindhebber*, it was for him to choose the candidate from the nomination.<sup>7</sup>

The directorships were not tied to a fixed term and were in principle for life. In 1622, however, a term of office of three years was prescribed and a timetable was devised for periodic retirements. Again, this rule did not prove effective and before long this regulation was lost sight of. The directors defended the violation of the 1622 rule by remarking that the frequent changes other than periodic retirements would endanger the continuity of management.

Considering the power of burgomasters in the appointment, it is no surprise that we find many *regenten*, members of the city council and burgomasters, under the *bewindhebbers*. There were always five or six burgomasters or old-burgomasters among the twenty *bewindhebbers* and they formed, although informally, the leading group in the director's board. They had the right of preference when the delegation to the meetings of the Gentleman Seventeen was chosen and this meeting was normally presided by one of them. The *Wisselbank* was also a municipal institution under the direction of the burgomasters and this situation was as such a guarantee for a close relationship between the Company and the bank. The *Wis-*

<sup>7</sup> Gaastra, *Geschiedenis van de VOC*, 31 – 34. In 1645, both the cities of Haarlem and Leiden succeeded in getting one director's seat in the Chamber Amsterdam, thus leaving only 18 places for Amsterdam.

*selbank* was controlled by three 'Commissioners' from the municipal government. Many *bewindhebbers* were at the same time commissioners of the bank. From the seventy directors who served the Chamber of Amsterdam in the period 1602 – 1650, eight were commissioners of the bank during their term of office.<sup>8</sup> In 1682, a committee of four burgomasters was installed to draw up new rules for the bank; three of its members, Joan Munter, Joannes Hudde and Jan de Vries were also *bewindhebber*.<sup>9</sup>

But there was even a more direct relationship. The most important officials in the *Wisselbank* were the cashier and the bookkeeper. The directors Hillebrand Schellinger (director from 1615 to 1633), Hendrik Reynst (1636 – 1648) and Pieter Has-selaer (1641 – 1646) had been cashier before their appointment in the *voc*. At least four times in the 18th century, a bookkeeper of the bank was appointed in a *bewindhebber's* seat. Andries Hees, bookkeeper since 1703, was director of the *voc* from 1714 to 1720. Willem Backer, bookkeeper from 1722 to 1745, got a director's seat in 1745. Backer died in 1756 and was succeeded by Dirk Alewijn, who had served the bank as *opperboekhouder* since 1737. And in 1764 Pieter Trip was chosen as director; he had been bookkeeper between 1743 and 1764.<sup>10</sup>

It may well have been a deliberate policy of the *voc* to attract these officials in order to get access to the know-how of the bank. After all, the bank played a crucial rôle for the Company: it gave the Company short term credit and provided the *voc* with silver and gold for export to Asia. Moreover, most of the payments between the Company and the merchants went via the the bank. But at the same time, this situation was the result of the fact that the leading *regenten* oligarchy controlled the most important financial and commercial institutions in Amsterdam. All the persons mentioned above belonged to the important patrician families in Amsterdam, and many other members of these families were at one time or another directors of the Company.

Finally we find great merchants and bankers among the *bewindhebbers*. The initiators of the trade to Asia belonged to the wealthiest and most prominent merchants of Amsterdam. Later in the 17th century the burgomasters were aware of the need to have always a number of experienced merchants in the board. In 1668, they even took measures to prevent too many members of the municipal government from being appointed, which they thought to be detrimental to the Company. In the 18th century we find such well-known bankers in the Chamber Amsterdam as Daniel Jan Bouwens, Adriaan Salomon van der Hoop, Joan Scherenbergh, Jean Frederik d'Orville, Balthasar Scott and Gualterius Craeyvanger. Jan Clifford,

<sup>8</sup> Noor Oosterhof, 'De politieke en economische structuur van de verenigde Oostindische Compagnie', in F. Wieringa, *De voc in Amsterdam* (Amsterdam 1982) 181 – 184.

<sup>9</sup> F.S. Gaastra, *Bewind en Beleid bij de voc. De financiële en commerciële politiek van de bewindhebbers, 1672 – 1702* (Zutphen 1989) 255 – 263.

<sup>10</sup> See for the names of *bewindhebbers* of the *voc*: P.A. Leupe, 'Eerste sprokkeling uit de papieren van eenen bewindhebber der Oost-Indische Compagnie', in *Kroniek van het Historisch Genootschap* 28 (1872), 15 – 48; and the sources mentioned in Gaastra, *Bewind en Beleid*, p. 255. The details about the career of these persons, see J.E. Elias, *De vroedschap van Amsterdam 1578 – 1795*, 2 vols. (Haarlem 1903 – 1905; reprint 1963).

partner and, since 1768, the head of the famous house of Clifford & Sons, who became *bewindhebber* in 1769. Shortly after his death in 1772, his house failed and brought a financial crisis that had earlier hit the Edinburgh and London banks to Amsterdam.<sup>11</sup>

Most influential of all was, however, Thomas Hope. Thomas was the leading member of the famous house of Hope & Co., in which his younger brother Adrian, his son John and his nephew Henry Hope participated. They became the leading merchants and bankers in Amsterdam after the failure of Clifford & Son in 1773. Thomas Hope, a man with an 'immense energy and drive'<sup>12</sup>, was deeply involved in the VOC. He had been active in the board of the 'principal shareholders' since 1752, proposing a new organizational structure for the Company's China trade, that was indeed introduced in 1756. In the same year, Thomas entered the board of the directors of the Chamber Amsterdam, and in 1766 he became the *representant* of the Stadholder Willem v, who had become *opperbewindhebber* of the VOC. He was in this rôle, of course, bound by the directives of the Stadholder and the political advisors of Willem v. Although he could claim the presidency in the meetings of the Gentlemen Seventeen and in the Chamber Amsterdam, he did not do so, carefully evading unnecessary irritation from his colleagues. Staying in the background, it was much easier for him to have it his or his master's way.<sup>13</sup> Thomas Hope resigned in 1770 for reasons of health and was succeeded by his son John.

It has often been argued, that the number of experienced merchants among the directors was declining in the 18th century. There can be no doubt, that the burgo-masters had a great influence in the VOC and that the local ruling elite was strongly represented on the board. But this did not exclude merchants and bankers from a director's seat. On the base of the background of the directors it will be difficult to conclude that the quality of the board diminished after 1700. Perhaps we can conclude that there was a shift from commercial to financial *expertise* among the directors.

## The VOC and the capital market

The most obvious possibility for investment in the VOC was, of course, to take a part in its share capital. The total share capital of the VOC amounted to f 6,440,200. As the Zeelanders had foreseen, more than half of that capital had been placed in the Chamber Amsterdam: f 3,686,430. The rest of the capital was not equally divided among the Chambers. The capital subscribed in Rotterdam, f 174,562, was far below the share that this Chamber had in the activities of the Company on the base of the charter. The same was the case with the capital of the Chamber of Zeeland. There was, however, no difference in the dividends paid by the Chambers.

<sup>11</sup> In 1775 his brother, Pieter Clifford, became *bewindhebber*.

<sup>12</sup> M.G. Buist, *At Spes Non Fracta. Hope & Co., 1770 – 1815* (Amsterdam 1963), 14.

<sup>13</sup> R. Aeg. Timmerman, 'Met opregtheid en candeur. Thomas Hope en de Verenigde Oostindische Compagnie, 1752 – 1770', unpubl. thesis, Leiden 1991.



The Gentlemen Seventeen decided each year on the amount of dividend to be paid to the shareholders. Differences between the official share of each Chamber in the Company's activities and the real payments or receipts by each of the Chambers were internally corrected at the end of each year.

Although the capital may have been considerable at the beginning of the 17th century, it was rather small compared to the enormous increase of the VOC in the 18th century. Most of the trade was in shares of the Chamber Amsterdam. This was partly the consequence of the fact that every transaction had to be registered by the bookkeepers of the Company, and for the most of the merchants it was, of course, easier to have this registration done in Amsterdam than in one of the other Chambers. A second reason was simply that the share capital of the other chambers was too small for a considerable trade on the stockmarket. The average number of transactions in shares of the Chamber Rotterdam, for instance, was only four per year.<sup>14</sup>

The original subscription list of the Chamber Amsterdam carried 1143 names. Among them there were 84 shareholders, who had subscribed for *f* 10,000 or more. One could subscribe in any amount wanted. It is generally supposed that the smaller shareholders soon sold their shares, because dividend payments were during the first years low and irregular. The number of shareholders declined during the first ten years to 840.<sup>15</sup> The process of concentration went on during the 18th century: in 1725, the Chamber Amsterdam counted 426 shareholders.<sup>16</sup> Some of them had only very small portions in the Company. Willem and Cornelis van Rijnveldt, for instance, participated for only *f* 25, the protestant Church of Enkhuizen for *f* 26. But if some of the shares had a nominal value well below the 500 guilders, most of the investments were in lots of *f* 3000 or more. The list of 1725 does not give any foreign names, but a substantial number of shareholders belonged to the Sephardi (Spanish and Portuguese speaking) Jews. Thirteen shareholders had invested *f* 45,000 or more. As prices on the stockmarket ran as high as 650 per cent during this year, the investment of, for instance, Andries Pels, with nominal value of *f* 60,000, had a market value of no less than *f* 2,925,000!<sup>17</sup>

As Larry Neal has shown, the stockmarket was sufficiently efficient to grasp the real value of shares of the VOC relative to other investments; the market evaluation was not based on an irrational behaviour of investors.<sup>18</sup> In short term fluctuations, rumours, information or misinformation and perhaps sometimes panic may have played a rôle – and may have made victims. Asian trade was extremely vulnerable

<sup>14</sup> Leo Klienbannink, 'Het kapitaal van de Kamer Rotterdam', in Peter Grimm (ed.) *Heeren in zaken. De Kamer Rotterdam van de Verenigde Oostindische Compagnie* (Zutphen 1994) 70 – 72.

<sup>15</sup> J.G. van Dillen, *Het oudste aandeelhoudersregister van de Kamer Amsterdam der Oost-Indische Compagnie* (Den Haag 1958) 14 – 15, 55.

<sup>16</sup> Algemeen Rijks Archief (ARA), The Hague, VOC-archief 7164, *Journal van de boekhouder van Amsterdam*, f. 21 – 214, List of shareholders (at the first of May, 1725) to receive the 20 percent dividend in bankmoney of *f* 737,286 over the capital of *f* 3,686,430, according the resolution of the Gentlemen Seventeen, 2 March 1725.

<sup>17</sup> Prices of shares are given by J.G. van Dillen, 'Effectenkoersen aan de Amsterdamsche beurs', in *Economisch-Historisch Jaarboek* 17 (1931) 1 – 46.

<sup>18</sup> L. Neal, *The Rise of Financial Capitalism*, Ch. 6, 'How the East was won'.

Table 3. The large investors in the Chamber Amsterdam, 1725.

f 96,000	David de Neufville
- 84,541	Jeronimo de Haze de Giorgio
- 83,400	Jacomina Bas, widow of Cornelis Verpoorten
- 75,000	Andries Pels
- 66,000	David Mendes de Silva
- 60,000	Jacob Bruynstein
- 60,000	Franciscus Lopez Suasso
- 57,000	Jan Lucas Pels
- 54,000	Bernard de Moor
- 51,000	Isaac Franco Mendes
- 48,000	Jan Witheyn
- 45,000	Marie Nieuwgaard, widow of Albertus Schuijt
- 45,000	Jacob Perera

in times of war: the long lines of communication and shipping could be interrupted, valuable cargo could be lost to the enemy, sales in Europe could stagnate.

Thus, in 1672, when the Dutch Republic was attacked by the French and the English and their German allies, the stockmarket crashed and VOC-share prices fell from a peak of 572 per cent (reached after the sales of rich returns in 1671) to 250 per cent! A new crisis broke out in 1688, when the Glorious Revolution took place and yet another war with France started. Speculation fever and expectations of a richly laden returnfleet had driven up share prices in the spring of 1688 to 580 per cent. During the summer, there was fear about the safe passage of the returnfleet, but prices stayed on the level of 568 per cent. News about the safe arrival in August brought the course back at the 580 mark, the highest price of the 17th century. But before the end of that month the market collapsed, and within three weeks the course was 216 percentage points lower! One of the victims then was the director Coenraad van Beuningen. Being blind to international tension, and convinced of the fact that prices could rise still much higher, he had invested a large amount of money in the VOC. It was rumoured that he had lost more than half a million guilders in 1688. The enormous loss of money may have contributed to his mental collapse; in November 1688 he was committed for insanity.<sup>19</sup>

But apart from these abnormal incidents, investors looked to the messages about the returnfleet, the value of the returncargo, and of course the results of the auctions, that determined the dividend to a high degree. The returnfleet normally arrived between the middle of August and the end of September in Patria. The most important auction took place in the autumn, in October or November. That was after the auctions of the EIC in London; the prices made there gave directors of the VOC as well as the investors a good idea of the European market for Asian products at that time of the year. A second auction took place in the spring, when spices and pepper were sold. The newspapers contained the information about the re-

<sup>19</sup> J.I. Israel, 'The Amsterdam Stock Exchange and the English Revolution of 1688', in *Tijdschrift voor Geschiedenis* 103 (1990), 412–440; Gaastra, *Bewind en beleid bij de VOC*, 95–98, 200–202.



turnfleets and the auctions. Already in July, directors looked out for information about the returnfleet – the fisherman who could bring the first message about the fleet, that he might have sighted on the Northsea or in the Channel, were rewarded a nice sum of 50 guilders. Some years were disastrous. In May 1737, for instance, seven ships of the returnfleet from Batavia went down in a gale at the Cape of Good Hope. When this news was brought to Amsterdam in early September, share prices fell from 620 to 580.<sup>20</sup>

The general trend in share prices reflects the growth of the Company in the 17th century and its slow decay in the second half of the 18th century. High dividends between 1714 and 1720 (each year 40 per cent) resulted in high prices; in the ‘bubble’ of 1720 a peak of 1240 per cent was reached! Prices were low during the Seven Years’ War (1756 – 1763) and again in the financial crisis of 1773, although the VOC was not hit as badly as its English competitor by that crisis. De Vries and Van der Woude argue, that shareholders tended to see their investments as safe bonds.<sup>21</sup> The dividend payment, which was up to 1781 regular and never lower than 12½ per cent, resulted in a return on their investment of 2.9 per cent per year (considering the marketvalue of the shares). That was hardly more than the interest on state bonds. Apparently many shareholders, the so-called ‘princes’, regarded their shares as part of their family wealth, and looked primarily to the annual yield from the dividends.<sup>22</sup> Several big shareholders of 1725 belonged to that type of investor. This may be true for Jeronimo de Haze, who had been a burgomaster and since 1708 *bewindhebber*, and died in 1725 at the age of 74, leaving a fortune of f 3,3 million guilders, as well as for Jacomina Bas, in 1725 aged 74 and since 1698 widow of Johannes Verpoorten.

We do have analyses for the stockmarket and behaviour of the share prices, but we don’t know much about the volume of the trade. In 1777, a normal year for the stockmarket, the bookkeepers of the Company registered 150 transfers of shares, 24 of these originating from inheritance. The total sum transferred in these transactions amounted to f 831,636, or 22,5 per cent of the total stock! If the market value (VOC-shares were noted at an average of 373 percent during this year) is taken, these transfers exceeded three million guilders. Again, Sephardi Jews were prominent among the traders, as Aron van Isaac Capadose and Abraham van David Mendes da Costa.<sup>23</sup>

There were, however, more possibilities for investing in the VOC. The Company financed its trade partly via loans. The Company issued bonds, at first for a short term of six months, later for a year and, since 1666, for three years. During the period 1672 – 1700, the Company solved its financial problems by attracting more

<sup>20</sup> Bruijn, Gaastra, Schöffler, *Dutch-Asiatic Trade*, Vol. 1, 91; Vol III, 336 – 339.

<sup>21</sup> De Vries and Van der Woude, *Nederland 1500 – 1815*, 537.

<sup>22</sup> Israel, ‘The Amsterdam Stock Exchange’, 419. The name ‘prince’ is to be found in the book of Penso de la vega, *Confusión de Confusiones* (1688), which contains a description of the Amsterdam stockmarket.

<sup>23</sup> ARA, VOC 7098, 7099, 7100, 7101, 7102, *Geregistreerde overdrachten van actiën van de VOC, Kamer Amsterdam, 1773 – 1781*. See for Sephardi Jews and the Stockmarket, Israel, ‘The Amsterdam Stock Exchange’, 416 – 420.

Table 4. Transactions of shares of the Chamber Amsterdam, 1777.

	number	nominal value	market value
inheritance	24	165,886	618,754
trade	126	665,750	2,483,247
total	150	831,636	3,102,001

money on bonds. Dividend was sometimes also paid in bonds, and these bonds were now redeemable only at the will of the Company. In the prosperous first two decades of the 18th century, the Company succeeded in reducing its debts to a level of circa 7,6 million guilders (for the VOC as a whole) and this level was retained during these years up to 1780. The interest was during the 17th century  $6\frac{1}{2}$  per cent but could rise in times of crisis. Interest was as low as 3 to  $2\frac{1}{5}$  per cent in the 18th century.<sup>24</sup> We do not know who the holders of these bonds were, but going through the accountbooks of the Chamber Amsterdam, one met the same names that are also to be found in the list of shareholders: the well-known Amsterdam merchants and bankers, the *bewindhebbers* and the Sephardi Jews.

Besides the bonds, the Company took short term loans called 'anticipation money'. This was capital provided by the merchants in advance on the auctions; those who had given money in advance got priority at the auctions and, if the merchants actually bought products at the auctions, they got a higher interest too.<sup>25</sup> But anticipation money was not only provided by merchants. Other investors too, took the opportunity to invest their money in these loans. For a long period the directors of Amsterdam had the habit of giving themselves the first opportunity to place money in the Company in this way. The debts in anticipation money were rather low until 1735, seldom and then only for very short periods exceeding the two million guilders, but thereafter it rose to a peak of 22 million guilders in 1765. Interest was then as low as  $2\frac{3}{5}$  or even 2 per cent, very often the advance was not drawn out by the investors and the anticipation money thus changed into long term loans. The receipts or advance notes received by the investors from the Chambers for giving the money could be traded on the bourse.

A capitalist could thus invest his money in the Company in shares, bonds or advance notes. The share capital of the Chamber Amsterdam had a nominal value of slightly over f 3,4 million, but a much higher market value. Roughly half of the f 7,4 million in bondloans in the 18th century and more than half of the advance-notes were chargeable to the Chamber Amsterdam and, as in the case of the shares, it was predominately these bonds and notes that were traded at the bourse.

<sup>24</sup> C. de Heer, *Bijdrage tot de financiële geschiedenis der Oost-Indische Compagnie* (Den Haag 1929) 19–47; J.P. de Korte, *De jaarlijkse financiële verantwoording in de Verenigde Oostindische Compagnie* (Leiden 1984) table 4.

<sup>25</sup> De Heer, *Bijdrage tot de financiële geschiedenis*, 32–33.

## The *Wisselbank* and the VOC

The Bank of Exchange became the most important medium for the financial transactions of the VOC in Amsterdam. Merchants buying at the auctions paid the Company via their bank-accounts, the Company paid the merchants for the commodities bought for the building and outfitting of the ships and export to Asia. The main items in the export to Asia were precious metals, silver as well as gold, coins as well as bars, and the bank could provide the Company with most of the precious metals it needed.

Although dealing in precious metals by the *Wisselbank* was originally forbidden, this prohibition was largely ignored. It is known, for instance, that the bank bought in 1628 gold from the West Indian Company and sold it later to the VOC. The attitude of the authorities changed later in the 17th century, because they realised they could exert more control over transactions via the bank than over transactions between private merchants. Attempts were made to compel the VOC to purchase all its precious metal from the bank. In 1668, the directors of the Chamber Amsterdam had already tried to convince the other Chambers that the VOC should buy its specie exclusively from this institution. It seemed that the bank did not succeed in excluding others in the deliveries to the Company.<sup>26</sup>

However, since 1683 a new system was introduced that gave the *Wisselbank* a central place in the specie trade and that provided new opportunities for private merchants as well as for the VOC. It became possible to set specie – Dutch and foreign coin, later also bullion – in the bank ‘at pawn’. The term ‘pawn’ (in Dutch ‘belenen’) is, however, somewhat misleading, because the situation was more one in which one sold specie to the bank with the right of buying it back. Merchants could deposit their gold and silver coins in the bank and their accounts were credited with this sum. They had thus their capital immediately to their disposal in the form of the bank-money and could pay from their account for their commercial dealings. They received a six month receipt after depositing specie in the bank, and this receipt could be extended for periods of six months. If this was not done, the specie fell to the bank. The bank charged a low ‘interest’ for this period of  $\frac{1}{4}$  per cent for silver and  $\frac{1}{2}$  per cent for gold. The receipt gave the right to take the original specie out of the bank, paying the bank of course, its equivalent in bankmoney. The prices of the receipts were low – in fact the difference between value of the current money and the bankmoney, circa 3 to 5 per cent of the nominal sum.<sup>27</sup>

It is possible that there is a connection between the introduction of this system and the fact that VOC was obliged to enlarge its consignments of precious metal to Asia because of problems that it encountered in Japan, as suggested by De Vries

<sup>26</sup> F.S. Gaastra, ‘The exports of precious metal from Europe to Asia by the Dutch East India Company, 1602 – 1795’ in J.F. Richards (ed.), *Precious Metals in the Later Medieval and Early Modern Worlds* (Durham 1983) 448 – 449.

<sup>27</sup> A description of the system in: H.J.M. van der Laar, *Opperbankier en Wetenschapsman Willem Cornelis Mees, 1813 – 1884* (Den Haag 1978), 45 – 82.

and Vander Woude.<sup>28</sup> Japan had been a major source of silver and gold for the Asian VOC, but obstacles in this trade because of measurements of the Japanese government decreased the export of gold considerably. This connection is not to be found in the proposal for the new system of specie trade, but it is a fact that the *bewindhebbers* in 1682 became conscious of the consequences of problems in the trade with Japan. Joan Hudde, director of the Chamber Amsterdam and the most influential burgomaster in these years, wrote a small note for his colleagues, explaining that the VOC would be obliged to ship more silver and gold from Europe to replace the Japanese supplies.<sup>29</sup>

The Chamber Amsterdam was, as can be expected, one of the great buyers of the receipts. The other chambers employed agents in Amsterdam, who bought the necessary receipts for their precious metals. It can be concluded from data for the period 1720 – 1740, that the VOC got nearly all its Spanish reals of eight for export to Asia from the bank. The silver bars for the Chamber Amsterdam were provided by the assay-master of the bank, Johannes Grill. Most of these bars had the same fineness of the Bengal rupee. Also ducats were bought from the bank, newly minted ducats however, came from the provincial mints. The bank was not only a major source of silver for the Dutch Company. The well-known Amsterdam banker and merchant Andries Pels – the same who had invested so much in the VOC in 1725 – provided the English East India Company during the decade 1720 – 1730 with half of the silver it needed, worth c. 25 million guilders.<sup>30</sup>

Finally, the bank too provided the VOC with short term credit. The bank was not meant to provide any credit to the public, but the burgomasters had allowed the bank to make an exception for the VOC as well as for the city of Amsterdam. The close relationship between the Company's directors and the bank is to be seen in 1681 and 1682. Before 1682, the bank needed permission of the burgomasters for every time that credit was given to the VOC. It was again the director Joan Hudde who proposed in 1681 in the board of the Chamber Amsterdam that it would be cheaper to turn to the bank for anticipation money for an interest of 4 per cent, instead of giving the 'gentlemen around the table' the opportunity to provide this money which by then was normally done at an interest rate of 5 per cent. Hudde, as said above, was at the same time the leading burgomaster and in 1682 it was decided by the burgomasters that the bank was free to provide the Company with advance money up to f 1,7 million. Since 1698 this amount was enlarged to f 3 million.<sup>31</sup>

Large money transactions of the VOC could influence the bank in yet another way. Bankmoney was traded at an *agio* or premium against the current money because of the solid backing in precious metal. This premium was usually 4 to 5 per

<sup>28</sup> De Vries, Van der Woude, *Nederland 1500 – 1815*, 507.

<sup>29</sup> ARA, Collectie Hudde, inv. no. 5. See for the proposal: J.G. van Dillen, 'Een boek van Phoonsen over de Amsterdamse Wisselbank', in *Economisch-Historisch Jaarboek* VII (1921) 16 – 17.

<sup>30</sup> Arent Pol, 'Tot gerieff van India. Geldexport door de VOC en de muntproductie in Nederlands, 1720 – 1740', in *Jaarboek voor Munt-en Penningkunde* 72 (1985),

<sup>31</sup> Gaastra, *Bewind en beleid*, 95; De Heer, *Bijdrage tot de financiële geschiedenis*, 34 – 36.

cent in the 18th century. Each year after the arrival of the returnfleet, the Company had to pay a great amount of money on bills of exchange, that the VOC had accepted in Batavia, Ceylon, Bengal or the Cape. Company-servants and others used these bills to transfer their wealth acquired in the East to Europe. In the 18th century, these payments could be two to three million guilders each year. The directors considered that the 'disbursal of so much ready money' from the Company's account at the bank at one moment put too much pressure on the premium for bankmoney. They decided, in 1760, to pay two-thirds after the autumn sale and one-third after the spring sale.<sup>32</sup>

### **After 1680: decay and collapse**

Considering the enormous investments by Dutch capitalists in foreign funds, amounting to a sum of 350 million guilders in 1780 and even to 500 or 650 million in 1790, the investments in the VOC were limited.<sup>33</sup> But the influence of the VOC can not only be measured in terms of investment in its shares, bonds and advance-notes. The Company had got a crucial place in the Dutch trade in the 18th century and had, as has been shown above, close connections with the financial elite and the *Wisselbank*. Its downfall had a great impact on the position Amsterdam as a financial centre in Europe.

The reasons for the fact that the growing size of the Company had not strengthened its financial position and had not resulted in higher profits need not be discussed here. But at the eve of the Fourth Anglo-Dutch War, this financial position was weak. The debts of the VOC were lower than around 1770 but still considerable. After the declaration of the war in December 1780, the Company found itself almost immediately in troubles, not being able to pay for advancenotes. The amount of anticipation money was *f* 18 million, of which *f* 5,1 million was from the bank. In February 1782, the Company applied for a letter of license from the States of Holland. This moratorium was granted – it meant that the VOC had lost its solvency and could only attract new money under guarantee of the state and on much more unfavourable conditions as ever before. The situation soon grew worse, because in 1782 and 1783, the returnfleets could not reach Europe and the Company could only sell a limited amount of Asian products from stock.

The burgomasters tried to minimize the damage for the *Wisselbank*. The city of Amsterdam took over the debt of *f* 5,1 million guilders from the bank and this debt was, together with the rest of the anticipation money, converted in bonds with 3 per cent interest – the interest payment being guaranteed by the States of Holland.<sup>34</sup> But the damage was already done. The Company sank away in its debts,

<sup>32</sup> Gaastra, 'The exports of precious metal', 462.

<sup>33</sup> J.C. Riley, *International Finance and the Amsterdam Capital Market, 1740 – 1815* (Cambridge 1980) 242.

<sup>34</sup> De Korte, *De jaarlijkse financiële verantwoording*, 79 – 95, gives a detailed survey of the financial disaster for the VOC for the period 1780 – 1796.

that had risen well over the hundred million guilders when the VOC was taken over by the State in March 1796. Although the Company had still paid dividends after 1780 (only to those shareholders that had participated in certain bondsloans), shares lost their value and became worthless after 1796.

In the meantime, the public lost its faith in the *Wisselbank*. In 1789 the premium on bankmoney had disappeared and had turned into a *disagio*: the rate of bankmoney fell beyond the rate of current money. As a consequence there was a run on the bank, that had to be closed for some time, and later never regained its place in the financial world again.

There were, of course, many factors that caused the erosion, after 1780, of Amsterdam as a financial centre in Europe. But as much as the VOC had contributed to the formation and growth of Amsterdam in this respect, it contributed to its decay after 1780.