

Acknowledgments and Overview of Literature and Sources

SEARCHING THROUGH ARCHIVES can be very dull work. I spent many hours at the microfilm viewers in the National Archives and Amsterdam City Archives in my search for court cases involving share dealers and notarial instruments about share transactions that would show precisely how the Amsterdam stock market worked. A whole day peering at poor images of difficult seventeenth-century handwriting often produced nothing more than a splitting headache.

But sometimes apparently minor details that deepened my understanding of seventeenth-century share trading would suddenly emerge. The notarial writs dating from the spring and summer of 1672, when traders told the notary Adriaen Lock in no uncertain terms that they would invoke the edict prohibiting naked short selling, are an example. *Confusión de confusiones* told us that dealers sometimes defaulted on their obligations on the grounds of the edict prohibiting naked short selling. But *Confusión de confusiones* is a literary source. No one knew how much Joseph de la Vega made up. These writs did more than confirm de la Vega's story—they also

clarified in one fell swoop the circumstances in which traders chose to exploit this loophole.

It was also known that money could be borrowed by pledging VOC shares, but it was not until I had Joseph Deutz's accounts in front of me—and I could trace exactly who had given him a share as collateral, how much he loaned on it, and how the transaction was ultimately settled—that I understood precisely how the Amsterdam repo market worked. It might be a cliché, but at such moments the pieces of the puzzle fell into place and burrowing through the archives was a joy.

I began my research into share trading in seventeenth-century Amsterdam in the fall of 2006. I spent four years reading literature, studying original sources, going to conferences and workshops, and writing a thesis. Entitled *The World's First Stock Exchange: How the Amsterdam Market for Dutch East India Company Shares Became a Modern Securities Market, 1602–1700*, it was finished in 2010. It has not yet appeared in book form, but it can be downloaded as a PDF file from <http://www.lodewijkpetram.nl>.

After I received my research degree I went back to my computer and wrote *De bakermat van de beurs*—the present book. So is it simply a popular version of the thesis? Not entirely. The thesis argues that the Amsterdam market for VOC shares can be seen as a “modern” stock market—the first modern stock market in history—while the focus in *De bakermat van de beurs* is on the narrative of how the buying and selling of VOC shares developed. The book is consequently intended to be more anecdotal. The heart of the book consists of the stories of the men (and the occasional woman) who traded VOC shares.

We do not have all the intriguing details of these stories. Most sources (about which I shall say more below) simply state that trader A had not yet received a share he believed he was owed by trader B. Period. I have consequently taken the liberty of slightly romanticizing most of the anecdotes that open the chapters in this

book. This is true, for instance, in the case of Thomas Sprenckhuysen, who sold his share to the Raphoen brothers, and in the account of the option deal between Jacob and Joseph Pereira. And as for the story of the two maids who subscribed to the VOC's initial capital shortly before the share register was closed, obviously I do not know their reasons for investing. The correspondences of Jeronimus Velters and Jacques de Velaer Jr., however, do contain a wealth of fascinating details.

I am not the first to research the Amsterdam trade in VOC shares. As far back as 1919 M. F. J. Smith published *Tijd-affaires in effecten aan de Amsterdamsche beurs*, which deals with edicts, regulations, and some of the pamphlets about buying and selling shares in the seventeenth and eighteenth centuries. This book also contains a brief summary and analysis of *Confusión de confusiones*. Smith expanded this summary significantly in the introduction to the Dutch translation of *Confusión de confusiones* (1939), the complete text of which is available at <http://www.dbnl.org>.

Johannes van Dillen unearthed a great deal of archival material about Isaac le Maire's bear consortium. Transcriptions of these documents were published in the article "Isaac Le Maire en de handel in actien der Oost-Indische Compagnie," which appeared in the *Economisch historisch jaarboek* in 1930. Van Dillen also published the share register of the VOC's Amsterdam chamber in *Het oudste aandeelhoudersregister van de Kamer Amsterdam der Oost-Indische Compagnie* (1958). This book provides biographical data about almost all those who contributed to the initial capital of the Amsterdam chamber. The extensive introduction to this work discusses the establishment of the VOC and the public subscription to the startup capital.

More recently Neil De Marchi and Paul Harrison wrote "Trading 'in the Wind' and with Guile: The Troublesome Matter of the Short Selling of Shares in Seventeenth-Century Holland" (1994), which explores the moral aspects of naked short selling. The work

of Oscar Gelderblom and Joost Jonker, in particular, also deserves recognition. In their article “Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595–1612” (2004) they present a rigorous analysis of the financing of the precompanies and the VOC. In “Amsterdam as the Cradle of Modern Futures and Options Trading, 1550–1650” (2005) they address the advent of options trading in Amsterdam, first in the grain and herring trades and later on the stock market. Gelderblom and Jonker, together with Abe de Jong, recently examined the VOC’s organizational structure. In “An Admiralty for Asia: Isaac le Maire and Conflicting Conceptions About the Corporate Governance of the VOC” (2011) they show that the States General, directors, and shareholders had such different interests that disputes about the VOC were inevitable.

Others have also written about the VOC’s organizational structure. I refer here to two recent books on the subject. In *De geootrooideerde compagnie: de VOC en de WIC als voorlopers van de naamloze vennootschap* (2005), Henk den Heijer investigates to what extent the VOC and WIC exhibit similarities to the public corporation (*naamloze vennootschap*, NV), the form of enterprise that listed companies in the Netherlands currently have. In *A History of Corporate Governance, 1602–2002* (2003), Paul Frentrop places the VOC’s corporate management and the debates about it that ensued in the seventeenth century at the beginning of a lengthy development.

Immense amounts have been written about the VOC in a more general sense. As far as this book is concerned, Femme Gaastra’s *The Dutch East India Company: Expansion and Decline* (2003) and *Bewind en beleid bij de VOC: de financiële en commerciële politiek van de bewindhebbers, 1672–1702* (1989) are the most worthy of mention. The first gives a clear, concise overview of the Company’s history and is a good read. The second is an academic work—the basis for Gaastra’s research degree—about how the

VOC was run in the second half of the seventeenth century. Coenraad van Beuningen plays a major role in it. Together with Jaap Bruijn and Ivo Schoffer, Gaastra compiled data about all VOC flotillas. This research was published in the three bulky volumes of *Dutch-Asiatic Shipping in the Seventeenth and Eighteenth Centuries* (1979). The database can also be consulted at <http://www.historici.nl/Onderzoek/Projecten/DAS>.

Pieter van Dam's *Beschryvinge van de Oostindische Compagnie* (1701) is of interest as a general account of the VOC. Van Dam was the VOC's general secretary (*advocaat*), and in that capacity he attended all the meetings of the Lords Seventeen and the Amsterdam directors and so knew better than anyone how the Company conducted its business. He wrote this seven-volume history of the VOC on the Company's instructions. It is accessible in full at <http://www.historici.nl/retroboeken/vandam/>.

For those who like to study figures, *De jaarlijkse financiële verantwoording in de VOC* (1984), by the retired accountant J. P. de Korte, is essential reading. De Korte collected all the available data about the VOC's corporate finances in order to write this work. The figures were then organized and presented in such a way that anyone who has ever looked at financial statements can understand them.

Anne Goldgar recently wrote the very good *Tulipmania: Money, Honor, and Knowledge in the Dutch Golden Age* (2007) about the tulip bulb bubble. In my view Goldgar does not say enough about the financial aspects of bulb trading, but she paints a splendid picture of the trading community, which gathered on winter evenings in taverns all over the province of Holland (and a few in Utrecht) to buy and sell tulip bulbs.

Jonathan Israel has written a number of excellent articles about Portuguese Jews in the Republic. "Jews and the Stock Exchange: the Amsterdam Financial Crash of 1688" appears in the compilation *Diasporas Within a Diaspora: Jews, Crypto-Jews, and the World Maritime Empires (1540–1740)* (2002). "The Dutch

Republic and Its Jews, 1699–1715” is in *Conflicts of Empires: Spain, the Low Countries, and the Struggle for World Supremacy, 1585–1713* (1997). *Reluctant Cosmopolitans: The Portuguese Jews of Seventeenth-Century Amsterdam* (2000) by Daniel Swetschinski is a very good and comprehensive study of the Jewish community in seventeenth-century Amsterdam.

The introduction in the Dutch edition (1939) of Joseph de la Vega’s *Confusión de confusiones* was referred to earlier. The preamble by Hermann Kellenbenz to the 1957 English translation is also worth reading. Kellenbenz gives a good but nevertheless not easily understandable summary of the parts of *Confusión de confusiones* that contain explanations of how share trading took place. Other interpretations of Vega’s book can be found in the writings of Jose Luis Cardoso (“Confusion de confusiones: Ethics and Options on Seventeenth-Century Stock Exchange Markets,” 2002) and Jonathan Israel (“Een merkwaardig literair werk en de Amsterdamse effectenmarkt in 1688. Joseph Penso de la Vega’s *Confusión de confusiones*,” 1990).

Anyone who wants to know more about civil case law in the Republic should read Marie-Charlotte le Bailly’s books *Hof van Holland, Zeeland en West-Friesland: de hoofdlijnen van het procederen in civiele zaken voor het Hof van Holland, Zeeland en West-Friesland zowel in eerste instantie als in hoger beroep* (2008) and, with Christel Verhas, *Hoge Raad van Holland, Zeeland en West-Friesland (1582–1795): de hoofdlijnen van het procederen in civiele zaken voor de Hoge Raad zowel in eerste instantie als in hoger beroep* (2006).

Local Amsterdam regulations are published in *Handvesten; ofte Privilegien ende octroyen: mitsgaders willekeuren, costuimen, ordonnantien en handelingen der stad Amstelredam* (5 volumes, 1748–1678), compiled by Hermannus Noordkerk. The edicts promulgated by the States General and the States of Holland can be found in *Groot plaacet-boeck, vervattende de placaten, ordonnantien ende edicten van de Staten Generael der Vereenighde*

Nederlanden, ende van de Staten van Hollandt en West-Vrieslandt (9 volumes, 1658–1796), collected by Cornelis Cau and others.

The best and most complete general history of the Republic is Jonathan Israel's *The Dutch Republic: Its Rise, Greatness, and Fall, 1477–1806* (1995). *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (1997) by Jan de Vries and Ad van der Woude is rather hard going but provides a very extensive overview of the Republic's economic history.

The capital accounts of the VOC's Amsterdam chamber were the basis for my archival investigation into the trading of VOC shares. These financial records are part of the Archive of the VOC in the National Archives in The Hague. The journal in which the bookkeeper recorded the share transfers in order of receipt for the 1602–1612 period has survived. The ledgers with the capital accounts of all shareholders are available for the years after 1628.

The capital accounts are a superb source, but they present a limited picture of share trading. They only contain information about the change of ownership of shares, without reporting the price at which the transaction took place. However, very many deals were done without a share changing hands, and there are virtually no traces of all these bargains to be found in the archives. They were executed privately. While the edict of 1610 specified that all traders must have their transactions recorded by the VOC's bookkeeper, only an occasional dealer complied. A simple contract was drawn up for most transactions, and it was torn up after settlement. There were also deals between traders that were only agreed to verbally. All this meant there was no way I could make an estimate of the volume of the Amsterdam share market. The only possible quantitative yardstick was the number of traders who appeared before the bookkeeper in East India House to transfer a share.

Nevertheless some data about these private transactions, scattered among many different archives, have survived. There are

some share dealers' family archives, for instance, in which traces of these deals and share price information can be found. For the beginning of the seventeenth century, there is the Thysius Archive, housed in the beautiful seventeenth-century Bibliotheca Thysiana in Leiden. This library was founded in 1653 with a bequest from Johannes Thysius, and all the family documents were moved to it then. This family is of great interest in the history of share trading. Thysius's father, Anthoni, and his grandfather, Hans—who both still used plain Thijs as their last name—were very active merchants in the late sixteenth and early seventeenth centuries in Amsterdam and also bought and sold shares. Parts of both men's financial accounts have survived. Among Hans Thijs's documents is a one of the very rare "VOC shares," the receipts that investors were given when they paid the last installment of their subscription. As well as documents belonging to the Thijs family, this archive also stores papers from families related by marriage, including the l'Empereurs. None of the financial records of Antoine l'Empereur (Johannes Thysius's great-uncle) have survived, but the very interesting correspondence with Jacques de Velaer and his son Jacques Jr. has.

The most important documents in the Thysius Archive date from around 1610. There are almost no surviving documents belonging to dealers in VOC shares that date from subsequent decades. Although Louis Trip's accounts cover a long period (from 1633 to 1684, the year Trip died), the information about the trade in VOC shares they contain does not start until the 1660s. Sadly Trip's accounts, now in the Amsterdam City Archives, are superficial and so of little interest. If he purchased an option, for instance, he only noted the name of the counterparty and the size of the option premium he paid or received. The type of option (put or call), the exercise date, the strike price, and the underlying value remain guesswork.

The financial accounts kept by Joseph Deutz and his mother Elisabeth Coymans (which can be found in the Deutz family

archive in the Amsterdam City Archives) contain much more useful data about share trading. Both made loans against VOC shares on a large scale and kept meticulous records of their dealings. Deutz also traded in shares and derivatives. All these transactions can be reconstructed using his books. There is no clearer picture anywhere of seventeenth-century share trading than in Joseph Deutz's surviving ledgers and journals, which cover the 1665–1684 period.

Jeronimus Velters's archive, which is also in the Amsterdam City Archives, is very small, but the little it does contain is extremely interesting. Velters wrote all his letters in duplicate, among them many about share trading, and his letter books covering a long period, 1667 to 1710, have survived.

Finally the Archive of the Portuguese Jewish community in Amsterdam, similarly in the City Archives, contains many personal papers relating to buying and selling shares. They ended up in this archive because the synagogue looked after the estates left by many members when they died. Most of the estates date from after 1700, but the archive also contains some good documentation from before the turn of the century. Manuel Levy Duarte's papers are particularly important to research into the seventeenth century. Aside from his correspondence with Rodrigo Dias Henriques and a few rather chaotic journals of share transactions, there are some interesting items in boxes of loose documents. The contents of these boxes create the impression that when Levy Duarte died, someone gathered up all the papers lying around at his home and took them to the synagogue. In among the tax demands, receipts from tailors and cobblers, and notes about the rent that Levy Duarte received on his properties, there are many bills from brokers who had assisted in share transactions.

Court archives also contain a great deal of information about the trade in VOC shares. However, this data has to be approached with a good deal of caution. Court sources, by definition, only contain information about deals that went wrong, so very high-risk

transactions are probably overrepresented in them. I have therefore used data from court documents to supplement other sources and to discover the procedure when transactions ran into problems, not to reconstruct an overall picture of share trading.

At the start of a dispute, share traders went to a notary to issue a writ advising the other party of their position and the claim they were bringing. It is no coincidence that the vast majority of the writs relating to share trading date from the years when there were major fluctuations in the VOC share price. This was because significant price movements meant that one of the parties to a bargain had suffered a substantial loss, and this increased the chance of a dispute.

The archives of the notaries with practices in Amsterdam, which contain protocols during the period from 1578 to 1915, are enormous. The building on Vijzelstraat has over two miles of shelving. Seventeenth-century notaries only account for a part of this huge mountain of paper, but even so there is far too much for a single researcher to sift through. Fortunately there is a card index of summaries of writs, classified by keyword. I seized on these index cards with gratitude, but for the period after 1630 the number of cards drops off dramatically, and any notion of system seems to have disappeared from the organization of the collection. So for the years 1672 and 1688—very turbulent times on the exchange and thus years with way above average numbers of notarial instruments concerning share trading disputes—I systematically went through the protocols of the notary who specialized in financial deeds in this period. In 1672 Adriaen Lock, whose office was next door to the exchange, was the notary who took care of the lion's share of the deeds, and this role was taken over by Dirck van de Groe in 1688. I also requested a few protocols for other years in order to check that I was not missing too many writs, but they contained so little information about trading shares that it was not worth studying them systematically.

If a writ achieved nothing and the parties did not reach agreement, traders could go to the Amsterdam aldermen's court. The

civil law part of this court's archives has not survived. The papers were destroyed when the court had to move out of the town hall in Dam Square when Louis Bonaparte moved in and the town hall became a palace. As a result, little if anything remains of the many court cases between share dealers. If the parties concerned did not agree with the judgment of the aldermen's court, they could lodge an appeal with the Supreme Court of Holland. Share traders frequently undertook the journey to The Hague to obtain the opinion of the justices of the Supreme Court of Holland, particularly during the first half of the seventeenth century, when there was as yet no clear jurisprudence about every aspect of share trading.

Virtually the whole of the Supreme Court of Holland's archives are in the National Archives in The Hague. The cases heard by this court are indexed only by the names of the litigants. I looked up in the index all the known names of share dealers—by which I mean the names of people who were known from other sources (the VOC's capital accounts, family archives, the notarial archives) to have bought and sold shares—and all names sounding Portuguese. I then searched for the written judgments of the cases in which these people were a party. These written judgments contain a record of both parties' arguments, in which there was also always a note of the aldermen's court's opinions, any reply and rejoinder, and the judges' decision. Generally speaking the ruling only tells you which claims were allowed, which claims were denied, and who had to pay the legal costs. The judges' reasons remained secret.

After every case, the Supreme Court of Holland kept the documents submitted by the parties in the case concerned in a bag. Normally speaking the parties received their part of the documentation in the court case after the judges had given their ruling. Now and again this did not happen, and these bags of documents can now be found in the civil case document collection in the Supreme Court of Holland's archives. We usually do not know why the document bag was not collected, but it could well be that

the parties simply could not be bothered to travel to The Hague yet again to fetch it. Whatever the reason, there are a few bags of documents relating to cases involving a dispute about share trading. The printed contract for a futures transaction between Willem Muijman and Philips de Baccher, reproduced in this book, came from one such bag. Each party had submitted his half of the contract as proof. In the photograph, the two halves have been placed one above the other.

After the judges of the Supreme Court of Holland had issued their judgment, the parties had the right to lodge an appeal with the Supreme Court of the Republic. This court's archives are also nearly complete, and the index is similarly limited to a list of names. Here I repeated the procedure of looking up the written judgments in the cases where the names of both parties were known.

I have modernized the sums of money quoted in this book. In the Republic the guilder was divided into twenty stivers (five-cent pieces). One stiver was worth sixteen pennings. The Flemish pound was also frequently used as a monetary unit. One Flemish pound was equal to six guilders. In this book I have converted everything into guilders, where each guilder has a hundred cents. Seventeenth-century sources tell us, for example, that the VOC bookkeeper received a fee of twelve stivers for a share transfer. Converted into guilders of a hundred cents, this was sixty cents. Finally I have used the modern names of streets, canals, and squares that now have names different from those in the seventeenth century. The house numbers in this book refer to the present situation.

I did not do my research into the trading of VOC shares in complete isolation. On the contrary, many people were involved to a greater or lesser degree. I would like to take this opportunity to thank a few of them. Leo Noordegraaf and Clé Lesger, my supervisor and co-supervisor at the University of Amsterdam, helped me set up the research, oversee it, and bring it to a successful conclusion. Oscar Gelderblom and Joost Jonker, two economic

historians at Utrecht University, were closely and constantly involved in my research and made very useful comments on my academic texts. I acquired a better understanding of seventeenth-century financial markets during my many discussions with Peter Koudijs. Cátia Antunes helped me by deciphering and translating letters written in Portuguese by Manuel Levy Duarte and Rodrigo Dias Henriques.

As I was writing *De bakermat van de beurs*, Ine Soepnel from Uitgeverij Atlas and her husband read my efforts critically. Cherelt Kroeze from the Capital Amsterdam Foundation made some comments on the text. Lynne Richards translated the book into English. Comments on the manuscript were also made by Eva Thompson, who deserves a special mention here for other reasons too.

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Notes

1. A World-Famous Book

1. See the glossary at the back of the book for explanations of financial terminology.

2. Joseph Penso de la Vega, *Confusión de confusiones. Portions Descriptive of the Amsterdam Stock Exchange* (1688), ed. and trans. Hermann Kellenbenz (Boston: Harvard Graduate School of Business Administration, 1957), 22. The original book in Spanish and its translation into Dutch can be found at http://www.dbnl.org/tekst/vegao02confo1_01/. The Kellenbenz translation can be found at <http://babel.hathitrust.org/cgi/pt?id=uc1.32106019504239;view=1up;seq=13>.

Quotations in English are taken from Kellenbenz, where they exist, and the appropriate page number is given; the title is given as *Confusion*. Where Kellenbenz did not translate a section, the Dutch version has been translated into English by the translator of the present book. The page numbers in these cases refer to the Spanish original, and the title is given as *Confusión*.

3. M. F. J. Smith, "Inleiding," in Joseph Penso de la Vega, *Confusión de confusiones* (1688), ed. M. F. J. Smith (The Hague: Martinus Nijhoff, 1939), 1–47.

4. German edition: Joseph Penso de la Vega, *Die Verwirrung der Verwirrungen: vier Dialoge über die Borse in Amsterdam* (1688), ed. and trans. Otto Pringsheim (Breslau, 1919); English edition: Penso de la Vega, *Confusion*, ed. and trans. Kellenbenz.