

Podcast "Amsterdamse Handelsgeest" (Amsterdam's Trading Culture) - From the Golden Age to Now

Episode 3: Amsterdam as the Cradle of the Stock Exchange: A Conversation on the VOC and Mergers

Welcome to "Amsterdamse Handelsgeest" (Amsterdam's Trading Culture), a podcast that refers to Amsterdam's historical tradition of entrepreneurship, innovation, and pragmatic trading that has driven its success as a hub of global commerce. In this 3rd episode of Amsterdam's Trading Culture, Hidde Bruinsma, lawyer and podcast creator, discusses with historian Lodewijk Petram, author of *De Bakermat van de Beurs*, and Wouter Helder, lawyer-partner at Lexence and specialising in mergers and acquisitions, how the VOC and the stock exchange originated in Amsterdam. They discuss the role of the pre-companies, the founding of the VOC and how share trading developed.

Hidde Bruinsma: Lodewijk Petram, we heard in the introduction that the VOC is considered the world's first multinational. But before the VOC was founded, there were so-called pre-companies. What kind of organisations were they?

Lodewijk Petram: You can think of the pre-companies as small shipping companies. Entrepreneurs from cities like Amsterdam gathered capital from investors within their network. These companies built ships, sent them to Asia to get spices such as pepper and nutmeg, and were then dissolved. Proceeds were distributed to the investors. It was a temporary structure, typical at the time.

Hidde Bruinsma: A temporary structure sounds very different from how companies operate today. Wouter Helder, do you see such an approach today?

Wouter Helder: Not in the same way. Nowadays, companies have a long-term strategy. The idea of a company being dissolved after one project is more like working on a project basis. But you don't build much value with it, which is precisely what is essential for modern companies.

Hidde Bruinsma: Interesting. Lodewijk, what made the pre-companies eventually merge into the VOC?

Lodewijk Petram: This was done at the government's initiative. The pre-company units were small and fragmented, which was inefficient. Moreover, the Netherlands and Portugal, which controlled Asia, were at war. The States General wanted one large organisation that could both trade and display military power. So in 1602, the VOC was established, an entirely new company that any Dutchman could buy into.

Hidde Bruinsma: That sounds like a revolutionary idea. Where did that registration take place?

Lodewijk Petram: In Amsterdam, that happened in a house on the Nes. People could register there in a big book, indicating how much they wanted to invest in the VOC. This was unique for the time. It was actually an early version of an IPO, as we know it today.

Hidde Bruinsma: Wouter Helder, when you look at this amalgamation of the pre-companies into the VOC, can you compare that to a modern merger?

Wouter Helder: Not quite. In a merger, the parties involved often take over aspects of each other, but here a completely new company was created. It is more like an acquisition where the old structures were liquidated. What is similar is that with a merger or acquisition, you often get more clout, which was the intention at the time.

Hidde Bruinsma: How important is it for companies today to collaborate or merge?

Wouter Helder: It depends on the situation. In some cases, smaller parties choose to cooperate through a cooperative, which is similar to what happened back then. But if we look at modern mergers, for example in the midmarket where I work, it is often about companies that want to strengthen or expand their market position. It is then all about strategic advantages.

Hidde Bruinsma: Lodewijk, the VOC also introduced something totally new: freely tradable shares. How did that trade develop?

Lodewijk Petram: Shares could initially be traded anywhere, but eventually concentrated on the Nieuwe Brug in Amsterdam, near today's Damrak. That became the stock exchange location. The idea of freely tradable shares was revolutionary at the time.

Hidde Bruinsma: Wouter Helder, what is the function of a stock exchange today, especially compared to companies that are not listed?

Wouter Helder: A stock exchange offers companies a platform to raise capital and increase visibility. But in the midmarket, companies often operate without a stock exchange listing. Here, it's more about private equity and strategic acquisitions. What is similar, however, is that both then and now, valuation and trust in the market are crucial.

Hidde Bruinsma: Lodewijk, you mentioned that the VOC did not immediately apply the dividend payout model, which led to turmoil. Why was that?

Lodewijk Petram: The VOC invested its profits directly in expansion, such as forts and ships. This was different from the pre-companies, where shareholders received their profits directly after an expedition. The lack of dividends caused discontent at first.

Hidde Bruinsma: Wouter, how does this kind of challenge play out in modern times?

Wouter Helder: In my practice, investor trust is crucial. Just as the VOC had to build it, companies today want to offer transparency. This is all about valuation and strategic communication with investors.

Hidde Bruinsma: Fascinating how certain concepts persist, even centuries later. That brings us to the end of this episode of Amsterdam Commercial Spirit. Thanks to my guests Lodewijk Petram and Wouter Helder for their insights.