William Carr

CAPITALISM IN AMSTERDAM

In 1693, William Carr, the English consul at Amsterdam, wrote a travelers' guide to the leading cities of Holland, Flanders, northern Germany, and Scandinavia. Of these, the largest and wealthiest was Amsterdam in Holland. In less than a century, this once-small medieval city had grown to become the most important commercial port in the West and the center of European financial capitalism. In the following selections, Carr describes the products and items of trade that flowed through the hands of the Amsterdam merchants; the excerpts have been adapted, using modern language and spelling.

I now come to speak of Amsterdam, my home for several years, which I shall describe in more detail than I do other places. It is considered by intelligent men to be the second city in the world in the matters of trade and not inferior in wealth to any city. Certainly, Amsterdam is one of the most beautiful cities in the world; its buildings are large, and its streets for the most part are pleasantly planted with trees and neatly paved. And although, as I have already said, Amsterdam may justly be taken for the second or third city in the world after London and Paris, it has neither court nor university as they have.

Amsterdam, for the wise statesmen it has produced, is said to be a second Athens; others regard it as the storehouse of Europe, for it has such great stores of grain that it is able to supply many other nations. And second, it is known for the great stores of spices that are distributed all over Europe and the Indies by the East India Company. Third, it has an inconceivably great supply of war provisions, so that England and other countries purchase military supplies in Amsterdam. There are several shopkeepers in Amsterdam who can deliver arms for four thousand or five thousand men at a cheaper rate than can be obtained anywhere else; they can do this because of their great industry in controlling the market of products from iron works on the Rhine and other rivers that run into Holland. Fourth, Amsterdam has more stores of lumber for ship-building than can be found in any nation in the world; this is the reason why its neighboring town Sardam can build ships 20 per cent more cheaply than can be done in England or France. For this reason both France and Spain
buy ships in Holland. ... Fifth, Amsterdam ... supplies Europe and many places in the Indies with vermilion [a bright red dye]. ... Sixth, Amsterdam is the market from which the king of France [Louis XIV] bought marble for Versailles, the Louvre, and other palaces in France. There are such vast storehouses of marble in Amsterdam that one would think that there were marble quarries near the city gates. Seventh, Amsterdam has the most active bank in the world. ... There are many other points I could list to demonstrate the great riches and trade of Amsterdam, including the vast quantities of wines and brandy-wines that its merchants sell in northern Europe, from which they import hemp, pitch, and tar to sell to France, Italy, and Spain. They also control much of the marketing of Sweden's copper and iron.

Carr then describes the commercial trading system of the famous Dutch East India Company, which established trading posts in South Africa, the Persian Gulf area, India, Ceylon, Bangladesh, Indonesia, China, and Japan. (Although not mentioned by Carr, the Dutch West India Company conducted similar operations in the Caribbean and North America. The Dutch trading post of New Amsterdam at the mouth of the Hudson River would become the city of New York, the world center of finance capitalism in the twentieth century.)

... The East India Company of the Netherlands is said to be a commonwealth within a commonwealth, and this is true when you consider the sovereign power and privileges the company has been granted by the States General [the ruling council of the Dutch Republic] and also consider its riches and vast number of subjects, and the many territories and colonies it possesses in the East Indies. The company is said to have 30,000 men in its constant employ and more than 200 capital ships, in addition to its sloops, ketches, and yachts. The company possesses many colonies formerly belonging to Spain, Portugal, and various Indian princes, and as good Christians company members have spread the Gospel of Christ in these lands, printing the Bible, prayer books, and catechisms in Indian languages and maintaining ministers and teachers to instruct those that are converted to the faith. Having said that this company is so extensive—as it were a commonwealth apart—I will demonstrate that it is a commonwealth first by its power, riches, and strength in the East Indies, and second, by its position in Europe. ... But I will begin at the Cape of Good Hope [Africa] where the company has built a fort where it maintains a garrison to defend its ships when they stop there for fresh water. From there let us view the company on the island of Java, where it has built a fair city called Batavia and fortified it with bastions like those in Amsterdam. This city is the residence of the company's grand minister of state, called the General of the Indies. He has six privy counsellors (ordinary) and two extraordinary; they oversee the concerns of the company throughout the Indies, including matters of war and peace. ... The General of the Indies has horse and foot soldiers, officers, and servants—as if he were a sovereign prince—all paid for by the company. ... So formidable is the company in the East Indies that it looks as though it aims to rule the South Seas. It also has a great trade with China and Japan. ... With Persia also it has great commerce and is so confident that it wages war with the Persian monarch if he wrongs it in trade. It also has several colonies on the coast of Malabar and Coromandel [west coast of India] and in the country of the Great Mogul. ... But especially let us examine the company on the rich island of Ceylon [Sri Lanka] where it controls the plains, so the king of the island is forced to live in the mountains while the company possesses the city of Colombo. ... I will say no more of the company's power in the Indies, but let us examine its position in Europe. To begin with, in Amsterdam the company has two large stately palaces, one being in the old part of the city, and the other in the new; in the old part it keeps its court—where the Resident
Committee of the company sits—and sells the company's goods.

The most important institutional support for the growth of capitalism in Amsterdam was the merchants' exchange bank. Founded in 1609 under municipal supervision, it provided a safe, convenient depository for the coined money and bullion of its several thousand depositors, who included both foreign and Dutch merchants, kings, princely nobles, and governments. The bank allowed merchants to pay debts and receive payments from debtors by a system of bills of exchange or paper notes; for a fee, it provided customers with a daily statement of their accounts. Carr's description of the bank follows.

... The Merchants' Bank... is governed by divers commissioners, clerks and bookkeepers, and an assay-master who judges [the quality and value of] the gold and silver that at any time is brought into the bank uncoined. The security given for the bank's preservation are the States [the Dutch parliament] and Magistrates of Amsterdam. Now, if you have a mind to put money into the bank, perhaps 1,000 pounds sterling, more or less, you must go to the clerks and ask for a folio for your name, and then pay in your money at 3 or 4 percent [discount for the payee], according to whether the rate of the bank money is high or low. Or you may buy it of those called cashiers or brokers; then get the clerks to set down in the folio what you bring in. Having done so, you may draw this sum or sell it in what parcels you please, but then if you let your money lie seven years in the bank, you receive no interest for it. If you should ask me where the advantage is for the merchant? I would answer: first, you have your money ready at all times for answering bills of exchange and making other payments; you have no charge for bags [storage for coins] or portage [the cost of shipping coins or bullion], no loss by false tale or bad money [counterfeit or badly clipped], no danger from thieves or unfaithful servants or fire; and above all, you have the accounts of your cash most punctually and justly kept without any trouble and without running the risk of goldsmith or cashiers [going broke] in your debt. For such is [the commissioners'] care that twice a year, or sometimes oftener, they shut up the bank for fourteen days and all that have concerns there must bring in their accounts to the clerks, who a few days after, having viewed their books, acquaint any who have brought in wrong accounts about their mistakes, requesting them to return to their books and to rectify their errors... Besides the clerks' care in keeping and stating the accounts, the bank is obliged for five pounds a year to send to every merchant who desires it, their accounts every morning before Exchange-time, of the moneys written by them in the bank the day before upon any merchant's account, and what sums are written by others upon their accounts, so that the merchants may compare the bank's notes with their books and so save much of the charges of bookkeeping...

[Also],... the Magistrates of the city take out of the Merchants' Bank a sufficient amount of money to supply the Lumbert, a bank that lends out money and is governed by four commissioners... who have] officers who lend money [secured by any kind of collateral], from a pair of shoes to the richest jewel. This is a great convenience for poor people, yes, for merchants also,... and prevents the extraordinary extortion used by pawnbrokers in England, France, and other countries.

REVIEW QUESTIONS
1. What fiscal and organizational policies of the Dutch government contributed to Holland's economic success?
2. What factors made Amsterdam the first successful center of modern capitalism?