



What was the first company to issue stock? | Investopedia

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A. The Dutch East India Company undertook the world's first [IPO](#) and, therefore, became the first public company to issue stock. It also played an integral role in modern history's first market crash. The Dutch East India Company was formed in 1602 by a royal charter granting a 20-year [monopoly](#) on trade with the East Indies and sovereign rights in any newly discovered territories.

These incredible powers were given to a collection of merchant ships that were former competitors in the spice market. The merchants would form [limited liability companies](#) where investors would put up money for voyages in return for a percentage of the profits if voyages were successful. The problem was that the spice supply was unpredictable. Two ships arriving at once would cause a supply glut and drive down prices, hurting profits for both merchants and investors. To hedge against this, merchants banded together to form the Dutch East India Company (properly called the VOC) and essentially bribed the crown every 20 years to extend its charter.

Once the charter was taken care of, the merchants issued permanent shares in an ongoing enterprise - the first stock IPO - to raise capital to outfit a proper fleet. The VOC then used [bonds](#) to fund individual voyages and became the first multinational corporation when it set up headquarters in Asia.

From 1602 to 1696, the company paid a regular [dividend](#) that yielded 12% to 63%. In 1634, VOC ships carrying tulip bulbs set off the [tulip bulb craze](#) that resulted in a market crash. Despite a violent whipsaw in its share price - up 1,200% from the IPO price and back down to 300% from the IPO price - the company weathered the crash easily. At the height of its success, the VOC boasted 40 warships, 150 trading vessels, 10,000 professional soldiers, and many more employees and subjects. But time and competition erode all monopolies and such was the fate of the VOC. In 1800, just shy of its 200th year, the now destitute VOC formally was dissolved.

To read more on this subject, see [Early Monopolies: Conquest And Corruption](#).

This question was answered by [Andrew Beattie](#).

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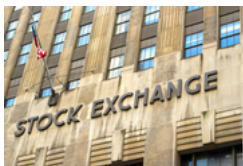
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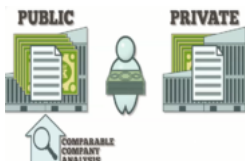
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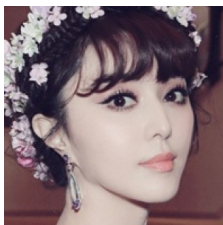


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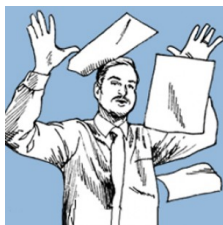
How An IPO Is Valued

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