



New Netherland Institute
Exploring America's Dutch Heritage

THE AMSTERDAMSCH E WISSELBANK

By Peter Douglas



A painting by Pieter Janszoon Saenredam (1597-1665) of the old town hall in Amsterdam where the Wisselbank was founded in 1609.

January 31, 2009, is the 400th anniversary of the founding of the Amsterdamsche Wisselbank (Exchange Bank of Amsterdam), and with it the idea of a national bank, modeled on such a bank in Venice, reached northern Europe. It was the first major public bank in Europe outside Italy. For most of the 17th century, until the founding of the Bank of England in 1694, its only northern counterpart was the Hamburg Bank, founded in 1619. The Wisselbank grew into the preeminent financial institution of the 17th and 18th centuries, and it received praise from Adam Smith in his *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776).

The Wisselbank was created to provide stability and to facilitate payments in Amsterdam's rapidly growing foreign trade. After the siege and fall of Antwerp in 1585 in the Eighty Years' War, more trade was handled by Amsterdam. In the early 17th century the Amsterdam municipal authorities, aware that commercial activity there was being hindered by the uncertainties created by the circulation of various currencies of differing quality, decided to take action. In 1609 the Wisselbank was established as a corrective action, the idea being to insulate foreign merchants from the degradation of domestic coins. Foreign merchants suffered when commercial credits were repaid with debased coins, and when foreign trade suffered, Amsterdam suffered. The Wisselbank protected

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foreign creditors by settling debts through the bank and offering depositors its own coins that were not debased. It was required to uphold a high level of stability by maintaining its reserves of coins and precious metals at close to 100 percent of its deposits. The bank did not make loans to the public but mostly operated as a service to merchants who were trading in different currencies. Its main contribution to banking innovation was a system of transfers by checks and direct debits similar to how it works now.

The Wisselbank's most vital feature was that it was a civic bank, not a privately owned or managed institution. Central to the bank's success was the strong political support that it enjoyed, and confidence in it rested on the fact that it was controlled by the burgomasters and guaranteed by the city. It was also protected by the power of the Dutch state. While private banks sought profit at every opportunity, the overall objective of the Wisselbank was to stabilize the monetary and banking system with a view to strengthening Amsterdam as a center for foreign trade. With its reputation for integrity it acted as a stabilizing influence by minting high quality coins that had a firm purchasing power. Its high creditworthiness and liquidity created great confidence. The bank attracted foreign and Dutch capital and boosted the Dutch national financial interests.

Because of the dominant position of Amsterdam in international trading, and the city's requirement that all payments exceeding a certain amount were to be settled via accounts in the Wisselbank, the bank's clearing and settlement system quickly gained a dominant position in international payment systems. By the late 17th century the Amsterdamsche Wisselbank was one of the biggest commercial banks in existence, and its notes of exchange were recognized as valid tender everywhere.

The Wisselbank retains a place in history because it proved to be the key to the success of the 17th century Dutch economy. It provided the motive power by providing credit to the city of Amsterdam (which also derived considerable revenue from the bank), and to the Province of Holland. One of its great achievements was the furthering

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of trade through its heavy financing of the Dutch East India Company; this was founded in 1602 and developed into the world's largest commercial enterprise in the 17th century. In safeguarding a working credit system the Wisselbank thus became a critical component of Dutch power throughout the "Golden Age" of the Netherlands. It became a model for similar institutions in Middleburg (1616), Delft (1621), and Rotterdam (1635), as well as abroad. The role of the Wisselbank diminished after 1650; this was because London took over Amsterdam's position in international trade, and because the ban on private banks was lifted, after which private banks regained their share of payment handling. However, the Wisselbank's success continued well into the 18th century even after Amsterdam's ascendancy came to an end. It survived until 1819, having provided the Republic with over a century of stable prices—then as now, an enviable accomplishment.