

Geneva and Amsterdam: the exchange bank and the bills market

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In the seventeenth century and for much of the eighteenth, Amsterdam held first place among the financial centres of Europe. Early in the seventeenth century the city had created a municipal exchange bank, which received deposits of coin and kept accounts in a stable bank money in which bills of exchange were settled.¹ This bank money, protected against the debasement of specie, inspired a confidence that drew merchants and bankers from all over Europe. Amsterdam thus became the centre of international payments and the principal market for commercial bills.

Geneva's merchants and capitalists used the Amsterdam market for several kinds of business. They settled bills of exchange there, placed funds in the loans issued by foreign states and by companies, and maintained correspondents who kept them informed of prices and news. The Amsterdam houses, several of which were of Huguenot origin, acted as intermediaries between the capital of Protestant Europe and borrowers from the whole world.²

Amsterdam's pre-eminence declined at the end of the eighteenth century under the combined effect of wars, financial crises and the rise of London. The war against England in the early 1780s, followed by the French invasion of 1795, weakened the centre lastingly.³ Capital and talent moved to London, which in the nineteenth century became the leading financial centre in the world.

The case of Amsterdam is a reminder of how much the standing of a financial centre depends on a reliable payment infrastructure. The Amsterdam bank money foreshadows modern payment systems, in which confidence rests on an institution capable of guaranteeing the value of balances and the settlement of transactions. The Swiss financial centre today has an interbank payment system run under the aegis of the National Bank, which performs a comparable function.⁴ The decline of Amsterdam

also shows that no pre-eminence is ever final once wars and political change alter the geography of financial flows.

1 Notes

1. Wikipedia (en), “Bank of Amsterdam”: a bank “established in 1609” by the city of Amsterdam, the first public bank to offer accounts not directly convertible into coin; bank money (the bank guilder), transfers by book entry, agio of 4 to 5 per cent; “the Dutch guilder was a de facto reserve currency in Europe in the 17th and 18th century”; insolvency recognised in 1790, taken over by the city in 1791, liquidated in 1819. ↩
2. Wikipédia (fr), article “Hope and Company”: a house founded in Amsterdam in 1762, descended from a family of Scottish and Picard origin whose Archibald II (1698-1734) had established the Amsterdam branch, specialising in the negotiation of government loans and intergovernmental transactions, “one of the most important financial firms in Europe” from the late eighteenth to the mid-nineteenth century; it took part with Barings in financing the Louisiana Purchase, supported French public finances during the crisis of 1805 and launched with Barings, in 1816, the first major Russian loan; the family branches in Rotterdam, Amsterdam and London operated as a network. ↩
3. Wikipedia (en), “Fourth Anglo-Dutch War”: a war from 1780 to 1784, arising from the supply of arms and munitions to the American insurgents by Amsterdam merchants and from trade via Sint Eustatius; “the war proved a disaster for the Netherlands, particularly economically”; political instability leading to the Batavian Republic after the intervention of the French revolutionary armies in 1795; Wikipedia (en), “Bank of Amsterdam”: failure of the Dutch East India Company after the war. ↩

4. Swiss National Bank, “Le système de paiement Swiss Interbank Clearing (SIC)” [The Swiss Interbank Clearing (SIC) payment system] (snb.ch): Switzerland’s central payment system, operated by SIX Interbank Clearing Ltd on behalf of the SNB, in service since 10 June 1987, processing large-value and retail payments in francs; a systemically important infrastructure subject to the CPMI-IOSCO principles. ↩

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