

La Banque d'Amsterdam et le florin européen au temps de la République néerlandaise (1610–1820) [The Bank of Amsterdam and the European Florin under the Dutch Republic (1610–1820)]. By *Lucien Gillard*. Paris: Editions de l'Ecole des Hautes Etudes en Sciences Sociales, 2004. 420pp. Notes, bibliography, figures, tables. Paper, €36.00. ISBN: 2-713-22014-9.

Reviewed by Joël Félix

This important book is the sequel to Lucien Gillard's earlier monograph (coauthored with Marie-Thérèse Boyer-Xambeu and Ghislain Deleplace), *Private Money & Public Currencies: The 16th Century Challenge* (1994). The earlier work explored the growth and crisis in Renaissance Europe of an international monetary system organized around merchant-bankers who fixed, through fairs, the rate of exchange between various places. The merchant-bankers accordingly initiated a lucrative traffic in bills of exchange that perpetuated, in the process of transferring international payments, the asymmetry between the official and the market price of currencies in the fragmented and competitive monetary spaces of emerging nation states.

In *La Banque d'Amsterdam*, Gillard seeks to provide a theoretical model for the development of a new international monetary system in seventeenth- and eighteenth-century Europe, centered at this stage on the Bank of Amsterdam and two financial instruments, the *agio* and the *receipt*, that gave to the Bank's own money of account (the *banco guilder*) such financial and metallic stability that it became, de facto, the European money of account. Hence, the willfully anachronistic mention in the title of *le florin européen* (or euroguilder). Gillard's approach draws upon, and formalizes, the insights of Jan de Vries and Ad van der Woude in *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (1997). These two authors suggested that the Wisselbank, originally established in 1609 by the municipality of Amsterdam to remedy monetary confusion by providing a strong currency for Dutch international trade, played a central role in the development of the European economy, that of a clearinghouse. This role, which could not be anticipated from its original charter

and was not clearly understood by contemporaries because of a certain opacity about the Bank's activities (in particular the size of its reserves), has long been denied by economists. Following in the footsteps of Karl Marx, they have condemned the archaism of an institution that was seen as a private giro bank for merchants who used it to squirrel away their accumulated wealth.

The reader who is already familiar with the author's research will recognize a fascinating and thought-provoking methodology that relies on the history of economic practices and economic thought, economic models, and macroeconomic data to plug the gaps in the complex history of the international payment and banking system. To understand Gillard's main conclusions, one needs to realize that the creation of the Bank of Amsterdam gave birth to a unique monetary system in which two monies of account cohabited: the banco guilder (an international bank money accessible to big merchants only, since the city of Amsterdam required that all payments of six hundred guilders and above should be made in this money of account), and the national guilder. From 1621 onward, the banco guilder carried a variable premium—the agio—over the guilder. The three elements—banco guilder, guilder, and agio—worked together, according to Gillard's model, like a “hydraulic system” or a system of locks that blocked the impact on both currencies of external and internal economic fluctuations. There was a dramatic run on the Bank's reserves when French troops approached dangerously close in 1672. But by surviving this crisis, the Bank managed to solidify the reputation of the banco guilder. Its status was further enhanced by a crucial decision of the Bank of Amsterdam in 1683. In response to pressures from local merchants who wanted the Bank to make use of its reserves for discounting, the directors agreed to take money deposits in exchange for credit in banco guilders and/or receipts representing the intrinsic value of the metal (gold or silver). These receipts were promissory notes, which could be sold and bought (to access bullion) and then reclaimed (or renewed) six months later at the same price (minus a small tax), thereby allowing speculation in the price of precious metal. One of Gillard's main contributions in this book is his use of macroeconomic data, in particular on the price of silver and gold in Paris and London, the fluctuation of the agio, and the evolution of the financial assets of the Wisselbank, to demonstrate that the directors used the agio and the receipt (in a monetary system whose rates of exchanges

were now governed by fluctuations in the market price of gold and silver) to protect the Bank's own money of account, which was always overvalued. In other words, the Bank of Amsterdam had developed the tools to act as a central bank without creating paper money or guaranteeing the system of payments in the United Provinces.

This book will certainly remain a classic history of the Bank of Amsterdam and the European monetary system in the Golden Age of the Dutch Republic. Although Gillard clearly explains his methods and the concepts or models he uses, the last chapters on the external and internal value of the guilder remain highly theoretical, require an intense effort of concentration to follow their exposition, and may sometimes appear to be too narrowly focused, despite excursions into French and British macroeconomics. While the business historian will find useful data on the monetary history of the United Provinces, Britain, and France, he or she may regret that Gillard's impressive work relies solely on French and English printed literature, and that the crisis of the banco guilder, identified in the erratic fluctuations of the agio that began in 1780, is not developed enough. Here some archival research would have aided the author in exploring the causes of the collapse of a monetary system that he has identified as providing the underpinning of earlier Dutch economic success. Finally, the historian of economic thought will enjoy a book—in particular chapters two and three—that illuminates monetary mechanisms by relying on the economic literature of the time (including, among many other economists quoted, Charles Dutot, Sir James Steuart, Isaac de Pinto, and Montesquieu). For, as Gillard reminds us, the criticism of mercantilism and the development of political economy in the eighteenth century owe a lot to debates about the features of the Dutch economy.

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