

The Rise and Decline of the Bank of Amsterdam Guilder as a Credible Reserve Currency

For much of the Early Modern Period, the Bank of Amsterdam guilder was the most credible money in Europe. This paper presents the historical sequence of threats to the bank guilder and the institutional responses. Particular attention is paid to the early 1680s when the Bank of Amsterdam moved from a general right of withdraw to a specific right. Called a receipt, the specific right was an option contract distinct from the bank guilder. We argue that by making receipts transferable, the Bank of Amsterdam contained the threat of runs and stabilized the bank guilder's exchange rate. The new found credibility increased the long-term demand for bank guilders, and promoted the seasonal flows of metal through the bank. To substantiate our claims, the paper presents a new data that measures changes in the bank guilder money supply. The paper closes with how the system worked well until excessive lending to the Dutch East India Company in the 1780s undermined the bank guilder's credibility.

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