

BOOK REVIEW

Wim Vanthoor, *The King's Eldest Daughter: A History of the Nederlandsche Bank 1814-1998*, Uitgeverij Boom, Amsterdam, 2005, 408 p. EUR 29.50 (ISBN 9085062004 PB). Dutch version: *De Nederlandsche Bank 1814-1998: Van Amsterdamse kredietinstelling naar Europese stelselbank*, Uitgeverij Boom, Amsterdam, 2004, 340 p. EUR 32.50

The Nederlandsche Bank, the Dutch central bank, is one of the world's older central banks. Even if its roots do not go as far back as those of Sveriges Riksbanken or the Bank of England, the Bank will nevertheless celebrate its second centenary in a few years' time, in 2014. In the course of the 20th century, a number of histories of specific subperiods have been published by the Bank. These are not only quite detailed, totalling over 5,000 pages, but also follow different approaches. The first one, covering the Bank's first half century, for instance contains no less than 600 pages of official documents,¹ whereas in the latest one, on the 1948–1973 period, these have no more than 20 pages devoted to them.² In line with this difference, the latest of those histories pays more attention than the first one to the organisation of the Bank and to discussions in society at large on the Bank's role. The various volumes on the subperiods are, unavoidably with publication dates as far as 70 years apart, quite disparate. A concise history covering nearly the whole period since the Bank's start and following a uniform approach is therefore a most welcome addition to the literature. One might wonder why the Bank could not wait till its second centenary, but the year 1998 is a natural dividing line, as it marks the end of the Dutch guilder as a separate currency. After 1998, the role of the Dutch central bank, as part of the European System of Central Banks, became fundamentally different than in the first 185 years of its existence.

Mr Vanthoor's *Leitmotiv* is the way the Bank developed into a bankers' bank and lender of last resort. The process is sketched against the background of changes in the financial industry and of developments in the Dutch economy in general. Special attention is given to the interaction between the Bank and the Dutch government. In particular, the recurring, and often successful, attempts by the Government to reserve itself the right to give the Bank instructions are highlighted. Vanthoor shows that nearly from the word go tensions ran high every now and again. Comparisons with other countries are frequently made. We find, for instance, a discussion of the remarkable fact that the Netherlands were more or less unique in having no other note-issuing banks besides the Nederlandsche Bank. Also, the

1 A.M. de Jong, *Geschiedenis van de Nederlandsche Bank; Eerste deel: De Nederlandsche Bank van 1814 tot 1864*, 2 volumes, De Nederlandsche Bank, Amsterdam 1930.

2 M.M.G. Fase, *Tussen behoud en vernieuwing: Geschiedenis van de Nederlandsche Bank 1948–1973*, Sdu Uitgevers, The Hague 2000.

question why countries all over Europe felt the need for a central note-issuing institution in the 19th century is touched upon. The Netherlands by the way took quite long to embrace banknotes. One of the causes, as explained by Vanthoor, was the high value of the lowest denomination, 25 guilders. Given that the average workman would consider himself fortunate if he brought home more than 10 guilders a week, this all but precluded households from using banknotes. The business community was also averse to paper money. Only after the introduction of the silver standard in 1847 and the consequent withdrawal of gold coins did the demand for banknotes rise.

Vanthoor notes that Holtrop, the Bank's governor from 1946 to 1967 (a list of the Bank's governors is sorely missing), was almost alone among his colleagues at the BIS in being well versed in monetary theory. The other central bank governors were at times unable to understand what he was talking about. His successor Zijlstra had a similar experience when Minister of Finance in the same period.³ Apparently, in those years professionalism was not everywhere a prerequisite for a job at the financial commanding posts of the economy.

One interesting strand in Vanthoor's story is the development of the payments system. A first attempt at organising a clearing system was made at the Rotterdam branch office of the Bank in 1879. This functioned for 10 years only, and it took till 1910 before the Bank again offered the commercial banks clearing facilities, again in Rotterdam. The Dutch clearly were laggards: a clearing house had already been established in London in 1773. Amsterdam did not follow till 1917. Vanthoor is mildly critical of the Bank's lack of initiative in facilitating domestic cashless payments during the 1960s and early 1970s. Nor does he deem criticisms of, among others, the Bank's relative inactivity during its first half century, its staying aloof from the monetary debates during the 1930s, its conduct during the Second World War and its supervisory role in a couple of bank failures always unjustified, but his overall verdict is that the Bank, in his words, "has performed its task as 'guardian of the guilder' properly."

Inevitably, in a work with such a wide scope one differs with the author at times. One could, for instance, point out that H. Thornton, who Vanthoor notes was credited by a French historian with coining the term 'central bank',⁴ was not just an MP and businessman, but a banker, one of the leaders of the abolitionist (anti-slavery) movement, the driving force behind a number of NGOs and a first-class monetary theorist. Not immaterial to Vanthoor's *Leitmotiv*, Henry Thornton was in fact the first important writer to emphasise the role of the central bank as a lender of last resort. Further, it does not seem correct that the British wanted a floating exchange rate system at Bretton Woods, as Vanthoor would have us believe. Fore-shadowing the final IMF *Articles of Agreement*, Keynes' plan for an International Clearing Union included a fixed-but-adjustable peg system, with the possibility of parity changes only under strict conditions. Elasticity pessimism was too widespread

3 Cf E. van Lennep and E. Schoorl, *Emile van Lennep in de wereld-economie*, Stenfert Kroese, Leiden/Antwerpen, 1991, pp. 71–72.

4 But where? It is true that Thornton developed the modern view of the functions of a central bank, but I cannot find the term itself in Thornton's *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* nor in his House of Commons testimonials. The first reference to 'central bank' in the Oxford English Dictionary is from 1866.

for anyone in Britain, apart from Lionel Robbins, to believe that exchange rate fluctuations could ensure equilibrium in the foreign exchange market.⁵ And a pity something seems to have gone wrong in Table 2.7. But in the context of Vanthoor's narrative, these objections are really neither here nor there, and on other points, such as the discussion whether the shift from bimetallism to the gold standard in the 1870s was inevitable, he is completely up to date. He admirably succeeded in transforming a vast wealth of historical material into a well-structured and well-reasoned story. His book fills a gap in the literature and provides a lively and eminently readable account of the Bank's history that should be accessible to non-economists too.

Hans Visser

5 See the extensive discussion of the development of the British plans in the third volume of Skidelsky's epoch-making Keynes biography; R. Skidelsky, *John Maynard Keynes: Fighting for Freedom, 1937–1946*, Macmillan, London 2000.