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### **Eco. 303Y1: The Economic History of Modern Europe to 1914**

#### **Topic no. 9: Banking and the 'Industrial Revolution': A Comparison of Dutch and British Financial Institutions in Promoting Economic Growth, 1660 - 1815**

##### **A. General Readings:**

- \* 1. Ralph Davis, Rise of the Atlantic Economies (London: 1971), chapter 14: 'Capital, Credit, and Financial Institutions,' pp. 231-49.
2. Geoffrey Parker, 'The Emergence of Modern Finance in Europe, 1500-1750,' in Carlo Cipolla, ed., Fontana Economic History of Europe, Vol. II: 16th & 17th Centuries (London, 1974), pp. 527-94.
3. Charles Kindleberger, A Financial History of Western Europe (London, 1984), chapters 2, 3, 5, 9.
- \* 4. Larry Neal, The Rise of Financial Capitalism: International Capital Markets in the Age of Reason (Cambridge and New York: Cambridge University Press, 1990).

##### **B. Banking and Finance in the Netherlands: 17th and 18th Centuries**

- \* 1. J.G. Van Dillen, 'The Bank of Amsterdam,' in J.G. Van Dillen, ed. History of the Principal Public Banks (Hague, 1934), pp. 79-124.
- \* 2. Charles Wilson, Anglo-Dutch Commerce and Finance in the Eighteenth Century (Cambridge, 1941; reprinted 1966), chapters 3-7, especially pp. 79-87, 103-08, 137-66.
- \* 3. Violet Barbour, Capitalism in Amsterdam in the Seventeenth Century (Johns Hopkins, 1950), chapter 2: 'The Exchange Bank of Amsterdam;' and chapter 6, 'Loans and Investments Abroad.'
- \* 4. Jan De Vries and Ad Van der Woude, The First Modern Economy: Growth, Decline, and Perseverance of the Dutch Economy, 1500 - 1815 (Cambridge, 1996), pp. 81-158.

##### **C. Banking and Finance in Great Britain: 1660 - 1815**

- \* 1. R.D. Richards, 'The First Fifty Years of the Bank of England, 1694-1744,' in J.G. Van Dillen, ed., The History of the Principal Banks (London, 1934), pp. 201-72.
- \* 2. John Clapham, 'The Bank of England in the Eighteenth Century,' in F.C. Lane and J.C. Riemersma, ed., Enterprise and Secular Change: Readings in Economic History (London, 1953), pp. 350-9.
- \* 3. David M. Joslin, 'London Private Bankers, 1720-1785,' Economic History Review, 2nd ser. 7 (1954), in E.M. Carus-Wilson, ed., Essays in Economic History, Vol. II (London, 1962), pp. 340-59.

4. M.C. Lovell, 'The Role of the Bank of England as Lender of Last Resort in the Crises of the 18th Century,' Explorations in Entrepreneurial History, 9 (1957).
- \* 5. R.D. Richards, The Early History of Banking in England (London, 1958), chapters 1, 2, 5, and 6.
- \* 6. Charles Wilson, England's Apprenticeship, 1603-1763 (London, 1965), chapter 5, 'Public Finance'; and Chapter 10: 'The Pyramid of Debt and Credit.'
- \* 7. P.G. M. Dickson, The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756 (London, 1967), chapters 1-3, 11-14, 20.
- \* 8. Rondo Cameron, ed., Banking in the Early Stages of Industrialization (London, 1967), Introduction and chapter 2: 'England, 1750-1844' (by Rondo Cameron).
9. Alice Carter, Getting, Spending, and Investing in Early Modern Times (Assen, 1975), essays nos. 2, 3, 5, 6, and esp. no. 10: 'The English Public Debt in the Eighteenth Century,' pp. 123-41.
- \*10. Michael Collins, Banks and Industrial Finance in Britain, 1800 - 1939, Studies in Economic and Social History (London: Macmillan, 1991).
11. Moshe Buchinsky and Ben Polak, 'The Emergence of a National Capital Market in England, 1710 - 1880,' The Journal of Economic History, 53 (March 1993), 1 - 24.
- \*12. Larry Neal, 'The Finance of Business During the Industrial Revolution,' in Roderick Floud and Donald McCloskey, eds., The Economic History of Britain Since 1700, 2nd edition, Vol. 1: 1700-1860, pp. 151-81 (Cambridge 1994).
- \*13. Elise S. Brezis, 'Foreign Capital Flows in the Century of Britain's Industrial Revolution: New Estimates, Controlled Conjectures,' Economic History Review, 2nd ser., 48:1 (February 1995), 46-67.; and R.C. Nash, 'The Balance of Payments and Foreign Capital Flows in Eighteenth-Century England: A Comment,' and Elise S. Brezis, 'Did Foreign Capital Flows Finance the Industrial Revolution? A Reply,' The Economic History Review, 2<sup>nd</sup> ser., 50:1 (February 1997), 110-32.

### QUESTIONS:

1. What role did financial institutions, both public and private, play in financing modern European economic growth in general, and modern industrialization in particular?
2. How and why did the Dutch come to acquire and exercise financial hegemony in the European economy during the 17th and 18th centuries; and how and why did they come to lose that financial leadership to Great Britain during the Industrial Revolution era? Were the fundamental causes of that shift in financial power endogenous or exogenous to the Dutch economy? What role did the chief public bank, the Wisselbank [Exchange Bank] van Amsterdam play in facilitating these functions and in promoting growth in the Dutch economy; and what role did it play in the Dutch decline?
3. For the British economy of the later 17th and 18th centuries, explain the evolution of private banks and banking institutions from the 1660s: in particular, the 'goldsmith banks' and their use and

development of negotiable credit instruments, discounting, and bank note issues (paper money).

4. Explain the origins and development of the Bank of England from 1694; and explain how and why it fundamentally differed from the Wisselbank van Amsterdam as a public bank and a government banker. What role did the Bank of England play, in terms of its relative strengths and the relative weaknesses of the Wisselbank, in securing financial hegemony for Great Britain by the late 18th century. What role did the Bank of England play in organizing and developing the structure of Britain's public debt, particularly in the form of negotiable, transferable annuities?
  
- 5 Explain the emergence of so-called 'country banks' in England, along with the first phase of the Industrial Revolution era? What specific roles did British banking institutions serve in financing and promoting the development of modern industrialization, and why did they do this so much more successfully than the Dutch institutions? Explain the differences between English and Scottish banking; and why the latter was more effective, up to the Bank Act of 1825.