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Revised 20 December 2002

Economics 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

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A. General Readings: on Early-Modern European Banking and Financial Institutions

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QUESTIONS FOR DISCUSSION AND ESSAYS:

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?
3. What role did political and military factors, in particular the international warfare of the 18th and early 19th centuries play in that shift of financial and economic power from the Netherlands to Great Britain, especially after c.1760?
4. For the Dutch economy in particular, explain the relationship between the Dutch acquisition of commercial supremacy, above all supremacy in shipping and the European carrying trades, and their achievement of financial supremacy. What role did their banking and financial institutions play in financing their own shipping trades, commerce, and European commerce in general during the later 17th and 18th centuries.
5. 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?
6. What was the Dutch Bourse [Beurs], and what financial role did it play, especially as an international exchange centre or market for commodity 'futures', stocks in joint-stock companies, and government securities (*rentes* or annuities)?
7. What role did all these Dutch financial institutions play in helping to develop modern negotiable credit instruments and the use of 'bank moneys'? Why did these Dutch financial institutions fail to play any significant role in financing Dutch industrialization: in other words why did the Dutch, with financial and commercial supremacy, fail to achieve or inaugurate an Industrial Revolution?
8. 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).
9. 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.
10. 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? Explain the importance of the consolidation of the British public debt in 1749-52: 'Pelham's Conversion' and the 'birth of the consols'. What role did the Bank of England play during the French Revolutionary and Napoleonic Wars, 1792- 1815: in essence, in helping to 'finance both guns and butter'. What was

the significance of the financial events of 1797: in radical changes in Bank rediscounting and in the issue of the 'paper pound'?

11. 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?
12. Explain the nature of and differences between partnership or family banks and joint-stock banks, in both England and Scotland; and analyse the crucial differences between English and Scottish banks in financing the Industrial Revolution. Why were Scottish banks so much stronger than the English 'country banks'? What was the significance of English banking legislation in the 1820s, in allowing English banks to acquire some of the stronger and more efficient features of Scottish banking?

See also the related topics on: Mercantilism: Money, Economic Nationalism, and the State in Early-Modern Europe (no. 2); The Economic Decline of the Netherlands in the Eighteenth Century: Cause or Consequence of the British Industrial Revolution? (no. 3); The Causes of the British Industrial Revolution, 1750-1830: Exogenous or Endogenous? (no. 5); and Warfare and the Industrial Revolution in Western Europe, 1760 - 1815 (no. 6).