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978-1-107-03901-8 - Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism

Edited by D'Maris Coffman, Adrian Leonard, and Larry Neal

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## Questioning Credible Commitment

Financial capitalism emerged in a recognisably modern form in late seventeenth- and eighteenth-century Great Britain. Following the seminal work of Douglass C. North and Barry R. Weingast (1989), many scholars have concluded that the 'credible commitment' that was provided by parliamentary backing of government as a result of the Glorious Revolution of 1688/89 provided the key institutional underpinning on which modern public finances depend. In this book, a specially commissioned group of historians and economists examine and challenge the North and Weingast thesis to show that multiple commitment mechanisms were necessary to convince public creditors that sovereign debt constituted a relatively accessible, safe, and liquid investment vehicle. *Questioning Credible Commitment* provides academics and practitioners with a broader understanding of the origins of financial capitalism, and, with its focus on theoretical and policy frameworks, shows the significance of the debate to current macroeconomic policy making.

D'MARIS COFFMAN is the Mary Bateson Research Fellow at Newnham College, Director of the Centre for Financial History, and an Affiliated Lecturer in the History Faculty, University of Cambridge.

ADRIAN LEONARD is a Bateman Scholar at Trinity Hall and an Affiliated Researcher at the Centre for Financial History at Newnham College, University of Cambridge.

LARRY NEAL is Emeritus Professor of Economics at the University of Illinois at Urbana-Champaign, Research Associate of the National Bureau of Economic Research, and Visiting Professor at the London School of Economics.

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# Questioning Credible Commitment

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## Contributors

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ANN M. CARLOS is Professor of Economics and Professor of History (courtesy) at the University of Colorado Boulder. She earned a Ph.D. in economics from the University of Western Ontario, Canada. Her current research has two foci: the impact of the commercial fur trade on native peoples in western Canada in the eighteenth century and the microfoundations of London's capital market in the late seventeenth and early eighteenth centuries. She has also examined the development of the joint-stock trading company. She is currently working on the operation of bankruptcy in Early Modern England. She is a coauthor (with Frank Lewis) of *Commerce by a Frozen Sea: Native Americans and the European Fur Trade* and numerous articles in economic, financial, and business history.

D'MARIS COFFMAN is the Mary Bateson Research Fellow at Newnham College, Cambridge, the Director of the Centre for Financial History, and an Affiliated Lecturer, History Faculty. She works on the relationship between public finance and private capital markets in eighteenth- and nineteenth-century Europe. Most of her recent publications arise from her doctoral thesis on the advent of excise taxation during the English Civil Wars and Interregnum. With Dr Anne Murphy of the University of Hertfordshire, Dr Coffman comanages the *European State Finance Database*. She sits on the Council of the Economic History Society. Dr Coffman received her M.A. and Ph.D. in history from the University of Pennsylvania and her B.Sc. in economics from the Wharton School.

ERIN K. FLETCHER is a Visiting Assistant Professor of Economics at Gettysburg College. She holds a doctoral degree from the University of Colorado at Boulder and conducts research on gender, families, finance, and economic history.

REGINA GRAFE is Associate Professor of History and the Director of Latin American and Caribbean Studies at Northwestern University

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(Chicago). She has published three monographs on Spanish and European economic history, the most recent of which, *Distant Tyranny: Markets, Power and Backwardness in Spain, 1650–1800* (Princeton University Press, 2012), offers a radical revision of the coevolution of nation-state formation and market integration in Early Modern Spain. She is also the author of a number of articles on the economic history of the Hispanic world, as well as on commercial and maritime institutions published in journals such as the *Economic History Review*, the *Journal of Interdisciplinary History*, and the *Hispanic American Historical Review*.

RON HARRIS is a Dean and Professor of Law and Legal History at the Faculty of Law, Tel-Aviv University. He earned a Ph.D. in history from Columbia University. Harris works on the intersection of legal history and economic history. His main research fields are the history of the corporation and of other forms of business organisation, the history of bankruptcy and consumer credit, and Israeli legal history. He is the author of *Industrializing English Law: Entrepreneurship and Business Organization, 1720–1844*, the editor of two other books, and the author or coauthor of numerous articles in economics, business, history, and law journals.

ALEJANDRA IRIGOIN is an economic historian of Early Modern Latin America and a lecturer in the Department of Economic History at the London School of Economics. Her articles on the fiscal, monetary, and economic history of colonial Latin America and the political economy of the Spanish Empire have been published in the *Economic History Review*, the *Hispanic American Historical Review*, the *Journals of Global and World History*, the *Journal of Latin American Studies*, and *Historia Mexicana*. Jointly with Regina Grafe, she is preparing a manuscript on the Spanish Empire for Cambridge University Press.

MICHAEL KWASS, Associate Professor of History at Johns Hopkins University, studies the political and economic history of Early Modern Europe. Recipient of the David Pinkney Prize for *Privilege and the Politics of Taxation in Eighteenth-Century France: Liberté, Égalité, Fiscalité* (Cambridge University Press, 2000), he has published numerous articles on consumer culture in the age of the Enlightenment. He is currently completing a book entitled *Louis Mandrin: Globalization, Smuggling, and Rebellion in Eighteenth-Century France*, which examines heretofore hidden connections between world trade, the illicit economy, and popular politics in pre-revolutionary France. He is also at work on *Consumer Revolution, 1650–1800*, which explores the social,

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cultural, and political implications of Western consumption before the Industrial Revolution.

ADRIAN LEONARD is an Affiliated Researcher at the Centre for Financial History at Newnham College, University of Cambridge. His research focuses on the development and role of marine insurance, from its medieval origins to the early nineteenth century, in the advent of financial capitalism. Publications include 'Underwriting British Trade to India and China, 1780–1835' (*Historical Journal*, December 2012) and 'Reinsurance Issues in the Baltic Countries' (OECD, 2004). Prior to returning to academia in 2007, he spent ten years as a commercial writer, editor, and communications consultant, including appointments as editor of the *Financial Times World Insurance Report* and news editor of *Lloyd's List Insurance Day*.

JAMES MACDONALD is an independent scholar who specializes in the history of public finance. He is the author of *A Free Nation Deep in Debt: The Financial Roots of Democracy* (Princeton University Press, 2006). He was educated at Cambridge University and subsequently worked in the public debt markets on Wall Street before concentrating on financial history.

LARRY NEAL is Emeritus Professor of Economics at the University of Illinois at Urbana-Champaign, Research Associate of the National Bureau of Economic Research, and Visiting Professor at the London School of Economics. He specialises in financial history and European economies. Professor Neal is author of *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge University Press, 1990) and 'I Am Not Master of Events': *The Speculations of John Law and Lord Londonderry in the Mississippi and South Sea Bubbles* (Yale University Press, 2012), as well as *The Economics of Europe and the European Union* (2008) and *The Origin and Development of Financial Institutions and Markets* (coedited with Jeremy Atack, 2009). Professor Neal is Past President of the Economic History Association.

LUCIANO PEZZOLO is Associate Professor of Early Modern History in the Department of Humanities of the Ca' Foscari University of Venice. He has published extensively on the economic history of Venice and the military and financial history of late medieval and Early Modern Italy. He is currently finishing a book on war and finance in Italy, 1350–1700.

JULIA RUDOLPH is Associate Professor of History at North Carolina State University. Her publications include *Revolution by Degrees: James*

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*Tyrrell and Whig Political Thought in the Late Seventeenth Century* (Palgrave Macmillan, 2002), various articles on gender, crime, and the history of the book in Early Modern England, and, as editor, *History and Nation* (Bucknell University Press, 2006). Her latest book, *Common Law and Enlightenment in England 1689–1750* (forthcoming, Boydell & Brewer), is a history of common law that explores the origins of a jurisprudence of precedent and the intersections between legal ideas, practices, and publications and other eighteenth-century enlightened trends in philosophy, science, historiography, commerce, and print.

NATHAN SUSSMAN is the Alexander Brody Chair in Economic History at the Hebrew University of Jerusalem and the Director of the Research Department at the Bank of Israel. He earned his Ph.D. in economic history from UC Berkeley. His research focuses on financial history and medieval monetary and economic history. He is the author of *Emerging Markets and Financial Globalisation* with Yafeh and Mauro and the author and coauthor of numerous articles in economic and financial history.

KIRSTEN WANDSCHNEIDER is Associate Professor of Economics at Occidental College in Los Angeles. She holds an M.S. in finance and a Ph.D. in economics from the University of Illinois at Urbana. Her research focuses on historical financial markets and financial institutions in Europe, most recently the development of mortgage markets in Prussia. Her work has been published in academic journals such as the *Journal of Economic History* and *Cliometrica*.

YISHAY YAFEH is Associate Professor at the School of Business Administration of the Hebrew University and a Research Fellow of the London-based CEPR and the Brussels-based ECGI. He holds a Ph.D. in economics from Harvard University and has taught at Oxford and Montreal. His research interests are financial systems and financial intermediation, the economies of East Asia, and economic and financial history. Dr Yafeh has served as advisor to the Bank of Israel, the Israel Securities Authority, and the International Monetary Fund. His research has been published, among others, in the *Journal of Finance*, the *Quarterly Journal of Economics*, the *Journal of Economic Literature*, and the *Journal of Business*. He coauthored, together with Paolo Mauro and Nathan Sussman, the book *Emerging Markets and Financial Globalization* (Oxford University Press, 2006).

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## Preface

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As the Series Editors of *Modern Macroeconomic Policy Making*, we were eager to include a volume in the series that brought us some insights from a serious study of economic history. This is partly because, even though the ongoing financial crisis has promulgated so much disagreement and noise, it seems the one point on which all are agreed is that we should study more economic history. We were delighted, therefore, to be able to build on the original contribution of North and Weingast, which had suggested that the Glorious Revolution of 1688/89 had provided a political and fiscal settlement so profound that it had laid an important foundation for both the subsequent Financial and Industrial Revolutions. The question of institutional capability dovetails neatly into a crucial development in modern macroeconomic theory, the so-called 'Barro–Gordon–Kydland–Prescott paradigm' that thrust the problem of time inconsistency permanently onto the policy making agenda. This analysis led to wide-ranging assessment of the importance of commitment technologies that could tie the hands of future policy makers and so promote the credibility and optimality of current plans. Thus, macroeconomic policy began to emphasise the importance of bringing forward-looking expectations into line with policy makers' objectives, and therefore the credibility of policy itself became a crucial element in the design of policy frameworks. It also turned out that a study of economic history allowed us to locate many examples in which the question of policy makers' credible commitment was central.

In this volume, which follows a successful conference at Newnham College, Cambridge, in 2010, we are pleased to see several key events in English and European economic history re-examined. Thus, this volume brings together a number of contributions from economic historians who question the conventional wisdom and offer a much more nuanced approach to understanding events both before and after 1688. This volume has been expertly edited by D'Maris Coffman, Adrian Leonard, and Larry Neal and has benefitted greatly from the detailed comments of two external, and sadly anonymous, referees in whose debt we, as nonspecialists, remain.

JAGJIT S. CHADHA AND SEAN HOLLY

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## Acknowledgements

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This volume has been three years in the making. In the first instance, the project was inspired by the success of a conference: 'Questioning Credible Commitment: Re-thinking the Glorious Revolution and the Rise of Financial Capitalism', held at the Centre for Financial History at Newnham College, University of Cambridge, 20–23 March 2010. Dr Coffman co-organised the conference with Dr Anne Murphy of the University of Hertfordshire. The editors would especially like to thank Dr Murphy, and also to thank the conference's sponsors and participants, including Professor Ron Harris, Professor Julia Rudolph, Mr James Macdonald, Professor Ann Carlos, Professor Luciano Pezzolo, Professor Michael Kwass, and Professor Nathan Sussman, whose contributions have formed the basis for the chapters that they and their colleagues have contributed to this volume.

This four-day conference was made possible by generous grants from the Newnham College Senior Members' Research Fund (SMRF), the Cambridge Endowment for Research in Finance (CERF), and the Centre for Financial History (CFH). As this was the inaugural plenary conference for the Centre for Financial History, the editors would also like to thank Winton Capital Management for their indirect support of the event.

The editors would like also to thank the series editors, Professor Jagjit S. Chadha of the University of Kent and Professor Sean Holly of the University of Cambridge, along with two anonymous reviewers. Thanks too to Dr Coşkun Tunçer of the London School of Economics for his timely research assistance.