

## Banking and Insurance in the age of William III

### INTRODUCTION

In the Spring of 1964, J.A. Turpin, commercial counsellor to the Bank of England, visited the Netherlands. In his report on the Dutch economic situation at that time he wrote: 'In a country where memories are long and prejudices deep-seated, Britain ranks as the least unpopular of Holland's neighbours, and a long history of satisfactory commercial relations should continue to stand us in good stead'.<sup>1</sup>

In the same spirit of reasonable knowledge, generous understanding, and conscious self-interest, I should like to make some remarks about financial relations between England and the Netherlands, focusing on banking and insurance in the age of William III. These financial connections form a part of the close relationship between the two countries in general, and their continuity is impressive. Dramatic changes in the pattern of financial exchanges between England and the Netherlands have taken place in the course of three centuries. But despite all the changes, with the Dutch Republic at first in the lead, but yielding place to England after the Industrial Revolution, financial ties have been maintained in varying intensity and various ways. In this regard we should also note the relationship of two seafaring nations, thriving in the same expanding West-European and subsequently world economy, who by their maritime activities were rather brought together than kept apart.

William III's reign in England had already been preceded by a period of intense economic contacts. In the years after 1688, however, England experienced the explosive growth of Dutch-inspired financial institutions, concepts, and personnel. Let us mention the accumulation of capital in early-modern predecessors of limited companies, the techniques of the stock exchange, the banking system, the establishment of lotteries and public finance. Towards the middle of the eighteenth century, however, the Netherlands fell behind economically, and England was able to borrow only money from the Republic, but this relationship was nonetheless significant for financing the Industrial Revolution. Henceforth England held the greater economic power and in turn set the economic example for the Netherlands, particularly in the second half of the nineteenth century, when we finally came around to our own industrialization. Finance figured prominently: Britain provided the model

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\*Translated by Maarten Ultee.

<sup>1</sup> Report of J.A. Turpin, 2 March 1964, Bank of England, Archive, London, OV 84/7.

for the central and provincial banking system, ruling its own economy and those of the colonies under the gold standard. Not only was Britain the cradle of modern accountancy, as adopted later in the Netherlands, but it was also the training school for managers and financiers. By joining together in modern corporate concerns, a new and profitable association grew. Apart from the different proportions, in the twentieth century the two countries have reached an equal development as modern industrial nations. I draw the line at the fall of the pound sterling in September, 1931, because this event marked an end to the period of British economic supremacy and the beginning of the economic decline of its empire, as had happened to the Netherlands a century and a half earlier.<sup>2</sup> It would take us beyond our subject to present a detailed comparison of the economic decline of empire, as applied to Britain and the Netherlands, but clearly in my account there will be echoes of the unending story of one advancing and being overtaken by the other.

The preceding remarks give some general background to what interests us in particular: banking and insurance in the age of William III. Was the financial system affected by the influence of the king-stadholder, either locally in England or in the Republic, or by their mutual influence? With the emphasis on 1688 and its significance for England, it is only natural that we should take as our starting-point the situation in England, and particularly public finance, since it was as often as not the key to understanding many problems.

#### THE BATTLEGROUND OF PUBLIC FINANCE

The basis for stable financial relations is the presence of a central government that inspires confidence. The ailing state of public finance in England before 1688 was a direct result of the lack of this foundation. Consequently the provision of credit for the English crown gave the impression of being irregular and even frantic. The need for credit often arose unexpectedly and thus required hasty arrangements that could drive up interest rates to exorbitant heights. The Crown constantly had the greatest difficulty paying its debts, and it piled new loans on top of old. Toward the middle of the seventeenth century there were hardly any professional financiers to handle these transactions. On the one hand, the Crown was obliged to obtain credit from tax-farmers and magnates in public-commercial functions who supplied the court, the army and the navy. On the other hand, the Crown called on the Corporation of the City of London for help in organizing a syndicate of

<sup>2</sup> For discussion of this theme over a longer period, see J.G. van Dillen, 'Overeenkomst en verschil in de economische lotswisselingen van Engeland en Nederland' (first pub. 1957); also in *Mensen en achtergronden* (1964), p. 80 ff., esp. p. 106 ff. on the end of English economic supremacy. Cf. on the theme *The Economic Decline of Empires*, Carlo M. Cipolla, ed. (1970), esp. pp. 235, C.R. Boxer on the Netherlands.

lenders. The loans often had a forced character, with the attendant irregular payment of interest and capital. Dickson describes all of this as the 'hotch-potch of English government borrowing'. Quite in accord with this system the Crown was sometimes compelled to satisfy pressing creditors by the sale of royal domains or the grant of confiscated Irish lands, which was still happening in the sixteen-forties.<sup>3</sup>

If an English capital market already existed, then it was far from perfect. And although it was so constituted that economic life in general was attuned to the short term, there were tendencies in the private sector to shift to a longer term, as is apparent from the development of the joint-stock company. The public sector had not advanced so far as long-term borrowing with fixed amortization. The Crown's actions made it more difficult. In 1672, Charles II imposed the Stop of the Exchequer, reneging on promises and by this means confiscating the capital of a group of prominent financiers. The most important of them went bankrupt as a result. This unfortunate event increased suspicions between the Crown and its creditors, and certainly stood in the way of the creation of a funded public debt. After the death of Charles II in 1685 the payment of interest was suspended, which had equally pernicious effects on public confidence. In the meantime the reorganization of public finances became more pressing, especially when in 1689 the war with France began and large sums had to be borrowed to pay the troops overseas. Now that the military struggle demanded complete commitment, a solution to the problem of public finance had to be found.<sup>4</sup>

For this purpose the English were already looking to the Republic for guidance before the events of 1688, although more in an economic than a political sense, and with the required discernment. As for the public finances of the Republic, it was necessary to unravel their complicated character, with functions on central, provincial, and urban levels – a tangle that present-day historians have only recently managed to resolve. Nevertheless foreign contemporaries could appreciate several features of Dutch finances: first, the legal security and absence of arbitrary action in the field of public credit; second, the surplus of capital and the low rate of interest. Parker has an explanation for it: 'The key to the healthy public credit of the United Provinces lay in the fact that the chief investors ran the government'.<sup>5</sup> This fact did not exclude disputes, but the surplus of money and the resulting low interest-rate practically eliminated the need for expedients. We must not forget, however, that this favourable picture derives from the period before 1672. The end of the War of the Spanish Succession in 1713 marked a glar-

<sup>3</sup> P.G.M. Dickson, *The Financial Revolution in England. A study in the development of public credit, 1688–1756* (1967), p. 39 ff. C.G.A. Clay, *Economic Expansion and Social Change: England 1500–1700*, vol. 2, *Industry, trade and government* (1984), p. 269 ff.

<sup>4</sup> Dickson, p. 43. Geoffrey Parker, 'The Emergence of Modern Finance in Europe, 1500–1730', in *The Fontana Economic History of Europe. The sixteenth and seventeenth centuries* (1974), p. 579.

<sup>5</sup> Parker, p. 572.

ing new chapter. The long and disastrous wars with France exhausted our country financially.

The United Provinces then became the classic country of public debts, complete with *rentiers*, coupon-scissors and document-box in hand; but they also had a flourishing financial sector, from which England could draw funds. There, in the meantime, the financial sector enjoyed public confidence.<sup>6</sup>

#### BANK OF ENGLAND AND AMSTERDAM EXCHANGE BANK

When William III crossed over to England, his expedition was not financed by a bond issue, underwritten by a public institution of the Republic, nor by a lottery, in which the gambling-crazy Dutch could take their chances. As the story would have it, it was Francisco Lopez Suasso, who advanced two million guilders to the stadholder. In any case the money to make the invasion possible must have been in Dutch guilders. For Suasso belonged to the sizeable Jewish community, primarily Sephardim, who helped shape economic life in the Republic. The Jewish role in the evolution of the Amsterdam stock exchange in the second half of the seventeenth century is well-known. It is unlikely that Suasso on his own lent William III the two million; and indeed, if this was not the case, it may better explain his somewhat laconic remark to the stadholder: 'If you are fortunate I am convinced you will return the money and if you meet with misfortune I shall suffer the loss'.<sup>7</sup> We also know about the larger international financial network, of which the Jews formed a sound and very well capitalized part. It is frequently said that from a naval and military point of view, William's expedition was amazing – but the financial aspects are no less striking. The reverse would be completely unthinkable because in England there was a lack of confidence in the public finances, tied as they were to the person of the monarch.

It is good to keep this point in mind. Naturally William III could not straighten out the public finances of England overnight. It was not in his character as a pragmatic politician; he was not a theoretician, and certainly not a determined economic reformer. Indeed circumstances would not allow it. Because the king was often absent or because his ministers had too little

<sup>6</sup> J. Aalbers, 'Holland's Financial Problems (1713–1733) and the Wars against Louis XIV', in *Britain and the Netherlands*, A.C. Duke and C.A. Tamse, eds., vol. 6, *War and Society* (1977), p. 81. A survey of the public finances of the Republic appears in Joh. de Vries, 'Tijd der publieke schuld. Enige notities over het geval-Nederland van omstreeks 1700 tot 1850', in *Handelingen gde Internationaal Colloquium Spa* (1978), p. 173 ff.

<sup>7</sup> Charles Wilson, *Holland and Britain* (n.d.), p. 24. D.J. Roorda, 'De joodse entourage van de Koning-Stadhouder', in *Rond Prins en patriciaat. Verspreide opstellen* (1964), p. 143 ff. Joh. de Vries, *Een eeuw vol effecten. Historische schets van de Vereniging voor de effectenhandel en de Amsterdamse effectenbeurs 1876–1976*, p. 22. H.I. Bloom, *The Economic Activities of the Jews of Amsterdam in the Seventeenth and Eighteenth Centuries* (1937), quotation from p. 193. The findings of new research on Suasso should be added to these works.

experience, the establishment of a new public financial system may have taken longer than expected. The mistrust of Parliament toward what was called 'Dutch finance' has also been mentioned, but it did not play a decisive role. The term 'financial revolution' is thus not very appropriate, since it suggests a tempo of change that would have meant a complete reversal. That applies only to one aspect, albeit a very important condition of the financial revolution: the establishment of public confidence in public finances. In its wake came the phenomenon of financing the rapidly expanding war costs through long-term loans at a moderate rate of interest, alongside financing from tax revenues. Because Parliament guaranteed the long-term loans, the public debt was taken away from the Crown. But before everything was in order, an unavoidable period of time had to pass.<sup>8</sup>

The first steps toward the realm of long-term borrowing were thus tentative and modest. They covered not more than £ 6.9 million of the total government expenditures of £ 72 million between 1688 and 1702, as opposed to customs duties of £ 13.2 million, excise taxes of £ 13.6 million, and new land taxes of £ 19.2 million. We shall not describe all the long-term loans and their conditions. Their differences will be apparent as we recall two particular examples drawn from 1694. The first loan was very popular because it satisfied the general craze for gambling: Parliament authorized a lottery of £ 1 million based on lots of £ 10 each. A month later, in April 1694, Parliament approved a very different project, whose consequences were as significant as the preceding decision to establish a funded national debt. This was the creation of the Bank of England.<sup>9</sup> You will think: at last we have arrived at the banking system, which was really supposed to be the subject of the lecture. True enough; and naturally I can observe that the 'banking and insurance' in the title of my talk is too limited. But we should remember that then as now the down-to-earth aspects of banking and insurance were spanned by the firmament of the financial sector as a whole, including public finances.

The establishment of the Bank of England in 1694 is above all the story of its historian Sir John Clapham, who elegantly places the founding between the extremes of chance and necessity. If England had not been at war, then the government would hardly have been inclined to grant such a favourable charter to a corporation proposing to lend money. Yet if Charles Montague, Chancellor of the Exchequer appointed in May, 1694, had not dug out this proposal from the many that were presented to him, then there would have been no charter at all, or perhaps a very different one. So much for chance; at least we can conclude that William Paterson and Michael

<sup>8</sup> D.J. Roorda, 'Willem III, de Koning-Stadhouder', in the collection cited above, n. 7, p. 140 ff. Dickson, *Financial Revolution*, p. 47. In Holland a comparable financial revolution had already occurred between 1515 and 1565. See James D. Tracy, *A Financial Revolution in the Habsburg Netherlands. Renten and renteniers in the county of Holland, 1515-1565* (1985).

<sup>9</sup> Dickson, p. 47 ff; for examples and conditions of the long-term loans cf. esp. p. 54 ff.

Godfrey, the initiators who also became directors of the Bank, were fortunate with Montague. But was not the establishment of the Bank of England also a necessity, a logical consequence of preceding developments, a public bank founded after the rise of a system of private banks in London? Perhaps. In any case, discussion of this point has been going on for years. And this discussion gives the impression that the founding of a Bank of England was inevitable. Moreover, the English were casting an eye toward Amsterdam.<sup>10</sup>

It was then a question of comparing Holland and England in the specific field of banking, but it went hand in hand with a strong consciousness of its relationship to the general prosperity and, as will be seen, to politics. For some time already the Amsterdam Exchange bank had been invoked in this comparison. This was the well-known 'Bank of Amsterdam', or 'Hollands Bank' as Pepys unjustly but quite understandably called it. On August 17, 1666, he hinted at the political problem: 'The unsafe condition of a bank under a monarch, and the little safety to a Monarch to have any City or Corporacion alone (as London in answer to Amsterdam) to have so great a wealth or credit, is it that makes it hard to have a bank here'.<sup>11</sup> The phenomenon of a public bank was definitely not unknown. At the end of the sixteenth century they already existed in Venice and Genoa, but the Amsterdam Exchange Bank was the most recent and certainly the most important example, in view of its recognized significance for the functioning of the capital market and by extension for Holland's prosperity in general.<sup>12</sup>

Influential studies on Dutch prosperity in the seventeenth century have appeared in recent years: they are particularly impressive when they concentrate on quantitative aspects of the financial sector. As a result we now know about national income and national wealth, the distribution of income and wealth, as well as the quantity of money in circulation; some of these points are known more sketchily than others, but all of them with increasing plausibility. Raymond W. Goldsmith in his recent book *Premodern Financial Systems* has gone farthest in this direction.<sup>13</sup> The national income per capita of the population – less than two million around 1700 – amounted to about £150. The total national income was £285 million, and the money supply approximately £100 million. These figures can be set in perspective by comparing them to those of our own time, when there are 14.6 million people in the

<sup>10</sup> Sir John Clapham, *The Bank of England. A History. Vol. 1 1695–1797* (1944), p. 1. Cf. J. Keith Horsefield, *British Monetary Experiments 1650–1710* (1960), pp. 94, 139, 146 and 163 for the Amsterdam inspiration.

<sup>11</sup> *The Diary of Samuel Pepys*, R. Latham and W. Matthews, eds., vol. 7–1666 (1972), p. 252.

<sup>12</sup> R.D. Richards, *The Early History of Banking in England* (n.d.), p. 135 ff.

<sup>13</sup> R.W. Goldsmith, *Premodern Financial Systems. A historical comparative study* (1987). The author devotes a separate detailed chapter of this work to 'The financial system of the United Provinces at the Peace of Münster,' pp. 198–228. Relevant earlier studies: James C. Riley, 'The Dutch Economy after 1650: decline or growth?' *Journal of European Economic History*, 13 (1984): 521 ff. and J. de Vries, 'The Decline and Rise of the Dutch Economy, 1675–1900', *Research in Economic History*, supplement 3 (1984): 149 ff.

Netherlands. In 1987 the per-capita national income, about £150 in 1700, had risen to £29,274, that is 195 times as much as in 1700. The money supply, which as we said was £100 million in 1700, came to £35.4 billion in 1987, or 354 times as much.<sup>14</sup> This is not very surprising, because everyone is aware of the sharp increase in dimensions and proportions since the late seventeenth century. Nonetheless I have cited the figures because the question may arise [and indeed has arisen] of the value in present-day currency of those two million guilders, that were reportedly lent by Suasso to William III. The conversion of sums of money from 1688 to those of today is somewhat unrealistic because quite different patterns of consumption are involved. If we calculate in the classical manner, that is according to changes in grain prices and the wholesale price index, then it appears that those two million guilders should be multiplied by a factor of ten. This is definitely a minimum figure. I maintain that a rough calculation based on per-capita national income would give the best estimate of the increase, and dare to suggest that the two million in present-day money would come to between two and four hundred million guilders. It seems unlikely that Suasso could raise that sum by himself.

After this little exercise we can return to our theme: it did not matter that these Dutch figures from around 1700 were higher than those of England; by how much, ten or twenty percent, can also be left open. But what did matter was the prosperity and functioning of the capital market, the aspects that interested the English when they took the Amsterdam Exchange Bank as an example. They were especially struck by what we should call the outward signs of prosperity, along with the low rate of interest – the most prominent signs of the good functioning of the capital market.<sup>15</sup> In England it appeared that these benefits had been brought closer by William III's crossing.

#### THE FIRST CENTRAL BANK

But did people know exactly what they wanted to bring over to England, by William III's crossing or otherwise? This is obviously more than a rhetorical question. In part the English most certainly knew. They saw before them the well-ordered Dutch monetary and credit systems, with a capital surplus and low interest rates. But part of it they did not know: although they were acquainted with the regulations and outward functioning of the Amsterdam Exchange Bank, they knew nothing of the way it had come into existence and was subsequently run as a business. Thus they could easily mistake effects for causes. We should not reproach contemporaries with this, however.

<sup>14</sup> Goldsmith, pp. 201 and 213. The present-day figures are taken from the Central Bureau for Statistics.

<sup>15</sup> Cf. Dickson, p. 5; Clapham, p. 2, with the reference to Sir William Temple. N.G. Pierson, 'Beschouwingen over Holland's welvaart bij Engelsche economen der zeventiende eeuw', in his *Verspreide economische geschriften*, vol. 2 (1910), p. 209 e.v.



Although much has been published about exchange banks in this and the preceding century – they were found in Middelburg, Delft and Rotterdam as well as Amsterdam – I do not think that the last word has been written on the subject, either in England or in our country. As recently as two years ago, the journal of the present-day Bank of England could still publish an article by Brian Norman entitled ‘The First Central Bank,’<sup>16</sup> referring to the Amsterdam Exchange Bank. In a fine survey Norman describes the background and origins of this Amsterdam institution, its functions and significance, starting from the question of, ‘Why was the first central bank established in Amsterdam, of all places?’ The answer should be that in Amsterdam *no* central bank at all was established, because whatever the Amsterdam Exchange Bank could have been, it was in any case not a central bank. A.M. de Jong had already shown this in 1930, in the first volume of the history of the Nederlandsche Bank; and I do not have the impression that anyone else since then has abandoned this opinion. The notion that there was a central bank in the Dutch Republic also seems quite remarkable against the background of the great lack of a central credit institution in the later crisis-situations of the eighteenth century (1720, 1763, and 1772–1773).<sup>17</sup>

Nevertheless there is something to be said for Brian Norman’s view. We should first note that in this area influence was subdued and subtle. Institutions were not transferred literally, neither in 1694 when the creation of the Bank of England was inspired by the Amsterdam Exchange Bank, nor in 1814 when the Nederlandsche Bank was established and the Bank of England furnished a model worthy of emulation. There was some influence, a finely-woven exchange occurring over a lengthy period, in response to a kindred economic and cultural climate that already existed before William III’s time and continued afterwards.<sup>18</sup> Such an economic climate might also stunt the growth of an institution, for example, the Amsterdam Exchange Bank. In 1978 Van de Laar pointed out in his book on Willem Cornelis Mees that although there were new juridical forms and banking techniques, from a monetary-historical point of view there was nonetheless a line running from the Exchange Bank to the Nederlandsche Bank.<sup>19</sup> I should like to

<sup>16</sup> Brian Norman, ‘The First Central Bank’, in *The Old Lady of Threadneedle Street*, (June 1986), p. 12. The first bank that issued banknotes was the Stockholm bank founded in 1661 by Johan Palmstruch. The present-day banknote derives from the notes issued by London goldsmiths of the seventeenth century. Cf. A.M. de Jong, ‘Bijdragen tot de geschiedenis van het centrale bankwezen’, *De Economist* (1964): 290 ff.

<sup>17</sup> A.M. de Jong, *Geschiedenis van de Nederlandsche Bank. Eerste deel. De Nederlandsche Bank van 1814 tot 1864* (1930; reprinted 1967), p. 2. On the Amsterdam Wisselbank, J.G. van Dillen, *Van rijkdom en regenten. Handboek tot de economische en sociale geschiedenis van Nederland tijdens de Republiek* (1970), p. 256 ff.

<sup>18</sup> In this regard see of course J. Huizinga, ‘Engelschen en Nederlanders in Shakespeare’s tijd’, (originally pub. 1924), also in *Verzamelde werken*, vol. 2 (1948), p. 371.

<sup>19</sup> H.J.M. van de Laar, *Oppebankier en wetenschapsman Willem Cornelis Mees 1813–1884* (1978), p. 88. The author discusses Mees’ *Proeve eener geschiedenis van het bankwezen in Nederland gedurende den tijd der Republiek* (1838) and differs from the interpretation of van Dillen.



develop the point further, with the thought of the Exchange Bank as the first central bank in the background. Naturally we must not make the Amsterdam Exchange Bank seem more than it was. It was established in 1609 to bring order to the tangled monetary system: its functions included accepting deposits, handling giro transfers, exchanging money, and purchasing precious metals and 'billoen' (base metal coins) in order to allow the existing mints to strike good coins from them. Although it was not originally meant to do so, the Exchange Bank began giving credit to the East India Company in 1615, and to the city treasure in 1624. From 1683 onwards, the Exchange Bank was allowed to take specie as collateral. The birth and growth of giro transfer through the Exchange Bank was strongly encouraged because the Bank was required to pay immediately all letters of exchange of 100 Flemish pounds (*f*600 *Hollands*) or more. Credit balances on individual giro-accounts of the Exchange Bank were regarded as cash in the bank, and typically this bank-money commanded a premium over money in circulation. This bank-money formed a stable element in commercial payments. What the Exchange Bank lacked, however, was absolutely essential to a central bank – the ability to issue banknotes. Naturally it was a far cry from the image of a *banker's bank* at the top of the credit-pyramid, which comes to our minds whenever we think of a central bank.

But much still depends on the period of comparison and the point of view chosen. In a monetary system that maintains the gold standard as its guide, people would not readily think of the Exchange Bank as a central bank. Yet in our own time the chief task of the central bank is specified by law – to regulate the monetary value of the guilder in such a manner as to serve the prosperity of our country, and furthermore to stabilise that monetary value as much as possible.<sup>20</sup> Not the gold standard, but the guilder and the national circulation bank hold a central place. If we limit ourselves to the Netherlands, it follows that this bank must watch over the internal purchasing power of the guilder, that is the internal value, as well as the external purchasing power, or external value. In this regard we refer to internal and external stability. First of all, fluctuations in the value of money should be small, as expressed by a stable price index: then internal stability is present. External stability is found when there are stable exchange rates. In the period of which we speak, the time of William and Mary, the Republic achieved internal as well as external stability.<sup>21</sup> Stability was not an explicit purpose of the Exchange Bank; at least, it does not appear in those words. The Exchange Bank was intended to combat the disorder in the monetary system: the regulations contain no further specifics. Did the monetary insight of the age ex-

<sup>20</sup> As established by the banking law of the Netherlands in 1948.

<sup>21</sup> Cf. J.G. van Dillen, 'The Bank of Amsterdam', in *History of the public banks*, J.G. van Dillen, ed. (1934), p. 105: '... the rate of exchange on Amsterdam was more stable than that upon nearly any other centre.' John J. McCusker, *Money and Exchange in Europe and America, 1600–1775* (1978), pp. 42, 52 ff. N.W. Posthumus, *Nederlandsche prijsgeschiedenis*, vol. 1 (1943), p. 580 ff.

tend so far as to surmise the further significance of the Exchange Bank for monetary stability? Granted, a monetary policy according to our present-day understanding could not be pursued in the Republic, and this explains the monetary consequences of the Exchange Bank. It is hard to imagine that people were not aware of them. The very creation of the Exchange Bank suggests monetary insight. Yet we cannot be certain whether this insight extended to the monetary consequences of the Bank, namely the coming into being of a *double standard*: on the one hand the stable *bank-money* used for substantial commercial purposes; and on the other hand *currency*, the internal coinage produced by eight provincial and six municipal mints, not to mention the foreign coins in circulation, all of which were used for small transactions and the payment of wages.<sup>22</sup> In the framework of that prevailing double standard, it was indeed the bank-money that brought about internal and external stability. And if we speak of bank-money, we mean the Exchange Bank, the Amsterdam Exchange Bank, which not only withstood the political storm of 1672 when its accountholders besieged it with demands for specie, but also the same Bank that as a result of the use of specie as collateral in 1688 held a precious metal reserve of *f* 9.9 million.<sup>23</sup> It may not be clear from a distance what people did see in the bank and what they did not, but certainly the impression arose afterwards of a central bank before the fact. In the atmosphere of secrecy that then surrounded institutions of this kind, it was also difficult to make a distinction, as it still is for us. In any case insight into the potential for growth over the long term must have been lacking. That the Bank of England formed the basis for a central bank on the modern pattern, and that the Amsterdam Exchange Bank had the potential to become one, but did not, sums up the most important difference between the two countries, and also the most important element in the banking system in general during the reign of William III.

Did his crossing the North Sea have something to do with it? Of course! From that event came public confidence in English government finances, which was urgently needed in connection with the unprecedented scale of borrowing funds for the war, which in turn was a stimulus for the banking system. To draw attention to the Amsterdam Exchange Bank, William III did not have to go to England, but he did in order to establish one of the conditions for its existence and functioning. This can be stated very prosaically in the framework of establishing prerequisites for economic growth, in this case the increase in scale of the English economy under the influence of war. Dickson formulates it more elegantly: 'It was therefore more than a coincidence that the foundation of a national bank in England followed the overthrow of James II in 1688, and the effective establishment of parliamentary government under a Dutch monarch'.<sup>24</sup> Compare this with the Re-

<sup>22</sup> Goldsmith, p. 212.

<sup>23</sup> J.G. van Dillen, 'Oprichting en functie der Amsterdamsche Wisselbank in de zeventiende eeuw 1609-1686', in his *Mensen en achtergronden* (n. 2 above), pp. 381 and 411.

<sup>24</sup> Dickson, p. 56.

public, where in 1694 the province of Holland with the support of stadholder William III achieved a modest coinage reform. The six cities relinquished their right of coinage, and the control of the General Masters of the Mint, the supervisory body for all mints in the Republic, was increased. There were few measures that did more harm to provincial authority. The monetary system received the benefit.<sup>25</sup> But nothing else followed, at least not in this period. The national bank of the Netherlands founded in 1814 was also a fruit of 'revolution', but perhaps we had better not let the lords of the Frederiksplein hear that. Then again, we might. For it was another case of a monarch from outside, again brought in from overseas, but this time with less expense – Willem I, who laid the foundations for the national bank. It is noteworthy that behind both institutions, the Bank of England and the Nederlandsche Bank, there stood a ruler from the house of Orange, and that only a small weight on the historical scales was needed to wipe out all differences of time and place. If there exist deeper grounds of kinship between the two countries, one of them is visible here.

#### THE SHADOW OF INSURANCE

In the world of insurance we do not find any comparable parallel to the banking system and public finances. This is understandable when we take into account the nature of the uncertainties against which people wanted protection. They included the perils of the sea, covered by marine insurance; damage by fire, covered by fire insurance; and the risks and certain end of life, covered by life insurance. Although there were many confrontations with each in the life of William III, we cannot establish any relation between the development of these forms of insurance and the expedition of 1688. The insurance market stood too far away from the Crown; it was closer to the basic dangers and threats that brought into being an autonomous development of the insurance system. For marine insurance this relationship was in the first place concerned with trade and shipping, and for life insurance with the statistical study of population. In both cases England did borrow something from the Republic, but this occurred over a longer period of time. The Republic was a centre for marine insurance. Here again it was following the examples of Italy and Antwerp, acquiring a considerable position in connection with the growth of trade. It was quite common in the seventeenth century to insure English ships in Holland. A shift in the market to London in the following century took place very gradually and was related to the transfer of the commercial centre from the Republic to England.<sup>26</sup> For life insurance we can point to a more distant future. The contributions of Huy-

<sup>25</sup> J.G. van Dillen, 'Honderd jaar economische ontwikkeling van het Noorden', in *Algemene geschiedenis der Nederlanden*, vol. 7, F. Baudouin et al., eds. (1954), p. 305.

<sup>26</sup> G.N. Clark, 'Dutch Influences in British History', *De Nieuwe Gids* (1923) p. 507. Violet Barbour, 'Marine Risks and Insurance in the Seventeenth Century', *Journal of Economic and Business History* (1929) p. 581; also, *Capitalism in Amsterdam in the Seventeenth Century* (1950), p. 33 ff.

gens and De Witt to its theoretical foundations first bore fruit in the nineteenth century. Toward that time England also took over from the Netherlands the leadership in this field. Where the Republic had earlier provided inspiration was in the field of tontine-loans as a speculative form of life insurance coverage. Attributed to the Italian Lorenzo Tonti (1630–1695), financial advisor to Cardinal Mazarin, a tontine is an annuity shared by subscribers to loan, the shares increasing as subscribers die until the last subscriber gets all.

This system had applications in municipal finances, as when Kampen and Groningen used it [to raise money] in 1670. Middelburg and Goes followed them in 1671 and 1673, respectively. No doubt observing these examples the City of London arranged a tontine-loan in the same manner, but this was in 1674 and thus had no relation to the events of 1688.<sup>27</sup> This was a case of general influence operating over a longer period, and is therefore beyond the scope of our subject. Limiting ourselves accordingly, we can leave insurance in the shadows. It does round out what was most remarkable in the banking system and public finances of this period.

#### CONCLUSION

Finally, if I must sum up my answer to the earlier question, whether William III had an influence on banking and insurance in his age, then my answer for banking is affirmative: in England by means of public finances and the Bank of England, in the Republic by the coinage reform and the monetary situation in general, and, somewhat more faintly in the background, the Amsterdam Exchange Bank. All this does not diminish his importance as the stimulator of large-scale economic expansion through the influence of war. He placed his weight in the economic balance; but it too went over to England.

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<sup>27</sup> Dickson, p. 41. H. Wagenvoort, *Tontines. Een onderzoek naar de geschiedenis van de lijfrenten bij wijze van tontine en de contracten van overleving in the Republiek der Verenigde Nederlanden* (1961), p. 116 ff. for a survey.