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Larry Neal is Professor Emeritus of Economics at the University of Illinois at Urbana-Champaign and Founding Director of the European Union Center at Illinois. He is past president of the Economic History Association and the Business History Conference. From 1981 through 1998, he was editor of *Explorations in Economic History*. He is author of *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason*, Cambridge



UP, 1990, *The Economics of the European Union and the Economies of Europe*, Oxford UP, 1998, co-author (with Rondo Cameron) of *A Concise Economic History of the World*, 4<sup>th</sup> ed., Oxford UP, 2002, and *The European Union and the European Economies*, Cambridge UP, 2007 as well as numerous articles in American and European economic and financial history. He was a Guggenheim Fellow and a Fulbright Research Scholar in 1996-97 and an Alexander von Humboldt Fellow in 1982. His current research deals with development of microstructure in securities markets and risk management in the first emerging markets in modern Europe.

***Amsterdam and London as Financial Centres in the 18<sup>th</sup> Century***

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**Abstract**

When William of Orange, stadholder of the United Provinces of the Netherlands, assumed the crown of Great Britain in 1688, he brought with him not only his professional soldiers, but also his financial advisors and military suppliers. Leveraging the fiscal resources of England and Wales, which had already been modeled in large part on the Dutch model, with debt-equity swaps that created a funded long-term national debt, William III initiated a century-long symbiosis between the rising financial centre of London and the well-established centre of Amsterdam. Initially, the British system suffered from the new pressures of war finance, but by the next war the symbiosis was evident with Dutch investors playing an increasing role in British commerce and war finance. The shock of the South Sea bubble in 1720 locked in Dutch investors as the single most important source of foreign investment, both public and private, in the British economy thereafter. Especially interesting for financial historians is the role then played by the expertise of *actionists* in Amsterdam in maintaining a functioning secondary market for British national debt after the collapse of the South Sea bubble and the enactment of repressive legislation against stock jobbing in Great Britain. Their financial symbiosis worked to the economic advantage of

both countries, allowing Britain to win its wars and allowing Dutch prosperity to continue – at least until the two countries fell out over the future of the North American colonies, and the Fourth (and final) Anglo-Dutch War in 1784 disrupted the financial links that had developed since 1688. Dutch capital and capitalists fleeing to London after the fall of Amsterdam to French revolutionary troops and the creation of the Batavian Republic in 1795 completed the ascension of London over Amsterdam as the financial centre of Europe.