

Parliamentary control or financial techniques? Dutch investments in England and Denmark-Norway during the eighteenth century

The debate about the rise of credible commitment and government debt has focused mainly on post-1688 England. It has been argued that by negotiating debts through Parliament the English Kings were able to reduce the risk premium on their loans and increase their overall borrowing. This paper takes the perspective of a group of outsiders – investors from the Dutch Republic – and asks how they perceived of this situation. It does so by making a comparison of their investments in the debts of two kingdoms: Parliament-controlled England and absolutist Denmark-Norway. A reconstruction of Dutch investments shows that relative to the GDP of the receiving countries they at times invested more in Denmark-Norway than in England. This raises the question as to why Dutch investors were willing to invest this heavily in what has traditionally been taken to be a bad debtor. This paper argues that by using the income from various tolls – most notably the Sound toll – and by issuing their loans in the Netherlands the Danish Kings were able to act as trustworthy debtors and service their debts. Private portfolios show that Dutch investors punctually received their interest payments; something that the market appreciated with prices that fluctuated around par. In the long run the Danish Kings were also able to reduce the interest rate gap that existed with the States of Holland, one of the most reliable debtors at this time. This paper thus argues that it is not so much parliamentary control but rather the financial techniques used by the debtor in question that determines whether – and at what cost – a sovereign can attract funding.

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