



Prometheus Shackled: Goldsmith Banks and England's Financial Revolution after 1700

By Peter Temin, Hans-Joachim Voth

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After 1688, Britain underwent a revolution in public finance, and the cost of borrowing declined sharply. Leading scholars have argued that easier credit for the government, made possible by better property-rights protection, lead to a rapid expansion of private credit. The Industrial Revolution, according to this view, is the result of the preceding revolution in public finance.

In *Prometheus Shackled*, prominent economic historians Peter Temin and Hans-Joachim Voth examine this hypothesis using new, detailed archival data from 18th century banks. They conclude the opposite: the financial revolution led to an explosion of public debt, but it stifled private credit. This led to markedly slower growth in the English economy. Temin and Voth collected detailed data from several goldsmith banks: Child's, Gosling's, Freame and Gould, Hoare's, and Duncombe and Kent. The excellent records from Hoare's, founded by Sir Richard Hoare in 1672, offer particular insight.

Numerous entrants into the banking business tried their hand at deposit-taking and lending in the early 17th century; few survived and fewer thrived. Hoare's and a small group of competitors did both. Temin and Voth chart the growth of the successful banks in the face of frequent wars and heavy-handed regulations. Their new data allows insights into the interaction between financial and economic development. Government regulations such as (a sharply lower) maximum interest rate caused severe misallocation of credit, and a misguided attempt to lighten the nation's debt burden led directly to the South Sea Bubble in 1720. Frequent wars caused banks to call in loans, resulting in a sharply slower economic growth rate. Based on detailed micro-data, the authors present conclusive evidence that wartime borrowing crowded out investment. Far from fostering economic development, England's financial revolution after 1688 did much to stifle it -- the Hanoverian "warfare state" was a key reason for slow growth during Britain's Industrial Revolution. *Prometheus Shackled* is a revealing new take on one of the most important periods of economic and financial development.

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Editorial Review

Review

"A major contribution to economic history, business history, social history, and economics, *Prometheus Shackled* resolves a great enigma about the Industrial Revolution by explaining why economic growth was so slow despite massive technical change." --Philip T. Hoffman, California Institute of Technology

"Based on newly opened archival material, two economists have written a sparkling and provocative book on how banking worked in the past that will force all scholars working in the area to re-examine their notions about the economics of the British Industrial Revolution, the importance of banking and finance in economic development, and the role that government regulation has played in the process of capital accumulation and industrialization." --Joel Mokyr, Northwestern University; author of *The Enlightened Economy*

"Peter Temin and Joachim Voth have written a marvelous blend of business history and economic analysis. Their careful study of Hoares Bank documents the origins of modern banking and relates the story to the state's insatiable demand for credit to finance war. *Prometheus Shackled* is a pleasure to read and calls into question many grand narratives that seek to explain the rise of the West." --Bob Allen, University of Oxford; author of *The British Industrial Revolution in Global Perspective*

"In a world still hobbled by the unchecked excesses of modern finance, this timely study of Industrial Revolution banking reminds us that bankers are as important for growth as engineers. Indeed, the authors argue, too few bankers in eighteenth century London limited economic growth much more than too many in the untrammeled City of today." --Greg Clark, University of California, Davis; author of *A Farewell to Alms*

"This is an important work, and it is written in an engaging style. The authors integrate goldsmith banking operations with the history of the rise of the nation state's finances and military aspirations, the broader economic trends that gave rise to industrialization, the rise of the middle class and the changing distribution of wealth, and evolving societal attitudes that accompanied industrialization. The central thesis of the book--that England's constrained banking system served sovereign interests at the expense of private interests during the early industrial revolution (1760-1830)--is argued persuasively." --Charles Calomiris, Columbia University

"*Prometheus Shackled* solves a major puzzle: Why during the first Industrial Revolution was Britain's economic growth anemic? The authors show that financial and other policies diverted credit from the private economy to the government, making it easier for the British state to finance its numerous wars. With implications for both history and our own financially and economically troubled times, this is an important

book." --Richard Sylla, New York University

"Anyone studying financial history will find this book an important contribution full of hard won facts, for collecting its data required substantial archival work. The book is highly accessible and written in an engaging style that avoids excessive formalization." --*The Journal of Economic History*

"The book will be welcome to anyone looking for a clearer picture of goldsmith banking. The authors have made good use of the archives of Hoare's Bank, supplemented with more fragmentary records of other institutions. Hoare's archives are bolstered by the happy fact that the bank has been in business in the same address since before 1700, meaning that no documents have been lost in a move to another location or through amalgamation with another institution... We can only hope that this book inspires even more archival-based research on this neglected era. In the meantime, this useful volume will provide a welcome starting point for future researchers." --EH.net

About the Author

Peter Temin is Gray Professor Emeritus of Economics at MIT. He has written many books, including, *Engines of Enterprise: An Economic History of New England*, *Lessons from the Great Depression*, and *Did Monetary Forces Cause the Great Depression?*

Hans-Joachim Voth is ICREA Research Professor in the Economics Department at Universitat Pompeu in Fabra, Barcelona. He is the author of *Time and Work in England 1750-1830*.

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The reserve with title Prometheus Shackled: Goldsmith Banks and England's Financial Revolution after 1700 contains a lot of information that you can understand it. You can get a lot of advantage after read this book. This particular book exist new understanding the information that exist in this guide represented the condition of the world today. That is important to you to learn how the improvement of the world. This kind of book will bring you within new era of the globalization. You can read the e-book with your smart phone, so you can read the item anywhere you want.

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Reading can be called imagination hangout, why? Because when you are reading a book specifically book entitled Prometheus Shackled: Goldsmith Banks and England's Financial Revolution after 1700 your thoughts will drift away through every dimension, wandering in every single aspect that maybe not known for but surely might be your mind friends. Imaging just about every word written in a guide then become one

type conclusion and explanation in which maybe you never get before. The Prometheus Shackled: Goldsmith Banks and England's Financial Revolution after 1700 giving you a different experience more than blown away your thoughts but also giving you useful details for your better life in this particular era. So now let us demonstrate the relaxing pattern this is your body and mind will be pleased when you are finished reading through it, like winning a casino game. Do you want to try this extraordinary shelling out spare time activity?

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