

The Importance of Not Defaulting: The Significance of the Election of 1710.

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Abstract:

If credit standing is measured by interest rates, it is clear that England did not suddenly become a good credit just because of the 1688 Revolution. Arguably it took until 1717 for the English public debt to attain 'investment-grade' status. A key point in this process was the election of 1710 when a party strongly opposed to the new form of debt-based public finance won a sweeping majority. However, the new Tory-backed government not only avoided default in spite of the gravity of the financial crisis that it inherited, it also managed the public finances in a manner that was arguably sounder than its Whig predecessor. The fiscal responsibility shown under the parliamentary system by the natural opponents of debt-based finance was critical for demonstrating a credible commitment to public solvency.