

The impact of the 1848 crisis on bank and traditional lending in Antwerp

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Abstract (max 350 words)

In 1848, the major Belgian commercial banks were affected by a financial panic triggered by the revolution in France. The banks suffered a liquidity loss as anxious depositors withdrew their funds. This impacted large commercial banks' lending to firms and smaller banks, especially through the discount activities, which came to a halt. The government's reaction to the crisis involved providing guarantees to the main banks and setting up another discount facility, and led to the creation of a single issuance and discount institution (National Bank of Belgium) two years later. However, the magnitude and scope of the effect of the crisis on lending to firms has not been studied up until now. Moreover, novel research indicates that bank lending coexisted with other, traditional (non-bank), forms of credit, notably peer-to-peer loans and notarized credit. Yet, we know little about the segmentation and interactions of those markets in Belgium.

This paper studies the impact of the liquidity shock on lending in the province of Antwerp. In particular, our analysis intends to shed light on the effect of the crisis on non-bank credit and the complementary or substitute character of bank and (traditional) non-bank lending before and during the crisis. In order to do so, we exploit two new databases of notarized credit and registered peer-to-peer loans in Antwerp. This allows us to analyze the role and evolution of these traditional forms of credit and their interaction with bank-based lending, and to explore the characteristics of each type of credit. We thus compare the evolution of different forms of credit before, during and after the crisis, and estimate the impact of the shock for each category. Our main hypothesis is that traditional credit might have been less affected by the crisis than bank lending, thus potentially supporting the economy at a time of need.

Ultimately this paper aims to contribute to our understanding of the interactions between modern and traditional finance in an industrializing country and their respective economic relevance.