BANKING AND INDUSTRIALIZATION

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Abstract
We establish a causal role for banking access in the spread of the Industrial Revolution over the period 1817–1881 by exploiting unique employment data from 10,528 parishes across England and Wales and a novel instrument. We estimate that a one standard deviation increase in 1817 finance employment increases annualized industrial employment growth by 0.93 percentage points. We establish the role of structural transformation as an underlying growth mechanism and show that banking access: (i) increases the industrial employment share; (ii) stimulates urbanization; and (iii) fosters inter-industry transition to high TFP, intermediate and capital-intensive sub-sectors. (JEL: O10, N23, R11.)

The editor in charge of this paper was Dirk Krueger.

Acknowledgments: We are grateful to Leigh Shaw-Taylor for permission to work with the data produced by the Cambridge Group, to Dan Bogart for the use of the infrastructure data and to Alessandro Nuvolari for the use of the patent data. We thank the Editor and four referees for comments that greatly improved this paper, as well as Thorsten Beck, Sascha Becker, Dan Bogart, Nicholas Crafts, Christian Dippel, Gilles Duranton, Oliver Falck, Steve Gibbons, Leander Heldring, Berthold Herrendorf, Saumitra Jha, Bill Kerr, Ralf Meisenzahl, Frank Neffke, Charles Nolan, Luigi Pascali, Giacomo Ponzetto, Radek Stefanski, Daniel Sturm, Jon Temple, Nico Voigtländer, Joachim Voth, Frank Windmeijer, Yanos Zylberberg and participants in seminars at Glasgow, Harvard Kennedy School, UC Irvine, LSE, Warwick, the World Economic History Congress, and the German Economists Abroad meeting for helpful discussion. Research for this paper was supported by the Institute for New Economic Thinking (INET) Grant No. INO15-00025. Stephan Heblich would like to thank CESifo for its hospitality and excellent working conditions while finalizing this paper. Heblich is also affiliated with CEP, CESifo, ifw Kiel and IZA.

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