

The Glorious Revolution of 1688: Political Upheaval and Financial Transformation

In 1688, the Catholic King James II was overthrown and replaced by his Protestant daughter Mary and her husband William of Orange. This "Glorious Revolution" was driven by deep religious and political conflicts. Many English Protestants feared that James was trying to establish a **Catholic, absolute** monarchy like Louis XIV of France. Over his short reign (1685–1688), James expanded the standing army and sought to staff it with Catholic officers loyal to him, while suspending laws that barred Catholics from public life ¹ ². His actions alarmed both Whigs (who valued parliamentary rights) and Tories (who feared the Church of England would be undermined) ³ ². Key grievances included:

- **Catholic favoritism and absolutism** – James tried to weaken laws (the Test Acts) that enforced Protestant supremacy, and even doubled the army to enforce his will. Many of his Protestant officials resigned or were dismissed in protest ⁴ ¹.
- James himself wrote that an obedient army would let him "move towards a more absolutist style of government" with less Parliamentary oversight ⁵.

- **Assault on the Church of England** – In June 1688 James ordered the prosecution of seven Anglican bishops who petitioned against his policies. Their **acquittal** was seen as a rebuke: it "destroyed his political authority" and sparked riots ⁶. At the same time, the birth of James's son (a male Catholic heir) raised the specter of a **Catholic dynasty**, displacing his Protestant daughter Mary from the line of succession ⁶.
- **Fear of French alliance** – Many English Protestants worried James would drag England into France's orbit. In fact, Protestant leaders invited William of Orange (Mary's husband and champion of the Dutch Republic) to take the throne. William landed in November 1688, in part to secure English resources for his war against Louis XIV ⁷. This broad coalition of Whigs and Tories agreed that James's removal was necessary to defend Protestantism and English liberties ⁶ ².

Together these factors led Parliament and the political class to abandon James. A specially-elected "Convention Parliament" in early 1689 declared that James had abdicated and offered the crown to William and Mary. In doing so Parliament asserted that **sovereignty derived from Parliament, not the monarch's birthright** ⁸. The new rulers accepted important concessions: the 1689 Bill of Rights forbade suspending laws or levying taxes without Parliament's consent, guaranteed regular Parliaments, and limited the monarchy's use of the army ⁹ ¹⁰. In short, the Revolution shattered the notion of divine-right absolutism and **made the king dependent on Parliament's goodwill**, as one MP put it: "when princes have not needed money, they have not needed us" ¹⁰.

Fiscal Consequences: The Financial Revolution

One of the most far-reaching legacies of 1688 was a "**Financial Revolution**". William III needed massive funds to fight France (the Nine Years' War, 1689–1697) and could raise them only through Parliament ⁷ ¹¹. Parliament seized this leverage to overhaul public finance. For example:

- **Control of taxation:** The Bill of Rights enshrined that the Crown could not impose taxes without Parliament's approval ⁹. Annual or frequent Parliaments were required to pass taxes, so William

had to call Parliament into session year after year to raise revenue ¹². This marked a decisive shift: **Parliament, not the king, held the purse-strings.**

- **Budget accountability:** In 1690 the Commons set up a Commission of Public Accounts to audit war spending, and began inserting *appropriations* into supply bills ¹³. From this point onward, Parliament controlled not just how much was raised but exactly how it was spent. By ordering taxes and expenditures, legislators could ensure the government acted in the public interest.
- **New taxes and trust:** During the wars Parliament raised new kinds of taxes (on window panes, malt, hearths, etc.) that citizens accepted because they were passed by their representatives ¹⁴ ¹⁵. Over time this helped establish a stable **public credit**: lenders felt confident that taxes voted by Parliament would repay loans. As one historian notes, investors in the new Bank of England (see below) could be “confident that their loans to the Government would be repaid by parliamentary taxation appropriated for that purpose” ¹⁶.

William’s government even relinquished many traditional sources of revenue. He gave up hereditary income like royal monopolies and lifetime customs duties, and instead accepted a fixed Civil List grant from Parliament ¹⁰ ¹⁷. In 1697 Parliament voted William a salary of £700,000 per year to run the civil government ¹⁰. The net effect was that **the Crown became financially dependent on Parliament** and had to justify spending in return for each appropriation. By the end of the wars in 1697, Parliament had established almost all the fiscal controls that modern governments use: annual tax laws, detailed budgets, audits, and specific appropriations ¹⁶ ¹⁸.

The Bank of England and the Rise of Public Credit

These reforms enabled two landmark developments in public finance. First, in 1694 Parliament chartered the **Bank of England** as a joint-stock bank to lend directly to the government. Investors subscribed to a new government loan in exchange for shares in the bank. Because Parliament now controlled taxation, lenders were reassured that interest would be paid on schedule ¹⁶ ¹⁹. The Royal Family museum notes that even after creating the Bank, “the King’s financial reliance on Parliament” did not loosen – the national debt still “depended on parliamentary guarantees” ¹⁹. In other words, public borrowing now carried the stamp of parliamentary authority, making it far more credible.

Second, the shift empowered the Commons to finance wars by **issuing public debt**. With Parliament guaranteeing repayment out of tax revenues, England became – as Douglass North and Barry Weingast famously put it – a “*credible borrower*”. Interest rates on government consols fell toward the low single digits, allowing Britain to borrow cheaply for military and colonial expansion ²⁰. As one commentator explains, Parliament’s new fiscal supremacy “transformed Britain into a credible borrower,” since the only body that could suspend debt (the king) was now bound by elected representatives ²⁰. Over the 18th century this cheap credit financed the rise of Britain as a global power: “British landowners were now divided... and monied MPs [bondholders] became a crucial swing vote” to keep funding the debt ²¹.

These changes set the stage for long-term economic growth. Historians argue that the Glorious Revolution’s institutional overhaul **stabilized property rights and secured public debt**. With taxes and spending under parliamentary control, investors believed the government would honor its obligations ²². The infusion of capital into infrastructure and industry accelerated (e.g. turnpike roads and canals were built by laws passed in this period ²³). In sum, the Revolution embedded a new fiscal constitution: a constitutional monarch under an empowered Parliament that controlled finance. This credible commitment to sound

money and debt repayment provided the financial foundation upon which Britain's modern economy was built ²² ²⁰.

Sources: Modern histories emphasize that James II's Catholic and absolutist policies prompted the 1688 coup ²⁴ ⁵. Parliamentary and scholarly accounts detail how the Glorious Revolution established parliamentary supremacy in finance and led to the Bank of England and public debt reforms ¹⁶ ¹⁹ ²⁰ ²². (Quoted material above is cited inline.)

¹ ² ⁴ ⁵ ⁷ The 'Glorious Revolution' | National Army Museum

<https://www.nam.ac.uk/explore/army-and-glorious-revolution>

³ ¹⁸ The Glorious Revolution of 1688 – EH.net

<https://eh.net/encyclopedia/the-glorious-revolution-of-1688/>

⁶ ⁸ ²⁴ James II of England - Wikipedia

https://en.wikipedia.org/wiki/James_II_of_England

⁹ ¹⁰ ¹² ¹⁹ William III (r. 1689-1702) and Mary II (r. 1689-1694) | The Royal Family

<https://www.royal.uk/william-and-mary>

¹¹ ¹³ ¹⁴ ¹⁵ ¹⁶ ¹⁷ The Financial Revolution - UK Parliament

<https://www.parliament.uk/about/living-heritage/evolutionofparliament/parliamentaryauthority/revolution/overview/financialrevolution/>

²⁰ ²¹ Revolution and Public Debt: Britain and France | MR Online

<https://mronline.org/2010/07/08/revolution-and-public-debt-britain-and-france/>

²² ²³ What really happened during the Glorious Revolution – and why it matters for current fiscal crises | CEPR

<https://cepr.org/voxeu/columns/what-really-happened-during-glorious-revolution-and-why-it-matters-current-fiscal>