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The Expansion of Finance: Comparing Paper Credit in Shakespeare and Defoe

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As Fernand Braudel points out, in the Early Modern period, credit as such was ubiquitous, at least if one accounts for the way transactions were undertaken amongst merchants in very specific networks. However, money markets took a bit of time to develop, and their expansion was uneven across Europe, as finance implied radically new ways of understanding value. Braudel points to a north-western dispersion of financial practises in the Early Modern period, beginning around the thirteenth century. "As time went on," he writes, "the money market moved towards Holland, and later London."[1] Regarding the development of money markets, "[w]hat was universal […] was the emergence of people willing to advance funds, and of networks of money lenders […]. Every time we come across any information about this, usury appears to be alive and well; and this was true of every civilization in the world" (*ibid.*). The uneven development of money markets – and the financial instruments and know-how that accompany them – also comes with different attitudes about what constitutes economic value. In what follows, I will suggest that literary texts are particularly relevant for economic history precisely because they emphasize economic value as a social negotiation. Literary texts may or

[1] Fernand Braudel, *The Perspective of the World*, trans. S. Reynolds, Berkeley, CA, 1992, p. 51.

may not portray the past in a way that historians would view as realistic, but they often represent conflicting cultural perceptions of finance, and these attitudes are tied to the development of money markets as well as to the willingness to participate that Braudel emphasizes.

Two of the most canonical Early Modern British authors, William Shakespeare and Daniel Defoe, produced works that are replete with financial themes. Both refer extensively to contemporary credit mechanisms and for this reason reflect cultural anxieties about, and a fascination with, the rise of finance as a dominate way of producing value. Indeed, in literary criticism, we often discuss a difference between price and value in order to illuminate this anxiety.[2] What is important here is that the price of something is often not the same as how it is valued in social terms, and this is often reflected in disparaging remarks about the dominance of credit and increasing prevalence of money markets. Interestingly, Braudel's seminal three-volume study, which carries the English title *The Wheels of Commerce*, contains 17 references to Defoe on credit but none on Shakespeare. This short paper will discuss the way paper credit is represented in a key work of Shakespeare (which contrasts greatly to that of Defoe) to illuminate the importance of ideological changes in Britain, a transformation often discussed in terms of a north-western dispersion of finance and money markets, and which is connected to what historians have called the "financial revolution".[3]

Shakespeare's *The Merchant of Venice*, first performed in 1605, features a nobleman who defaults on a loan offered by a merchant, Shylock. The play – which is anti-Semitic in its representation of the Jewish money-lender – contrasts different attitudes towards credit and

[2] See for example Jill Mann, "Price and Value in Sir Gawain and the Green Knight", in *Essays in Criticism*, vol. 36, no. 4, 1986, pp. 294-318, p. 294; also Richard Godden, "Labour Without Value, Language at a Price: Toward a Narrative Poetics for the Financial Turn", in M. Seybold and M. Chihara (eds.), *The Routledge Companion to Literature and Economics*, London, 2018, pp. 50-63, p. 50.
[3] P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756*, London, 1967, p. 11.

usury, and it suggests that southern developments in banking and finance were distrusted by Early Modern English people. Just over a century later, Defoe would publish multiple texts, both fictional and non-fictional, on how to manage credit, works which take for granted the prevalence of practices represented as being a problem in Shakespeare's play.[4] What happens to attitudes about finance in the century spanning Shakespeare and Defoe? There is an ideological sea change between the works of these authors, and yet in both we observe how doctrines, practices, and know-how about finance and accounting are present. By examining literary texts, which are invested more in representing a play of social perspectives than they are in portraying facts or actualities, one observes that it is also *an attitude* toward finance and paper credit that spreads to the Northwest.

The British financial revolution took place in the late seventeenth and early eighteenth centuries in the general aftermath of the Glorious Revolution of 1688, much later than the development of money markets in Italy and Holland. The Exchange Bank of Amsterdam, which issued paper notes, would eventually be supplanted in terms of its influence by the Bank of England in the eighteenth and nineteenth centuries. What was significant about the Bank of England was that it was – from its establishment in 1694 – a private company backed by the Parliament. It coined its credit into paper money to solve the state's money shortage problem as well as to raise money for war by servicing a national debt through the issuing of credit contracts (combining the state bond with the bill of exchange) that functioned as money because they were endlessly transferable.[5] By 1760, the Bank of England serviced about 70 percent of the British national debt, but this institution took time and political negotiation to develop.[6] In the first decades after the Bank was established,

[4] See, for example, Daniel Defoe's *The Compleat English Tradesman* ([1726], Glouster 1987).
[5] Geoffrey Ingham, *The Nature of Money*, Cambridge, UK, 2004, p. 129; Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism*, Oxford, UK, 2014, p. 319.
[6] J.H. Clapham, *The Bank of England: A History*, vol. 1, Cambridge, UK, 1945, p. 103.

Defoe played a role in arguing in favour of English public credit in his 1710 *An Essay Upon Public Credit*, and these arguments promoting a credit system inform his fictional writings as well.[7] *Robinson Crusoe*, published in 1719, puts paper (in particular, in the form of an accounting ledger) in the centre of the early part of narrative.[8] Through texts we would now call both fictional and non-fictional, Defoe worked out why credit as a form of accounting underlying the paper contract can be rendered trustworthy, and he helped his readers to understand this, too.

In his 1726 non-fiction work, *The Compleat English Tradesman*, the merchant is elevated to the status of the gentleman, which would have been offensive to some readers still in the middle of the eighteenth century, as credit and money markets were seen as threatening to aristocratic ideology. This text is a fascinating one, as it focuses on behaviour and reputation (132), offering advice on when to marry (93), how to deal with bankruptcy (53), and which pleasures are acceptable (81). Most importantly, the manual teaches the reader how to behave. Well-managed credit, which by the 1720s is essential for trade, is ultimately more important than what is actually produced, and the paper accounting ledger is fundamental to the tradesman's conduct. Defoe, reflecting an attitude supportive of the development of paper credit in particular, is often read and cited by historians such as Braudel for the reason that he emphasizes the know-how of finance. We will not linger on Defoe's works here, as his affinity with well-managed credit is already well documented; rather, we will compare this relative ease of integrating credit and markets into social contexts to a period in Britain in which this integration was far from smooth.

To get a sense of cultural attitudes over 100 years before, one might compare positive attitudes toward well-managed credit in

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[7] See Valerie Hamilton and Martin Parker, *Daniel Defoe and the Bank of England: The Dark Arts of Projectors*, Winchester, 2016, p. 1 ff.

[8] Daniel Defoe, *Robinson Crusoe* ([1719], Oxford, UK, 2008), pp. 57-58; Natalie Roxburgh, *Representing Public Credit: Credible Commitment, Fiction, and the Rise of the Financial Subject*, London, 2016, p. 49 ff.

Defoe's writings to Shakespeare's *The Merchant of Venice*, whose plot is well known. Antonio, a gentleman who does not even know the whereabouts of his own ships (his assets) on the seas, requires capital, and he takes out a loan from Shylock to help his friend Bassanio court Portia, an heiress. Antonio defaults on the loan and, as per their agreement, Shylock demands a pound of his flesh. To save him, Portia dresses up as a lawyer and intervenes through the law. In the end, Shylock cannot collect the pound of flesh because nowhere in the contract does it state that he can also collect blood. This impossibility renders Shylock's case null, and he is driven from the town. In other words, he is not able to enforce the contract, and his capital – along with his social standing – is nullified.

This play is correctly read by literary critics as reflecting anti-Semitic and anti-finance views.[9] It is worth pointing out that the play nonetheless contains information on how finance works. Unlike some contemporaries who saw finance as a sort of mischievous alchemy since it creates value out of nothing, this play describes the paper credit contract that is backed by the law, which was already having an impact on the English state. It is important to note here that financial paper is not *mere* paper; rather, it is paper backed by legal contract, and contracts are formed by negotiations. Paper credit is the culmination of a negotiation, an abstraction that entices one to forget the social manoeuvring required. *The Merchant of Venice* captures this negotiation well, and it shows what happens to financial capital when it is not possible to legally enforce a contract.

First, the play contrasts Bassanio and Antonio in terms of creditworthiness. Bassanio admits: "I have disabled mine estate / By something showing a more swelling port / Than my faint means would grant continuance" (1.1.123-126).[10] While his capital investments are less easy to quantify, Antonio nonetheless has a more

[9] On this, see Lisa Freinkel, "The Merchant of Venice: 'Modern' Anti-Semitism and the Veil of Allegory", in H. Grady (ed.), *Shakespeare and Modernity: Early Modern to Millennium*, London, 2000, pp. 122-141.
[10] William Shakespeare, *The Merchant of Venice* ([1600] Oxford, UK, 1993).

promising capacity to repay. He tells Bassanio: "Thou know'st that all my fortunes are at sea / Neither have I money nor commodity / To raise a present sum. / Therefore go forth – / Try what my credit can in Venice do" (1.1.177-80). So, from this very early exchange, we already get a glimpse of what Craig Muldrew calls a culture of credit, even though this culture is more limited than it would be later in the eighteenth century when Defoe was writing. Muldrew argues that eighteenth-century financial practice entailed "a reordering of notions of community relations towards a highly mobile and circulating language of judgment."[11] Antonio represents an aristocratic value system; the amount of capital he has to his name is questionable, but, in terms of his reputation, he is nonetheless creditworthy.

What we do not yet observe here, and what we find all over Defoe's *oeuvre*, is what Margot C. Finn calls the character of credit. That is to say, a notion of trust that comes from a character's behaviour is not present. Finn, looking at the 1770s, writes: "While early modern debt relations had been predicated on conceptions of mutual trust, modern consumer credit was shaped most decisively by notions of personal character. [...] Perceptions of personal worth, in turn, registered the successful use of goods and services obtained on credit to construct creditworthy characters. Credit thus reflected character, but also constituted it."[12] Shylock, who holds a grudge against Antonio for the latter's opinion on usury, nonetheless carefully assesses his financial risk by stating that "Antonio is a good man" (1.3.12). Here, it is important to mention that he does not mean Antonio is virtuous or has a virtuous character, which is what the gentleman or gentlewoman audience member would assume. The meaning is inherently economic: Shylock trusts that he will get a return on his investment because of Antonio's status. Shylock says: "My meaning in saying he is a good man is to have you understand

[11] Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England*, Houndmills, 1998, p. 3.
[12] Margot C. Finn, *The Character of Credit: Personal Debt in English Culture, 1740-1914*, Cambridge, UK, 2003, p. 19.

me that he is sufficient" (1.3.15-16). He then goes on to lists Antonio's probable assets (1.3.17-26). These include ships in Tripoli, the Indies, Mexico, England, and elsewhere. "There be land rats and water rats, water thieves and land thieves – I mean pirates – and then there is the peril of waters, winds, and rocks. The man is, notwithstanding, sufficient. Three thousand ducats; I think I may take his bond" (1.3.22-26). Here, in non-eloquent language (compared to the high register of the aristocratic characters), we witness Shylock undertaking an in-depth assessment of his own risk. But this is not through an idea of character, which – as both Muldrew and Finn point out – is an eighteenth-century phenomenon.

Furthermore, while *The Merchant of Venice* examines what is required to establish a credit relationship, it also reveals different ideas about money lending, and thus different moral economies, to use a term made famous by E.P. Thompson.[13] Shylock's moral economy is much closer to the world Defoe was writing into being whereas Antonio and Bassanio share the moral economy of aristocratic communities. Bassanio tellingly tries to get Shylock to dine with them, which can be interpreted as a gesture of friendship. This, however, contradicts the money-lending practice in which people participate not out of disinterested friendship but rather because of the possibility of profiting through an interest-bearing loan. In fact, the rejection of the dinner invitation is a telling part of how credit relations work: Moneylending is not based on communal obligation. Rather, it is grounded on an idea of mutual self-interest and a system of contract and law that ensures that everyone plays by a fair set of rules. In fact, Shylock hates Antonio because "[h]e lends out money gratis and brings down / [t]he rate of usance here with us in Venice" (1.3.41-2). In other words, Antonio lends money to his friends without interest, which complicates the market for credit of people looking out for themselves in terms of financial interest. This is where the grudge comes from between the two characters. It is, after all,

[13] E.P. Thompson, *Customs in Common*, London, 1991, p. 270.

Antonio's deep friendship with Bassanio that leads him to take out a loan in the first place: "I neither lend nor borrow / By taking nor by giving of excess, / Yet to supply the ripe wants of my friend / I'll break a custom" (1.3.58-61).

The clash between these social perspectives allows Shakespeare to teach the audience a bit about conflicting attitudes towards finance in his time, attitudes that often entail unfair anti-Semitic stereotypes. Shylock refers to a time in the past when Antonio had berated him for usury. They have a debate over Biblical precedent for making resources breed and have very different views of the Book of Genesis. Antonio thinks, for example, the domestication of animals is God's work whereas Shylock thinks it is man's, and breeding livestock is compared to compelling money to breed (p. 122). Despite the clear anti-Semitic reading that this passage encourages, we should note here that it is Antonio, and not Shylock, who suggests that the loan is actually between enemies rather than friends. "If thou wilt lend this money, lend it not / As to thy friends; for when did friendship take / A breed for barren metal of his friend? / But lend it rather to thine enemy / Who, if he break, thou mayest with better face / Exact the penalty" (1.3.128-33). This enmity is where the pound of flesh as interest derives, and this deviates from normal financial practice because it signifies revenge rather than gain from contractual lending in the form of interest. Further, this reference to flesh, including blood, was a common metaphor in mercantilist doctrine, and thus it gestures towards contemporary balance of trade arguments rather than capital produced through the interest-bearing contract.[14]

While it is certainly true that *The Merchant of Venice*, unlike Defoe in the 1720s, contains an attitude very sceptical about credit in the form of paper contract, I would like to propose here that the sixteenth-century England Shakespeare observed was already very much transformed by credit transactions facilitated by paper. Robert

[14] Jonathan Gil Harris, *Sick Economies: Drama, Mercantilism, and Disease in Shakespeare's England*, Philadelphia, PA, 2004, p. 79.

Brenner argues that most feudal lords transformed their households in order to make them more profitable, and by the end of the sixteenth century, there were very few feudal lords who did not engage in financial practice, and this also entailed a new form of state.[15] When we examine *The Merchant of Venice* not only through its ideology but also through its representation of the doctrines, practices, and know-how about finance and accounting, we see that the dispersion of finance from the South had already started to take hold.

While certain aspects of what is represented in Shakespeare's play do not hold up with actual practice, it nonetheless captures the social negotiation. The credit contract within the play works through a logic that will allow paper credit to flourish – and even become money – in Defoe's time: through trust that the loan will be repaid, and that the terms of the paper contract will be fulfilled. This requires infrastructural change, however, and the trust in the institutions backing credit contracts, such as the Bank of England. But, even in Defoe's time, *attitudes* toward finance were still very diverse, as there was still a very entrenched moral economy that sought to argue that gaining interest on a loan was against the principles of community. One observes this in many conservative texts written over the course of the eighteenth century. Shakespeare was invested in describing this great clash, as he saw the new form of state described by Brenner coming into being.

At the same time, Shakespeare's play asks us to imagine paper credit as a personal negotiation. This will change by the eighteenth century, when paper credit becomes paper money, and trust is virtualized. While Bank of England notes did not circulate much outside of the British Isles, their technological attributes influenced global commercial trade. These paper contracts – bills of exchange mixed with government bonds – formed what Christine Desan has called a "fiat loop" insofar as the government began to accept their own credit instruments in the form of tax payments (319). These debt

[15] Robert Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*, Cambridge, UK, 1993, p. 640.

instruments issued by the state become money through the rise of public credit, finance and money markets becoming not only acceptable but also increasingly necessary. The character of Shylock would begin to disappear by the time the *Compleat English Tradesman* was drafted because of the institutional changes outlined in Desan's book. These changes, however, tellingly require people to behave with a character worthy of the credit transaction. The price versus value distinction may persist into the following centuries, but how to pay for things becomes less of a question as the credit contract becomes solidly embedded within state institutions, thus depersonalizing and virtualizing money: the very opposite of a pound of flesh.