Shakespeare and the Modern Economy

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Describing money and words as homologous systems of exchange that function to embody, formulate, and transmit values, this essay will explore the formative period of the modern economy, when sixteenth-century writers were struggling to conceptualize it*, and Shakespeare was dramatizing its basic principles. These are 1) that neither money nor words need "represent" anything at all (precious metal or reality), but are social facts based on assent and trust, or credit – the fiduciary principle – and 2) that value is established in exchange and constituted by desire – the volitional corollary. Economic theorists of the period (quite like most mainstream economists yesterday and today) did not quite grasp these principles, which are nonetheless evident in the action and arguments of *The Merchant of Venice* and *Troilus and Cressida*.

One of the most astonishing things Marco Polo reported to Europe at the end of the thirteenth century when he returned from his 17-year sojourn at the court of Kublai Khan was the use there made of paper money. Polo himself is amazed by this practice: that throughout the Great Khan's realm, even those objects thought to possess supreme value in the west – jewels, gold, and silver – are themselves purchased by paper. The paper, made from mulberry bark, was black and stamped with some heraldic device of the Khan's. Polo marvels that such intrinsically worthless stuff, so much lighter and insubstantial than all

*A fuller analysis of the sixteenth-century accounts may be found at www.pum.umontreal.ca/revues/surfaces/vol6/waswo.html

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the things it can buy, is nonetheless gratefully accepted by all the merchants in the kingdom. The Khan himself keeps a great store of gold and silver (hence his fabulous wealth), and prints, says Polo, as much of the paper "as he pleases." But since everyone accepts it, Polo concludes, "the value is the same to them as if it were of gold or of silver" (238-40).

The value certainly isn't the same to him, however, for he shares the occidental fixation on value as something intrinsic to the object itself. A fixation that continues to be powerful in our culture until just yesterday – as witnessed by the massive resistance to the idea of paper money in the west: from the introduction of banknotes in seventeenth- and eighteenth-century Europe to the protest and ridicule of the greenback in nineteenth-century America. Until the Bretton Woods agreement of 1946, paper money was acceptable to us only because the government had promised that it was convertible to a certain amount of gold or silver. And even after this pretense was abandoned, the dollar was still officially pegged – that is, said to represent or correspond – to some fixed amount of precious metal, in order to stabilize exchange rates among currencies. And only in 1971 was this pretense abandoned, when President Nixon unpegged the dollar from gold though still permitting its use as a fixed standard for other currencies. And this situation has in turn reawakened the archaic nostalgia for the supposed stability of currencies redeemable in precious metal. Even some contemporary politicians and bankers have seriously urged a return to the convertible gold standard for the dollar that existed *before* Bretton Woods (e.g. Lehrman).

So after seven centuries, some people are still failing to understand, as Polo did, the real source of the value of money. This is neither the material it's made of, nor any putatively precious material that it is said to represent. As Karl Marx observed, the "purely symbolic character" of money, and of credit, arises from its function (126-27). Today's coinages function perfectly well without containing, or representing, any precious substance at all. Money today has in fact become what Georg Simmel suggested in 1907 was its ineluctable nature: "a pure token" or symbol, detached from any substantive value, not something that *has* a function, but *is* one (165). Simmel's prophecy has been amply confirmed by two of the most ambitious analyses of the new millennium: Graeber's *Debt* and Martin's *Money*. The value of money is constituted quite simply by the fact of its use; it's established in circulation by social assent. If you can spend it, it's money; and it's worth whatever it will buy. Whatever it's made of – mulberry bark or linen fiber, or leather or seashells or anything else – makes no difference at all. Except, of course, when it comes to the financing of large-scale long-distance commerce. For this purpose, precious metals are especially unsuitable: the difficulty and danger of hauling around bags of gold and silver was what led late medieval merchants to develop paper instruments of credit and debt assignment that were the functional equivalents of money. Thereby they invented the modern economy, which was operational long before it became conceptual – that is, before the principle of its operation was recognized and formulated. And it took until 1973 for the logic of the principle to be fully enacted, when President Nixon unpegged the dollar from any fixed exchange rate with other currencies, allowing them to float, as now they do. Thus tenacious is our western fixation on value as something intrinsic to an object, instead of, as it is, wholly dependent on the use of the object, which is determined merely by the social agreement so to use it.

I call this principle – the conferring of value by social use – the fiduciary principle. From the Latin *fides*, or faith, the term well evokes all the paper exchanges in which we must believe, and which therefore public laws must somehow enforce, in order that the modern economy may function. It is this principle that underlies the necessary and essential role of credit in the economy – another word whose Latin origin (*credo*) implies the social nexus of shared belief as the sine qua non of monetary and commercial activity. And other terms imply the same: the "trusts" that are both legal arrangements and the institutions that make them; the "confidence" that investors have or lack in a company, commodity, currency, or market. Along with the fiduciary principle- that value results from socially agreed-upon use – goes what I shall call the volitional corollary – that what is thus valuable because useful is also, naturally enough, desirable. The modern economic system functions because we believe what others believe and want what others want; values are consequently constituted by the ever-fluctuating relations and conflicts among our mutual beliefs and desires.

I shall try to show that Shakespearean drama presents, far in advance of its time, the operation of both the principle and the corollary. The former is dramatized as the necessity of observing an acknowledgement of debt in *The Merchant of Venice*; the latter as a justification for continuing to fight the Trojan war in *Troilus and Cressida*. Before looking at the plays, though, I must briefly review the received opinions about money, value, and credit in the sixteenth century.

These subjects, along with the economy as a whole, were then of newly crucial concern because of the galloping inflation set off in Europe by the massive influx of gold and silver from the new world. Both French and English observers diagnosed this at the time, but could find no way to deal with it other than by fulminating against governments that persisted in devaluing or debasing their currencies. Theorists were obsessed with the content of precious metal that they thought gave money its value. All their efforts were to stabilize this, even though they were aware that the value of gold and silver was itself unstable. The English in particular were horrified at the very existence of a money market and the ability of bankers "or money merchantes," who deal in no tangible goods, to "use the Exchange onely for gayne by marchandisynge of money, who lye watching to take advantage of the tyme and occasyone to falle or Raiese the Exchange to their moste proffyte" (Tawney and Power 3.356). Even those who understood how to manipulate this market, like Sir Thomas Gresham, the ablest of Queen Elizabeth's financial advisors, desperately sought to control it by establishing once and for all the precious metal content of the pound.

Almost none of the sixteenth-century theorists of money was able to conceive of it as a pure instrumentality, whose value is determined by what it can perform, and not by what it is or contains as an object. They see only that it now performs less, and seek to restore its power by adjusting its content. Consequently, they wholly ignore the crucial role of credit, the way in which fiduciary paper functions and circulates as money. Such practices as payment orders on banks of deposit (the ancestors of cheques), letters obligatory (promissory notes or acknowledgements of debt), and most importantly, bills of exchange – had made possible what one economic historian calls the "commercial revolution" of the thirteenth century (Spufford 240-63). Bills (or letters) of exchange were contractual agreements among a minimum of four people in two different countries recording a payment in one currency in one place, and requiring its repayment in the other place and currency some time later (see de Roover). They were initially devised (in twelfth-century Genoa) as ways to transfer currency and enable international trading of commodities without having to haul bags of silver around. Such paper transfers alone did more to expand trade than any individual currency (Spufford 262) and made bills of exchange the functional equivalent of money (de Roover 117). But by the late Middle Ages they were being used for more purposes than simply to secure foreign exchange to pay for goods; they had become (disguised) ways of obtaining loans, as well as ways of speculating in the fluctuating rates of exchange between foreign currencies (Spufford 395-96). Finally, they became, by the much-contested practice of endorsement, fully negotiable commercial paper. In a famous English lawsuit of 1437, the bearer (not one of its four principals) of a bill of exchange successfully sued for its repayment

(Holden 23-24). Such negotiability was not invariably honored in lawcourts, but was widely practiced. Another historian calculates that in the course of the sixteenth century the volume of credit in circulation must have expanded enormously in order to account for the economic growth observable during the period (*Dawn* 286).

Yet it occurs to almost no contemporary writer on money ever to consider the central role that paper credit instruments actually performed in making possible the global traffic of commodities. I know of only two partial exceptions: a Mexican Dominican, Thomas de Mercado, and a Florentine banker and man of letters, Bernardo Davanzati (1529-1606). Both accept, even if they can't entirely approve, that credit, currency transfers, and even currency speculation are essential to the operation of the economy. Davanzati, who delivered orations to the Florentine Academy on money and credit in 1558 and 1581, is well aware that money is an arbitrary social convention, that gold and silver are the "measure of all things because men have so agreed, and not because these metals are worth so much by nature" (445). And he is above all aware that the real motor of the economy is the exchange of fiduciary paper. Davanzati describes Lyon as a purely financial market "because," he says, "people do not go there to buy merchandise, but only fifty or sixty exchangers, with paper notebooks, to settle the accounts of exchanges made in almost all of Europe" (432). Davanzati even allows that most of these exchanges may be purely speculative profit-making on differential rates between currencies, and hence motivated by the greed of individuals. He then justifies the aggregate result of these transactions in what seems to be the first statement of classical economic liberalism as it would be preached by Adam Smith: "so that if indeed the intention of individual exchangers is not a good thing, the general effect that follows is itself good; and even nature permits many small evils for the sake of one great good, like the death of base animals for the life of the nobler" (429).

If Davanzati is unique in the sixteenth century as a prophet of capitalism, Shakespeare is unique in describing the implications of the fiduciary principle that Davanzati managed to articulate. For if paper agreements move goods more efficiently than pocketsful of coins, then it becomes a primary function of the state to see that such agreements are honored. The new economic order is based on the validity, the trustworthiness, of the written contract. This situation provides Shakespeare with the main plot of *The Merchant of Venice.* The broke young aristocrat Bassanio, you will recall, needs 3,000 ducats to make a flashy courtship of the rich young heiress, Portia. He seeks the money from his best friend, the merchant Antonio, who acquires it for him only by borrowing it from the Jew Shylock. Antonio signs a bond, which is duly notarized, that failure to repay on the date due will result in his forfeiting a pound of flesh. The forfeit is agreed to as a kind of bitter joke, in lieu of the interest that Shylock usually demands. The lady is wooed and won; but Antonio's ventures miscarry; he can't pay back the loan at the stipulated time, so Shylock has him arrested and brought to a trial which occupies the fourth act of the play.

In the course of this action, the issue at stake is made explicit no fewer than six times. First, when Antonio is arrested, a friend of his tries to console him: "I am sure the Duke / Will never grant this forfeiture to hold." But Antonio, the merchant, knows better. "The Duke cannot deny the course of law," he explains,

> For the commodity that strangers have
> With us in Venice, if it be denied,
> Will much impeach the justice of the state,
> Since that the trade and profit of the city
> Consisteth of all nations. (3.3.24)

Second, Shylock petitions the Duke at the trial

> To have the due and forfeit of my bond.
> If you deny it, let the danger light
> Upon your charter and your city's freedom. (4.1.57)

Third, Shylock rejects all pleas that he relent, and repeats the point: "if you deny me, fie upon your law! / There is no force in the decrees of Venice" (4.1.101). Fourth, Portia, come to court in disguise as an erudite young judge, admits to Shylock:

> Of a strange nature is the suit you follow;
> Yet in such rule that the Venetian law
> Cannot impugn you as you do proceed. (4.1.172)

Fifth, Portia concludes her famous speech begging Shylock to show mercy with the same admission:

> I have spoke thus much
> To mitigate the justice of thy plea,
> Which if thou follow, this strict court of Venice
> Must needs give sentence 'gainst the merchant there. (4.1.197)

Sixth, Bassanio beseeches the supposed judge to "Wrest once the law to your authority; / To do a great right do a little wrong." But Portia replies exactly as Antonio had first replied to the same suggestion:

> It must not be; there is no power in Venice
> Can alter a decree establishèd;
> 'Twill be recorded for a precedent,
> And many an error, by the same example,
> Will rush into the state; it cannot be. (4.1.210)

Shakespeare has clearly taken some pains to make the issue perfectly clear: if written contracts are not honored, there is no credibility in Venice, which exists by trade among all nations, and must therefore uphold agreements with no respect to person, nationality, race, or creed. If contracts are not enforced, there can be no economy. The law of contracts is absolute; no individual will, learned or monarchical, can alter it. Mercy is supremely irrelevant here. And it is law, not mercy, that of course solves the problem. Portia discovers in the bond no mention of blood, and so awards Shylock his pound of flesh on condition that he shed no drop of blood. This being impossible, Shylock offers to settle for the money; but Portia rubs his nose in the "justice" he has demanded, insisting he have his forfeit or nothing, and finally convicting him of the attempted murder of a Venetian citizen. The legal system triumphs in every sense, as it must in a state that lives by commerce. It is this political consequence of the fiduciary principle of the modern economy that Shakespeare has so presciently dramatized – a rule of law that upholds contractual agreements among any and all persons: in short, the modern state as opposed to both the feudal oligarchy and the Renaissance monarchy, in which laws vary in application according to social rank, and can be abrogated by the will of the ruler. It is the kind of state that the first world now has, made necessary by our need to believe in the pieces of paper that we agree to value.

In *The Merchant of Venice*, the issues of value, credit, and belief are not confined to the main plot – the contracting of the bond and its climactic trial – but also link that plot to the erotic and marital one. Here, the aristocrats must learn that a new form of marriage accompanies the new economic order, that wives too are to be valued differently. But this matter is treated, in this play, primarily in terms of social class. A more general, even philosophical, analysis of the volitional corollary – that value established by use is ultimately constituted by desire – is presented in the Trojan council scene of *Troilus and Cressida*. This rather strange, and infrequently performed, play is a corrosive satire on both its titular story of idealized "courtly" love, inherited from Chaucer, and its whole context, inherited from Homer, of the most heroic legend in the west: that of the fall of Troy. Shakespeare simply trashes the traditionally supreme values of love and war, reducing the culture's grandest epic to an affair, as Thersites puts it, between a "whore and a cuckold" (2.3.68). The whore is Helen, stolen by Paris from Menelaus, the cause of the war.

In the second scene of the second act, Priam, the king of Troy, holds a council with his sons to consider the latest offer of the Greeks to end the siege and the war if Helen is returned. Hector proposes letting her go because she costs too many lives:

> If we have lost so many tenths of ours
> To guard a thing not ours nor worth to us,
> Had it our name, the value of one ten,
> What merit's in that reason which denies
> The yielding of her up? (2.2.21)

Hector is claiming that the Trojans would not have sacrificed a tenth of the lives already lost for Helen even in defense of one of their own citizens – which Helen is not. Troilus responds with passionate indignation, saying that the calculation of reasons is irrelevant to the "infinite" honor of their royal house, which is at stake. Hector insists, "Brother, she is not worth what she doth cost / The keeping." Troilus asks, "What's aught but as 'tis valued?" And Hector replies,

> But value dwells not in particular will,
> It holds his estimate and dignity
> As well wherein 'tis precious of itself
> As in the prizer. 'Tis mad idolatry
> To make the service greater than the god. (2.2.51)

Hector thus articulates the ancient conviction that worth must be intrinsic to the object, and goes on to attack the younger hotheads who prize things only according to their own individual passions. Troilus then reminds Hector at length that the value of Helen was something they all agreed on: when Paris went to ravish her,

> Your breath with full consent bellied his sails . . .
> Is she worth keeping? Why, she is a pearl
> Whose price hath launched above a thousand ships
> And turned crowned kings to merchants.
> If you'll avouch 'twas wisdom Paris went–

As you must needs, for you all cried, "Go, go"–
If you'll confess he brought home worthy prize–
As you must needs, for you all clapped your hands,
And cried, "Inestimable!"–why do you now
The issue of your proper wisdoms rate,
And do a deed that never Fortune did,
Beggar the estimation which you prized
Richer than sea and land? O theft most base,
That we have stol'n what we do fear to keep! (2.2.74)

After other issues are raised and disposed of, among them the morality of wife-stealing, Troilus will win this argument about value. Hector agrees to keep fighting for Helen, "For 'tis a cause that hath no mean dependence / Upon our joint and several dignities." And Troilus celebrates the decision as the achievement of the traditional aim of all heroic endeavor, "glory." But Troilus describes glory in terms, both religious and economic, that make clear the volitional corollary of the fiduciary principle: value is what others accept, think, and desire. It resides neither in individual desire, as Hector rightly said, nor in the qualities of any object, as Troilus rightly denied. Helen (whom the play depicts as lewd, silly, and superficial) is a pretext, a repository, an occasion; she is, says Troilus,

. . . a theme of honor and renown,
A spur to valiant and magnanimous deeds,
Whose present courage may beat down our foes
And fame in time to come canonize us;
For I presume brave Hector would not lose
So rich advantage of a promised glory
As smiles upon the forehead of this action
For the wide world's revenue. (2.2.192)

Fame, or glory, is what everyone else will think of us; and it is worth more than the GNP of the entire planet.

The satirical events of the rest of the play (which concludes with Achilles' gang murder of the unarmed Hector) make a concerted effort to destroy the glory of this action, to change our opinion of it, to make it worthless. For Shakespeare's understanding of the modern world and the economic basis of the modern state is ruthless, and requires the rewriting of more than one of western culture's cherished myths. Those of heroism in particular, along with those of kingship and of love, receive radical revision in many of his tragedies, histories, and comedies.

But I must conclude here simply by stressing the extent to which Shakespeare grasped, as did no other writer in the sixteenth century, the central principle of the new economic order that had been developing for three centuries. It is the fiduciary and volitional character of a market economy ruled by the social, mutual, general desires of supply and demand, the world where nothing is anything "but as 'tis valued." Paper money, bills of exchange, bonds of debt, Helen of Troy, are what we credit them to be; nothing in themselves, and everything in terms of what we may use and exchange them for. Political and legal and literary systems exist to maintain that credit and make possible those exchanges. The genius of Shakespeare has been often praised as universal–"not of an age, but for all time," as Ben Jonson put it. But even after four hundred years, it's a little too early to tell. For his age is still ours. Since his own lifetime, Shakespeare has passed for universal easily enough because he described so accurately the world in which we still live.

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