

Appendix: ‘Merchant of Venice’, William Shakespeare (1600)

William Shakespeare (1564-1616) cannot, by any stretch of the imagination, be characterized as an early financial economist. Yet, as the leading dramatist of the Elizabethan era, Shakespeare's plays provide appealing and sometimes revealing insights into the social attitudes of his time.¹³ One of these plays, *The Merchant of Venice* (1600), prominently features a Jewish usurer, Shylock, and a Venetian merchant, Antonio, who makes his living from trading, buying goods in other lands and transporting them by sea to sell in Venice. Antonio is more than a principled Christian. He does not engage in lending at interest and publicly chastises the Jewish moneylenders for doing so. Shylock has a venomous dislike for Antonio. Speaking of Antonio Shylock (I.3.38-48) says:

Shylock: How like a fawning publican he looks!
 I hate him for he is a Christian:
 But more for that in low simplicity
 He lends out money gratis, and brings down
 The rate of usance here with us in Venice.
 If I catch him once upon the hip,
 I will feed fat the ancient grudge I bear him.
 He hates our sacred nation, and he rails,
 Even there where merchants most do congregate,
 On me, my bargains, and my well-won thrift,
 Which he calls interest. Cursed be my tribe,
 If I forgive him!

The play revolves around a three month loan of 3000 ducats made by Shylock to Bassanio, an ‘intimate’ friend of Antonio. The loan is needed for Bassanio to sustain his gentlemanly lifestyle, required to continue his pursuit of marriage to Portia of Belmont, a wealthy heiress. The loan is secured by the bond of Antonio, with the penalty for forfeiture being a pound of Antonio's flesh.

The dialogue surrounding the granting of the loan captures a ‘fundamental, structural, ethical distinction’ of Renaissance commerce, in general, and Venetian commerce, in particular (Holderness 1993, p.23). This distinction, which is not present in modern commerce, is between productive commerce, the trading activities of Antonio, and sterile commerce, the usurious lending of Shylock. There is the obvious question about why Antonio is willing to borrow at interest:

Antonio: Shylock, albeit 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...

The discussion proceeds with Shylock making a Biblical defence for the practice of taking usury. However, the reference is to a transaction between Jacob and Laban concerning sheep. Antonio (I.3.95) correctly

questions the validity of the Biblical argument, 'The devil can cite Scripture for his purposes'.

From this point Shakespeare develops the battlefield for the deeply held revulsions of both the usurers and Christian borrowers:

Shylock: Three thousand ducats — 'tis a good round sum.

Three months from twelve, then let me see the rate.

Antonio: Well, Shylock, shall we be beholding to you?

Shylock: Signior Antonio, many a time and oft

In the Rialto you have rated me

About my moneys and my usances:

Still I have borne it with a patient shrug,

For suff'rance is the badge of all our tribe.

You call me misbeliever, cut-throat dog,

And spit upon my Jewish gaberdine,

And all for use of that which is mine own.

Well then, it now appears you need my help:

Go to then, you come to me, and you say,

'Shylock, we would have moneys' — you say so!

You that did void your rheum upon my beard,

And foot me as you spurn a stranger cur

Over your threshold. Moneys is your suit.

What should I say to you? Should I not say

'Hath a dog money? Is it possible

A cur can lend three thousand ducats?' or

Shall I bend low, and in a bondman's key,

With bated breath, and whisp'ring humbleness,

Say this:

'Fair sir, you spit on me on Wednesday last —

You spurned me such a day — another time

You called me dog: and for these courtesies

I'll lend you thus much money'?

Antonio: I am as like to call thee so again,

To spit on thee again, to spurn thee too.

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 mayst with better face

Exact the penalty.

Shylock: Why, look you, how you storm!

I would be friends with you, and have your love,

Forget the shames that you have stained me with,

Supply your present wants, and take no doit

Of usance for my moneys, and you'll not hear me:

This is kind I offer.

Antonio: This were kindness!

Shylock: This kindness will I show.

Go with me to a notary, seal me there

Your single bond, and, in a merry sport,

If you repay me not on such a day,

In such a place, such sum or sums as are
 Expressed in the condition, let the forfeit
 Be nominated for an equal pound
 Of your fair flesh, to be cut off and taken
 In what part of you body pleaseth me.
Antonio: Content, in faith — I'll seal to such a bond,
 And say there is much kindness in the Jew.
Bassanio: You shall not seal to such a bond for me,
 I'll rather dwell in my necessity.
Antonio: Why, fear not man, I will not forfeit it.
 Within these two months, that's a month before
 This bond expires, I do expect return
 Of thrice three times the value of this bond.

When Antonio's ships fail to return within the three months as expected, the bond is forfeit and Shylock appeals to the Venetian courts to ensure payment of his bond. Bassanio, who in the interim was able to obtain the hand of the rich Portia in marriage, appears with three times the value of the principal for repayment. Shylock will not be appeased. A pound of flesh is his due.

And so the story goes, a finely woven garment of plots and subplots, full of symbolisms and abstract references. Despite the apparent support of the laws of Venice which sanctify commercial transactions such as loans at interest, when Shylock steps outside the bounds of credible business practice by turning down three times principal and demanding the potentially fatal pound of Antonio's flesh, Portia, disguised as an eminent jurist, is able to use the laws of civil society to overturn the commercial transaction. Civil society, even an overtly commercial one such as that in Venice, must place limits on the sanctity of business dealings. With a dose of Christian charity from Antonio, Shylock is punished for his bloodthirsty demands. He is to forfeit half of his worldly goods to Antonio, to be transferred: 'Upon his death unto a gentleman that lately stole his daughter'. Shylock is also required to convert to Christianity and to will his remaining wealth to his 'son Lorenzo and his daughter'.

Those unfamiliar with Shakespeare and Elizabethan theatre may be surprised that much of the structure for the *Merchant of Venice* appeared in a tale '*Il Pecorone*' which is contained in a book of tales compiled around 1378 by Ser Giovanni, though the actual book was not published in Italian until 1558. As with many Italian authors of that era, little is known of Ser Giovanni. There is little doubt about the connection between '*Il Pecorone*' and the *Merchant*. In '*Il Pecorone*' there is a godfather who borrows ten thousand ducats from a Jew in Venice, secured by a contract that if the bond was not satisfied by St. John's Day, the Jew may have one pound of the debtor's flesh, from whatever part of the godfather's body the Jew desires. The money is needed for the godson, Giannetto, to satisfy the conditions of a strange contest for winning the hand of a rich woman from the mysterious port of Belmonte.

Giannetto is eventually successful in winning the hand of the rich

woman of Belmonte but is distracted by the wedding festivities and his godfather's bond becomes forfeit. Much as in the *Merchant*, the Jew will have no mercy on Giannetto's godfather and it would appear he is doomed, even though Giannetto rushes to his godfather's aid in Venice with more than sufficient funds to satisfy the debt. However, the godfather is saved by Giannetto's rich bride from Belmonte who appears in disguise as a Doctor of Laws and is able to save the godfather by careful manipulation of the Venetian court case. In addition to these similarities between '*Il Pecorone*' and the *Merchant*, there are others that are important to the plot but not of immediate interest to the social attitudes towards usury, for example, Quiller-Couch and Wilson (1969), p.viii-x.

Shakespearean scholars have long debated the ethic undercurrents present in the *Merchant*. Is Shylock despised by Antonio because he is a Jew, a usurer, or both? Elizabethan England was quite a hostile environment for Jews. Driven by popular convictions, various laws had been passed by the Plantagenets banishing most Jews. Those that were permitted to stay, mostly for their professional skills, could not practice their religion. In 1594, around the time the first stage presentations of the *Merchant* appeared, the Queen's physician, a Portuguese of Jewish ancestry, Roderigo Lopez, was tried, convicted and hanged. Lopez was accused of plotting, together with Antonio a pretender to the Portuguese throne, to assassinate the Queen. The Lopez trial was something of a kangaroo court, with decided similarities to Antonio's trial in the *Merchant*.

That the Lopez trial was a significant influence on the *Merchant* is generally acknowledged. It was by no means clear that Lopez was actually involved in the crimes for which he was hanged and there are various subplots within the *Merchant* that tend to make Shylock a sympathetic villain. Yet, the connections with the Lopez trial are incidental in many ways. Perhaps there are other reasons for giving Shylock a tragic face? In particular, the important theme concerning social attitudes towards usury is retained in the *Merchant*. On this point, the comparison with '*Il Pecorone*' is interesting. Circa 1600, England had a number of similarities with Venice, circa 1378. As in Venice, a thriving merchant class had emerged engaged in trading over the seas. Though laws were in place permitting the taking of interest, there was still considerable social resistance to the practice. As such, it is not the taking of interest which is Shylock's sin, but rather the overwhelming desire for vengeance.

As a literary contribution, the *Merchant* is not designed to provide definitive information on the usury question. Though there are visionary elements in Shakespeare's plays, he was in the business of producing popular plays. Similar to much of what appears on modern television, Shakespeare's plays were considered, by the scholarly community of his time, to be somewhat vulgar entertainment. To be popular, plays had to appeal to general public attitudes. The result is that plays, such as the *Merchant*, are a historical reflection of those widely held attitudes. In this light, the indignation expressed toward usury by Thomas Wilson in

1572 would seem to find only limited support in the society of the 1590s. The concerns about usury are recognized but usury is considered acceptable if conducted within the framework of conventional business practice.

Being such a richly layered literary effort, the *Merchant* contains various elements of modern interest to historians of financial economics. In addition to reflecting 16th century social attitudes toward usury, the *Merchant* contains scattered references to the business practices of the time. Recently, Markowitz (1999) has uncovered such a reference and uses this as a basis for attributing a place for the *Merchant* in the history of portfolio theory. Specifically, Markowitz references a statement that Antonio makes (I.1.41):

My ventures are not in one bottom trusted,
Nor to one place, nor is my whole estate
Upon the fortune of this present year;
Therefore, my merchandise makes me not sad.

Markowitz (1999, p.5) claims that: 'Clearly, Shakespeare not only knew about diversification but, at an intuitive level, understood covariance.' However, given the later developments in the *Merchant*, it is not at all clear that Antonio's understanding of covariance was as deep as Markowitz claims.

Notes

1. Reference to the 'Schoolmen' is generic. The category of individuals involved is quite broad, including both canonists and theologians: 'The distinction between a scholastic canonist and a scholastic theologian may seem trifling. Each was a servant of the Church; each was guided by the teaching of the Gospel, the natural law and the canons. Yet the observer will note differences in their approach ... The canonists were concerned mainly with solutions valid for the external forum of the Church; they were concentrating on the administration of the law. The theologians were focusing mainly on the confessional. Moreover, the canonists, fitting their commentaries to specific canons, made no comprehensive effort to reconcile the canons or to produce a synthesis. The theologians were at once more systematic, more logical, and often more severe' (Noonan 1957, p.48).

2. Following Homer and Sylla (1991), this was also true in the ancient markets of countries such as Greece.

3. Ekelund et al. (1996, p.8) report the following: 'Before the year 900 AD, the Church directly owned approximately one-third of all cultivated land in western Europe, including 31 percent of such land in Italy, 35 percent in Germany, and 44 percent in northern France.'

4. Despite the academic attention given to the scholastic usury doctrine, the underlying importance of the financial transactions involved requires discussion. In this vein, (Noonan 1957, p.249) observes: 'Throughout the sixteenth century, the triple contract and the personal *census* are more important than interest titles.'

5. The position that 'money is sterile' is usually attributed to Aquinas who, likely, derived this view from Aristotle.

6. Noonan (1957, pp.105-6) traces the origins of the usage of the word *interesse*. The word originates from the Roman law regarding *quod interest*, 'that which is the difference', which applies to the payment a delinquent party to a contract is required to pay to the damaged party. The concept extends beyond the narrow notion of payment on a loan to incorporate damages due on any contract, for example, a partnership, due to the default or delinquency of one of the parties. The term is taken up in the writings of the 12th century Bolognese school. Usage of the term is commonplace after 1220.