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CHAPTER 1

Banking on panic: the historical record and a theoretical frame

> If we were in a more primitive state, if we lived under roofs of leaves, and kept cows and sheep and creatures, instead of banker's accounts . . . well and good.[1]

> It has not been sufficiently observed how very peculiar and technical is the sense in which we now talk of "panic." It would naturally signify a general destruction of all confidence, a universal distrust, a cessation of credit in general. But a panic is now come to mean a state in which there is a confidence in the Bank of England, and in nothing but the Bank of England.[2]

When Walter Bagehot declared in 1864 that "panic" had become virtually an economic term, he articulated what Judith Halberstam refers to as "a Gothic economy," a condition in which the "logic" of capitalism transforms "even the most supernatural of images into material images of capitalism itself."[3] Many critics point out that it is no coincidence that fiction became the most popular genre at the same time that capitalism's construction of reality required that a new discourse be developed around "the economy."[4] Academic studies of nineteenth-century British economics vis-à-vis literature also assume that in the Victorian period economics fashions fictions, and fiction produces economic realities. Fashionable cultural studies chiasms, of which the previous statement is one, are themselves illustrations of a Gothic economy in which different ideological modes or ontological entities haunt their others. In this study, I argue that Gothic tropes register, manage, and assess the intense panic produced and elided by the unstable Victorian economy to which Bagehot refers in his startling statement. Concomitantly, I show that, however self-consciously scientific economic discourse becomes in the nineteenth century, it is frequently accompanied by terrifying phantom appendages.

Since panic was being described and represented in the popular Gothic literature of the time, I also test Bagehot's statement about the monolithic economic nature of panic. I specifically juxtapose nineteenth-century

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economic discourse with novels that refer explicitly to banking or banking crises vis-à-vis ghosts or inexplicable non-human forces as well as novels in which there are points of contact between banking panic and other forms of crisis that are figured through Gothic or supernatural means. The novels I study include two classic Victorian Gothic tales, *Dracula* and *Dr. Jekyll and Mr. Hyde*, along with two narratives that marry the realist with the Gothic mode, *Little Dorrit* and *Villette*. If *Little Dorrit* and *Villette* illustrate the mundane world of capital, economic crassness also appears quite naturally in *Dracula* and *Dr. Jekyll*, even though one does not expect to see the horrifying Gothic protagonist at the bank and certainly not fumbling for petty cash. Likewise, while *Dracula* and *Dr. Jekyll* condition the reader to the unnameable and uncanny, one cannot deny that Little Dorrit and Lucy's obsession with money represents a kind of haunting.

It might be said that *unheimlich* (meaning, of course, "unfamiliar," literally, "unhomely") is the appropriate term to describe the milieu of the texts I examine, especially when it is recalled that the word "economics" comes from the Greek term for control of the house.[5] As Linda Nicholson suggests in *Gender and History*, prior to the seventeenth century the economic was not constructed as separate from the familial domicile.[6] Indeed, as Mary Poovey reminds us, the domestic economy – the sphere in which the wife oversaw the needs of the household and managed a monetary budget as part of her duties – precedes and gives shape to the professional, masculine sphere of professional economics that increasingly concentrated on national and global finance.[7] While absolutely dependent upon the female-dominated domestic economy, the capitalist version of economics focused all but monomaniacally on the individual's economic desires vis-à-vis a global network of goods, suppressing the communal nature of former definitions of economics. Thus, though seemingly expanding its focus of study, professional economics also elided the domestic economy that had been its source.

In real ways, this elision must have made the Victorian household, in its diminished form, a place of *unheimlich* despite and because of the culture's sanctification of the home and hearth. Certainly, in the texts I examine, the former meaning of "economy" haunts the skeletal remains of "economics," just as the former reality of the "domestic economy" figures as a ghostly remainder in the industrialized Victorian period. Indeed, nineteenth-century English banking precisely illustrates Raymond Williams's concept of the simultaneous existence of emergent and residual cultural practices. While the modern notion of "the economy" itself was being established, as Edwardian economist Ellis T. Powell remarked so vividly, "It was the

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projection of the old conditions into the new era . . . that caused much of the financial disquietude of the mid-Victorian age. They survived like the caecum in the human frame, into an era which had no use for them."[8] Powell's description adds a Gothic twist to Williams's prescient understanding of cultural changes.

With the rise of capitalism and the concomitant demise of the household as the center of the economy, the subject became fragmented and compartmentalized, a self haunted at home as well as at work. Responding to this condition, Fredric Jameson suggests that prior to the establishment of the market economy it was not necessary to create a sign system through which to understand the relationships between the economic and the social, "because on that level they were never separate from one another." At the same time, there was a horrifying merging of subjects, for the new economy also created a ghostly haunting in which, according to Jameson, "the opposing classes necessarily carr[y] the other around" and are thus traumatized by this "foreign body" that it is impossible to "exorcize."[9] But long before Jameson many Victorian writers, including Marx, knew that capitalist compartmentalization produced haunting psychic superstructures that would require the new (capitalist-produced) profession of psychology to medicate the alienated, disoriented (capitalist-produced) *homo economicus*.

If the relics of the domestic (economy) haunted Victorian capitalism, it might also be true that the domestication of the new economy and the domestic sphere it valorized were characterized by *unheimlich*. Panic, that is to say, became naturalized in the tropes used by economists and Gothic novelists alike. In this regard, it might be said that the rhetorical features of professional economics were in some ways gothicized and that the Gothic was economized. Indeed, the language of panic and crisis so elemental in the nineteenth-century Gothic novel paralleled references to the Victorian bourgeoisie as the "uneasy classes," haunted not by the Gothic novel but by the Gothic marketplace and the households it had consumed.[10] That women readers, trapped in the new domestic economy, made up the Gothic novels' majority of consumers throughout the age goes in tandem with the domestication of the Gothic novel as it moved its settings from the exotic to trivialized domestic spaces. With this in mind, one might experience a hint of *frisson* when remembering that nineteenth-century banks were referred to as "houses" and that it was common for the small family bankers' home to exist (up)on the actual premises of the banking establishment. These linguistic and physical constructions of the bank as a home ostensibly served to domesticate the inhospitable features of a nascent

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capitalist society. Naturalizing, that is, making banking panic at home, Victorian classical and neo-classical economic theory constructed *homo economicus* as able to tolerate recurrent crisis.

Before turning to the historical matter of Victorian economic panic, in the following section I lay out the theoretical foundations of this study, beginning with the construction of the field of economics itself. Though from William Jevons (1870s) onwards it has been *de rigueur* for professional economists to view themselves as rigorously scientific, by the 1980s some in the field had begun to deconstruct the dismal science.[11] Critiquing economic stances based on Enlightenment principles of reason, objectivity, universality, and truth, post-modern theorists question monolithic assumptions. For example, warning of the "totalizing impulse" of economics, Douglas and Amy Koritz analyze the work of Gary Becker, a Nobel Laureate in economics who suggests, as the Koritzs summarize, that all social dynamics can be described as "exchanges of owned properties culminating in a reflexive property – the individual – that has property in itself." Similarly, Martin Hollis interrogates ostensible universal rules about the market that ignore specific "time, place or stage of historical development" because such laws ignore the infinite happenstances and variables that influence economic events.[12]

Others suggest that the scientific method is hardly objective. Observing that neo-classical theory is always hypothetical – concerned with not "what will happen but of what would happen, if certain conditions were fulfilled" – Hollis points out that those conditions can only be realized based upon the successful fruition of the economist's computations. If economics as a profession disciplines what can be said about material economic conditions, Hollis argues that it is impossible to discipline or rationalize real-world economic conditions themselves. Another problem is that one can only evaluate economic theories through the rules set up by the discipline of economics: "Neo-Classical economics is the study of Rational Economic Man," that is, of a human being who "conforms to the model." Hence, economic discourse itself is always in danger of falling into circular argumentation and tautologies.[13] One such tautology occurs in David Ricardo's assumption that money is a fictional concept. Admitting that gold is just as variable in its value as any other commodity, Ricardo consciously "suppose[s]" money to be "invariable" in order to anchor his economic system.[14]

Current critiques of economics within the field focus on the assertion that economics is a "system of rhetoric" with a stylistics, poetics, history, and ideology of its own.[15] In terms of its history, asserting that economic

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theory was initiated in 1776 with Adam Smith's *Wealth of Nations*, Keith Tribe suggests that economic *discourse* only began in the nineteenth century, when it first became possible to construct economics through "systematic analysis of production and distribution." As Tribe explains, this new "economic agenc[y]" makes it possible to focus on the economy qua economy rather than just the larger political organization of the polity.[16] As to discursive practice, as Warren J. Samuels points out, analyzing the economy requires the use of "language to describe, interpret, and explain the economy," in other words, to use "one artifact to write about another artifact."[17] Indeed, the economist's use of analogies and appeals to authority, statistics, and economic models or paradigms relies upon metaphorical devices that assume some kind of narrative.[18] Focusing on the fictional hero *homo economicus* and the fictional economic world he inhabits, economics must be viewed, as Donald McCloskey argues, as "saturated with narration" and essential storytelling.[19]

Highlighting the connection Adam Smith makes between cause and effect in order to cover over the indeterminacies that would undermine the economist's authority, Mary Poovey describes the crucial point at which Smith turns to fictive narrative. As Smith writes: "We should never leave any chasm or Gap in the thread of the narration even though there are no remarkable events to fill up that space. The very notion of a gap makes us uneasy for what should have happened in that time." Smith, Poovey maintains, resorts to using literary tropes to solve the problem when he resolves that the "other way of keeping up the connection" between cause and effect is "the Poeticall method, which connects the different facts by some slight circumstances *which often had nothing in the bringing about the series of the events*."[20] Astoundingly, then, the scientific method developed in the seventeenth and eighteenth centuries allows, even depends upon, fictions. Later, however, when establishing the professional status of economics in the early part of the Victorian period, economists made a point of distinguishing themselves sharply from literary critics, who, like the economists, were simultaneously establishing their own field as a profession.[21]

In a way, the "New Economic Critics" return us to Smith's concession to fiction, for they suggest that literary critics must examine the mutual relations between economic and literary discourse.[22] Indeed, Smith's assertion also must be chiastically reversed to acknowledge the way that economics comes to fill nineteenth-century fiction's fissures brought about by capitalist economics. Contending that in Victorian fiction money acts as the sign that links events and characters in the novel, John Vernon, for

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example, argues that the "conventions of paper money and the conventions of realistic fiction constitute a code collectively shared." Or, as Christina Crosby puts it, Victorian works of literature actively accustomed Victorians "to the imaginary relations money effects, even as literary texts are riven by the contradictions inherent in money."[23]

My academic work has increasingly become anxiously engaged in studying the economics of literature and the literature of economics, for while it is certain that the Victorian novel is informed by many panics and anxieties about race, class, gender, sexuality, and empire, these have been richly studied to great and continuing effect. In contrast, there has not been enough study of how England's economic system incorporated panic and how the economy informed and was informed by the novel and its Gothic tropes. In this study, I focus on the mid to late Victorian period, a time before banking became almost completely centralized in the early twentieth century. If, as Warren Montag notes, ideology is "the ghost of the material world," I seek to find traces of panic that are a hallmark of nineteenth-century British fiction and capitalism while also acknowledging the conundrum that economic theory is unrelated to economic reality and that economic reality can only be represented discursively.[24] Thus I add to the monstrously large body of criticism on the Gothic novel that teeters dangerously into the tendency, like Dr. Frankenstein, to create ever more "hideous progenies" of theoretical analysis as they fulfill the will to dominate the Gothic text, a tantalizing formulation conceived by Fred Botting.[25] At the same time, I endeavor to suggest new paradigms through which to engage the novels so central to criticism of the Gothic.

I am also in agreement with Rastko Močnik's statement that in capitalist systems there is no ideological position outside of that "produced within the economic sphere."[26] Nevertheless, having faith in the reality and power of individual and group agency – and confident that any theoretical position must ultimately declare its faith in something – I am persuaded that if proclamations like Močnik's can be made, then there are more possibilities for individual agency and influence on culture than such a statement might imply. I also am certain that there are material, economic realities that affect and are affected by real people. That is why it is important to study the discourses that speak through and are converted by real people who, as I suggest, bank on panic – since, as I am contending, to live in a capitalist economic system means that one is permanently in crisis. But I also believe that, whereas language may speak the self, human speakers do change language in creative, unanticipated, powerful ways. Indeed, I own up to the belief that the use of literary tropes can have the

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power to name the dangers of capitalism and exact a measure of responsibility and change.

Using the strategies of the New Economic Critics, I suggest that between 1850 and 1900 the Gothic – which haunts its other, realistic fiction – shares a code with the conventions of what Rondo Cameron refers to as the "'monetization' of the entire economy" and ultimately "bankerization." Jean-Joseph Goux defines bankerization as the centralization of banking and the almost complete turn to monetary exchanges that are facilitated through credit (settlement through sign) rather than gold, check, or banknote.[27] As will be noted in the following section, the dominance of banking came about through amalgamation of banks that could then centralize capital under their aegis and thus subordinate capital controlled by industries. By 1900 the unstable Victorian economy had transitioned from competitive, industrial capitalism to monopolist capitalism, a form of capitalism requiring banks to monopolize lending and other forms of monetary transactions. Though bankerization occurred when the gold standard was rescinded in 1931 in England, its traces were already apparent in the Victorian period. Marx, for example, asserts that England's banking structure was "the most artificial and most developed product turned out by the capitalist mode of production."[28] Concerned that banking was becoming the controlling middleman, he worries that banks "concentrat[e] large amounts of the loanable money capital in the bankers' hands." Likewise, he argues that, replacing individual moneylenders, bankers were able to meet their powerful industrial and commercial capitalist clients from a more powerful position as "representatives of all moneylenders." As a result, banks became the "general managers of money-capital" by concentrating "all the borrowers vis-à-vis all the lenders."[29]

The Bank Act of 1844, which will be discussed in more depth in the second half of this chapter, was a significant step in the paradigm shift towards bankerization. Gordon Bigelow asserts that the Act represents the establishment of a "modern mode of knowledge" in which all problems are considered within the "fetishized" space of "the economy."[30] Goux believes that in this fetishized economy the move away from the material standard of gold to the paper standard of the note and then credit is "homologous" to modernist literature, which ceases to posit a connection between signifiers and signifieds. In other words, signifiers are inconvertible or incapable of being converted into the signified. Causing the novel genre to lose "its confident realism," bankerization underwrites literature that becomes increasingly fragmented and cubist, according to Goux. The meaning of bankerization, then, is similar to Patrick Brantlinger's iteration that the

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move towards defining money "in increasingly relativizing terms" should be interpreted as "a general 'crisis of representation.'"[31]

The crisis of representation worried Lord Overstone, among others. Fearing that a credit system could not "coexist with an honest and well regulated Monetary system," Overstone referred to the "system of Credit" as "vicious and dangerous," as well as potentially "too gigantic, and too powerful to be grappled with."[32] Three decades later, Bertram W. Currie echoed Overstone's concerns. Testifying before the Royal Commission on the Recent Changes in the Relative Values of Precious Metals, he responded positively when asked if London was not "the financial centre of the world" and a "clearing house to which all debts are referred and through which they are paid." When the query was, "The gold sovereign is the *language* in which it carries on its transactions?" Mr. Currie agreed, remarking that "anything which would shake the faith of mankind in the fact that what £100 means is a certain amount of gold of a certain weight and fineness, might disturb it very materially."[33] For both Currie and Overstone, the center would not hold if the world's premier capitalist, banker, producer, consumer – London – was cut off from the language of the gold standard, which linked capitalist processes to an ostensible, knowable reality.

Others were more sanguine or at least savvy about the process of bankerization. When Bagehot comments on "the vast increase of credit" occurring in banking during the second half of the nineteenth century, he notices a form of bankerization.[34] Charles Dickens reveals a sophisticated awareness of the phenomenon in *Little Dorrit* when he has Mrs. Merdle nonchalantly remark to Mrs. Gowan that primitive societies keep cows and sheep, whereas Victorian England keeps "banker's accounts."[35] In making this comment, Mrs. Merdle recognizes intuitively what Robert Heilbronner asserts: economics "appears in history only when activities of provisioning" of human needs become considered as inhabiting an autonomous and separate sphere.[36] Noting that "money is never used in commerce now, except to pay balances of debts," H. D. Macleod extols bankerization to Parliament in 1887, saying, "the better organised and the more extensive the system of banking is the less bullion you require to carry on commerce . . . All commerce is now carried on by the creation, the transfer, and the extinction of obligations."[37] A decade later, George H. Pownall calmly acknowledges that cash has come to be used only to pay wages as "nearly everything is done by clearing."[38]

With the proliferation of complex forms of paper money – including, but not limited to, bills of exchange, checks, bonds, stocks, consols, drafts,

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promissory notes, Exchequer bills, Treasury bills – the gold in the gold standard gradually became obsolete. Thus the question, what is cash?, is not just rhetorical. As the renowned Bagehot asserts, businessmen "are perplexed to define accurately what money is; *how* to count they know, but *what* to count they do not know."[39] In 1883 British economist Henry Sidgwick reiterated the difficulty of defining money when he declared that, "the very denotation of the term money" is "fluctuating and uncertain." Nevertheless, Sidgwick attends to the fact that "the immaterial part" of money functions as efficiently and legitimately as cash or coin and that, like gold or paper money, it is "accepted in final settlement of all debts."[40]

For banking to achieve its vast modern commercial powers, postponing payment – or to put it another way, advancing credit – had to be established on a large scale, an act of faith of grand proportions.[41] Indeed, financial credit entailed perhaps more faith in the economy than ever was required of those Victorians who experienced the religious crisis of faith in God. John Mills essentially aligned banking crisis with religious loss of belief when he concluded that, "Panic is the destruction, in the mind, of a bundle of beliefs." Marx also writes of capitalism's reliance on "faith in the prevailing mode of production and its predestined order."[42] Certainly, the use of credit as noun relies heavily on emphasizing credit as verb, as Poovey points out, for participation in capitalism amounts to faith in capital as invisible transcendental signifier.[43] Remarking upon the secular leap of faith, Thomas DiPiero suggests that though economic and linguistic systems are inconvertible – that is, not connected to material reality – they are still accepted with faith by the general population as long as they remain mystified and fetishized. What DiPiero writes about fiction can equally be said of economics, that is, that it "is realistic only when its legitimating agency is invisible and the historical traces of its past are effaced."[44]

Almost a prophet of despair in his belief in the "total bankerization of existence," Goux contends that the banking system that evolved under Victorian capitalism has now become the specter haunting the globe. Believing that "the regime of inconvertibility" has become "structural" and "ontological" in the modern period, Goux fears that this end to representation might be just a foreshadowing of absolute bankerization through a monolithic combination of financial configurations and cyberspace. It is no wonder, then, that he refers to "the hegemony of economic discourse" as "ever more crushing."[45] On the other hand, in light of Bagehot's suggestion that capital is "all-engrossing," Bigelow finds that the resulting "fantasy of a total circulation brings with it the threat of total

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indeterminacy."[46] The opposite totalities described by Bigelow and Goux are classic examples of how the rhetoric of crisis and panic shape and are shaped by the analysis and theorization of Gothic economies.

To recognize this puts economic and novelistic discourse under rhetorical scrutiny. If the business cycle has been described as consisting of "fluctuations in: (1) employment, (2) aggregate output, (3) prices, and (4) money value of the national product," it has tremendous repercussions on the quality of emotional, psychological, and physical life.[47] In this study, I assume that words have the power to produce biological actions and reactions in the human body. I also assume that "panic" – whether performed or felt as an unmediated essence – is a condition with dramatic biological and psychological manifestations. Thus, with the phrase "banking on panic" I assume that in the Victorian period the human body and psyche are containers of the culture's anxieties not only about capitalism but also about the transition from competitive capitalism to monopolistic capitalism. That capitalism adores risk, individualism, and the return of the repressed, then, implies that in a capitalist society there is a need for investments in panic. In such a system, the subject is motivated by the panic caused by the fact that there are no assurances that the economy will not cycle through a depression at any time and there are few safety nets if that depression occurs as one faces retirement, catastrophic illness, divorce, natural disaster, racism, sexism, or any of the other variables that enter into heightening the level of individual emotional and economic disaster experienced in a market crash. I have chosen to study *Villette*, *Little Dorrit*, *The Strange Case of Dr. Jekyll and Mr. Hyde*, and *Dracula* because they seem to have profoundly rich psychic and bodily effects upon the reader and because they register the culture's economic and other forms of panic in the most subliminal, and, therefore, powerful fashion.

In addition, I privilege the novel over other forms of discourse, including economic, because of its overdetermined[48] hybridity. I see the novel as an extraordinarily robust site for expression and change through the dialogue produced between reader and text. Flawed though it may be, in some ways the genre of the novel fulfills Jameson's suggestion that social life is a seamless web that cannot be disconnected from economic events or sign systems.[49]

If, as I assert, Victorian capitalism normalized economic panic so that it became necessary to a so-called healthy economy, what did the novel do in return? I believe that the novels I examine create potently descriptive narratives in which economic panic is a deep structure; that they model means of managing and sublimating panic in order to achieve fiscal success;

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