

Introduction

The tendency to treat economic events as if they constituted independent causal series has been observed frequently. In reality, economic facts are evidently the resultant of other facts that may originate from every imaginable sector ... I am in favor of recognizing the interdependence of any particular historical series with all the other series such that we may see that each element of such a series results from causes attributable to all the others.

– George Simmel¹

It is, as they say, the spirit of the age, an age for economists, sociologists, and historians to introspect. Is there an alternative to this new form of savagery that economic liberalism has become, which sees everything – including life itself – as an exchangeable commodity. We have only the bare outlines of the alternatives that draw from the past to imagine the future.² At the forefront of the new themes that excite our imagination, or new fetishes, if you will, are microcredit and its supposed virtues. To measure its impact, its effectiveness, as observed in the emerging or third-world countries, is invoked. But the tiny sum of money lent to a destitute woman who is nevertheless an excellent cook to buy her pots and pans so that she can sell her dishes, in other words, create value added by transforming her raw materials, or then to the skilful needle-woman who with her little machine will make bedcovers and clothes

¹ Georg Simmel, *Les problèmes de la philosophie de l'histoire*, Paris, Presses Universitaires de France, 1984 [1907], p. 159 note 3.

² My thanks to Eric Vigne, who has followed with enthusiasm, rigor, and elegance, this dialogue between yesterday and today.

for the local market, allows more than the mere primitive accumulation of capital. By helping people cast off their poverty instead of making money grow on the international market of financial speculation, microcredit is today endowed with the virtues of a moral economy, for it creates solidarity.

The anti-globalists find in it the distinctive features of a bygone era, that of the dawn of the capitalist society when the economy, in their view, was “embedded” in the social, to draw from the vocabulary of the anthropologist Karl Polanyi. At the time, the gift prevailed over the market, and the economy was more humane. If one reads between the lines, what emerges is the golden age of social solidarity, a world lost.

This alternative proposal alone merits that we take a closer look at it. Was the “embedded” economy really more moral and protective of the weak? Was it only about morality and solidarity, or did these two notions refer to the discursive forms specific to circumscribed eras whose genealogy, if drawn up in the manner of a Michel Foucault, would reveal the extent to which they were the circumstantial mask of Power?

The issues broaden of their own accord: what lessons, if any, can we draw from the study of the economic practices before the industrial revolution? What can we learn from the survival strategies of these eras when each one had to learn to live or, more often than not, survive without any of the social services that have come to characterize our welfare states? What can we learn, if not that microcredit is not a recent invention and that in spite of its seemingly radical novelty, the *subprime* and home loan crisis takes us back to the mechanisms responsible for the financial panic during the *ancien régime* when the financial system with its banks and last resort moneylenders was yet to develop. Here in the manner of a Marc Bloch, I move back and forth in time, this being my divining rod to probe both the past reality as it can be reconstituted and the utopian prefiguration of a more humane alternative universe.

I thus go back to the times when economics was not as distinct an activity as it may appear on hindsight so that the economic dimension of a phenomenon was always only one aspect of a human activity in which religion, politics and society were intertwined. Those engaged in the practice of exchange and borrowing in modern Europe entered the market in specific ways, in accordance with a diversity of moral values, which not only coexisted but also interpenetrated each other. From this point of view, the economy was truly embedded in the larger social issues

that went beyond it.³ To restore the relationship of men to the economy, it seemed appropriate to me to take credit and trust as the starting point. Both are fundamental mechanisms: trust makes exchange possible and helps reduce the uncertainties of the future; credit, too, inscribes social relationships in time and deferred realization.⁴

In fact, credit irrigates society as a whole. Historians have shown long ago that credit exists in the most elementary of economic exchanges,⁵ found as much in the smallest of trades as in bottomry loans,⁶ that it weighs on the peasantry and land, that it has its place in the king's court as in the in the finances of the state.⁷ The state budget depends on the advances given by financiers, the power of the big businesspeople on the cash entrusted to them by the traditional elites, the fortune of the powerful on the credit extended to them by traders and businesspeople, commercial enterprises on the deferred payments of small trade and their

³ After George Simmel, there were several analysis of the embedding of the economy, influenced by the works of Gary Becker and of Viviana Zelizer as well as by the economic sociology of Mark Granovetter and Richard Swedberg. Gary Becker, *The Economic Approach to Human Behavior*, Chicago, University of Chicago Press, 1976; Viviana A. Zelizer, *The Social Meaning of Money*, Princeton, NJ, Princeton University Press, 1997; *The Sociology of Economic Life*, Mark Granovetter and Richard Swedberg, eds., Boulder, CO, Westview Press, 2002. See in particular their introduction pp. 1–28 in which they argue in favour of a sociological approach to economics which would place the real interactions of the various social actors at the heart of the study.

⁴ Niklas Luhmann, *Trust and Power: Two Works by Niklas Luhmann*; translation of the German original *Vertrauen* [1968] and *Macht* [1975], Chichester, John Wiley, 1979.

⁵ See, for example, Yves Castan, *Honnêteté et Relations sociales en Languedoc (1715–1780)*, Paris, Plon, 1974, p. 303 sq.

⁶ Peter Mathias has shown clearly that enterprises hold a larger part of their assets in circulating capital rather than fixed capital. Peter Mathias, *The Transformation of England: Essays in the Economic and Social History of England in the Eighteenth Century*, New York, Columbia University Press, 1979.

⁷ John Brewer, *The Sinews of Power, War Money and the English State*, Londres, Unwin Hyman, 1989. Daniel Dessert, *Argent, pouvoir et société au Grand Siècle*, Paris, Fayard, 1984. Philippe Hamon, *L'Argent du roi. Les finances sous François 1^{er}*, Comité pour l'histoire économique et financière de la France, Paris, 1994. Françoise Bayard, *Le monde des financiers au XVIII^e siècle*, Paris, Flammarion, 1988; Alain Guery, "Le roi dépensier. Le don, la contrainte, et l'origine du système financier de la monarchie française d'Ancien Régime," *Annales ESC*, 39, no. 6, 1984, pp. 1241–69. Herbert Lüthy, *La Banque protestante en France, de la Révocation de l'Edit de Nantes à la Révolution*, 2 vols., Paris, SEVPEN, 1959. Marjolein 't Hart, *The Making of a Bourgeois State. War, Politics and Finance during the Dutch Revolt*, Manchester, Manchester University Press, 1993. David D. Biem, "Les offices, les corps et le crédit d'Etat: l'utilisation des privilèges sous l'Ancien Régime," *Annales ESC*, 43, no. 2, 1988, pp. 379–404. *La dette publique dans l'histoire*, Jean Andreau and, Gérard Béaur et Jean-Yves Grenier, eds., Paris, Comité pour l'histoire économique et financière de la France, 2006.

clients. The poor too figure in this scheme of things: they are as much the plaintiffs (unpaid wages) as the defendants in debt litigation.⁸ Even the inmates of old people's homes are bound by links of debt.⁹ Far from strengthening the compartmentalization of society, the web of credit cuts through it vertically, links together social groups, institutions and regions in dependencies in which each one finds himself both a lender and a borrower. In this way, a series of networks of obligation are woven whose geographical and social spaces are of varying geometry. The ties that link creditors and debtors, lenders and borrowers are a fundamental social link.

However, the relations built around credit are not just an economic and social exchange, they are also an exchange of values. It is as important to try to understand them as to explain the concrete modalities of these interactions. To discover the multiple dimensions of practices, considered today as essentially economic, I have approached the problem from different perspectives. I began with the experience of poverty, the poverty of men and women in urgent need of credit for their very survival. This initial approach allows us to enter the mechanisms of solidarity and profit: it shows that each social group – men and women in accordance with varying modalities – has specific ways of lending money to those in need of it; it brings to light a moral economy shared more or less by the various actors; it opens the doors to the world of urban microcredit and unveils the role played by women and foreigners, including the Jews, in the circuits of credit; last, it defines the attitude of the state vis-à-vis the omnipresence of usury and shows that although some states have opted in favour of creating charitable credit institutions, state-owned pawnshops, others have let the market have a free run.

This historical inquiry led me to define the moral economy and the cultures that reveal themselves in the act of lending and their ways of doing so. The church and the state, both of which have the power to determine good and evil, considered the condemnation of usury as practiced in the Christian civilization. At the same time, theatre, in particular

⁸ Neil McKendrick, John Brewer, and J. H. Plumb, *The Birth of Consumer Society*, London, Europa Press, 1982. Castan, *Honnêteté*. Scott Taylor, "Credit, Debt, and Honor in Castille, 1600–1650," *Journal of Early Modern History*, 7, no. 1–2, 2003, pp. 8–27 illustrates the horizontal credit chains (A borrows from B who lends to C) and the indebtedness of entrepreneurs on account of unpaid wages.

⁹ Craig Muldrew, "Credit and the Courts: Debt Litigation in a Seventeenth Century Urban Community," *Economic History Review*, 46, 1993, pp. 32–8. Benoit Garnot, "Les fortunes populaires à Chartres au XVIIIe siècle," *L'Information historique*, 1987, 49, no. 5, pp. 173–8 (176).

some extremely incisive dramatic works, presented the diverse economic cultures as revealed by the study of the needs of the poorest. The theatre provides a space for complicity in which “performing communities” are revealed, bringing together authors, actors, and spectators. It translates the shared ways in which author and public think and discuss the world.¹⁰ There can be no better guide than Shakespeare and Molière to understand the ways of thinking and experiencing the economy. They allow us differentiate between the two chief modes of being specific to the economy: the aristocratic mode and the merchant. After presenting them in their “pristine” form like the ingredients of a mixture taken apart, I compared these values as enacted on the stage with one of the most common acts of economic life – buying and selling – looking at how the social actors settle, or agree to, the prices at which they buy. The comparison between the values that animate the characters on the stage, the ideal types if you will, with the actual practices enable us to gauge the social effectiveness of these values.

No matter how you consider credit, what lies behind it is the web, both visible and invisible, of power. Of course, there is the power of the state and the church, but a more diffuse, less codified power also runs through society.¹¹ As far as modern Europe is concerned, all social relationships are permeated by the aristocratic political economy. Pitted against it, the capitalist market economy seeks to impose other values and displace the traditional relations of power. Although the state and public credit are full-fledged actors in this saga, they have not been analysed in themselves in this book. Public credit, which has already received a great deal of attention from historians, does not form part of our discussion. On the other hand, the state is omnipresent behind the numerous laws, institutions, and regulations created by it to exercise control over daily economic practices.

The manner in which men build trust is the last perspective I have adopted to enter the complex relations that individuals maintain with the economy. Trust, just as indispensable to economic life as credit, is founded on the assurance that social partners will act in a predictable manner. Implicit in the analysis of how trust is built are the specificities of

¹⁰ Stephen Greenblatt, *Shakespearean Negotiations. The Circulation of Social Energy in Renaissance England*, Oxford, Oxford University Press, 2000 [1988]; Roger Chartier, “George Dandin, ou le social en représentation,” *Annales. Histoire, Sciences Sociales*, 49, no. 2, 1994, pp. 277–309.

¹¹ Michel Foucault, *Sécurité, Territoire, Population. Cours au Collège de France. 1977–1978*, Paris, Gallimard / Seuil, 2004.

social relations and the forms of power in which they are inscribed. The need for trust is universal, but the shared values that underlie it depend on the context.

On the whole, this book brings out not two supposedly successive economic cultures – feudal and capitalist – but two economic cultures, each one upholding different values, which existed together, came close to and clashed with each other but also influenced and merged in each other, emerging transformed from these encounters. Unfurling the gamut of both possible and ordinary experiences restores, by the same token, the multiple tensions that run through societies: at the collective level, between societies of order and status and the parallel development of economic rationales; at the individual level, between the contradictory demands of the diverse belongings of individuals, their aspirations and the reality of their day to day experience.

By the end, the reader will understand that this book attempts to put forth a new approach to the European economy of the *ancien régime* in the hope of capturing it in its very essence, as close to the way it was, in order to, among others, for people like us living in the twenty-first century, glean some insights into the questions of the gift economy, nonutilitarian exchange, and the waning sway of finance over all human activity.

My approach plays deliberately on the variations of scales and perspectives to bring out to the extent possible societies with all their complexities and tensions, which a single-pronged approach would be hard-pressed to do. It begins by looking at practices and moves on to considering ideal types instead of ideas so as avoid the risk of passing off ideology for the reality of behaviour and highlight the contradictions and inconsistencies of the actors. Nevertheless, we must point out that the European objective of this inquiry has been achieved in a rather imperfect manner; it seems impossible to me to cover the diversity of all the geographical and social contexts and the changes that have taken place, even if variations of scale are inherent to such a project. Consequently, some aspects, like the informal urban financial economy, which can only be apprehended at a microscopic scale, is dealt with based on a single case study – eighteenth-century Paris – the analysis of which will be enriched with the meagre existing bibliography; other dimensions discussed in the book, such as nobiliary indebtedness or the question of usury can draw upon a substantial historiography with the help of which I propose a comprehensive rereading of this set of themes. Alas, a surfeit of material compels one to make choices and in doing so one cannot do justice to all the regional and contextual differences of modern Europe. You

Introduction

7

only have to look at the diversity of European nobilities and the major differences that can be seen within the aristocracy of each country. The example of Italy and the Venetian nobility that has little in common with Genoese nobility and even less with the southern nobility is particularly enlightening. What matters however is not the abundance or paucity of sources. The essential is to reformulate in the present as we live it the questions thrown up by the past, a dialogue necessary to shape our common future.

Prologue

The words that will appear know things of us that we know not of them.
– René Char, *Chants de la Balandrane*

Words bear the trace of the uses to which they have been put. They tell us about the values and ways of life of those who have used them. They are our first guide to understand credit and trust. But before that, let us go briefly to the origins of European practices by looking at, in the footsteps of Emile Benvéniste,¹ how the words *gift*, *credit*, *credence*, *trust*, and *debt* acquired their meaning in Indo-European languages.

Fides, says Benvéniste, which means both faith and trust in Latin, refers to a value even older still and slightly different from that of “trust”: it signifies the “inherent quality of a person which inspired confidence in him and is exercised in the form of a protective authority over those who entrust themselves to him.” This notion is very close to the Germanic *kred*. It is thus clear why, in Latin, *fides* is the noun corresponding to *credo* or “to believe.” This implies that

Thus the Latin notion of *fides* establishes between the partners an inverse relationship to that which we generally understand under the notion of “confidence.” In the expression “I have confidence in somebody,” the confidence is something belonging to me which I can put into his hands and which he disposes of. In the Latin expression *mibi est fides apud aliquem* it is the other who puts his trust in me and it is at my disposal. The “possessor” of the *fidēs* thus holds a security which he deposits “with” (*apud*) somebody: this shows that *fides* is really the “credit” which one enjoys with one’s partner. All the early examples confirm this.

¹ Emile Benvéniste, *Le vocabulaire des institutions indo-européennes*, vol. 2, Paris, Editions de Minuit, 1969.

Consequently, *fides* designates the trust that the one who speaks *inspires* in his interlocutor, whose trust he or she enjoys. It then constitutes a “guarantee” to which he or she can take recourse. The *fides* that mortals have in the gods provides them in return a guarantee: it is this divine guarantee that is invoked when in distress.

Benvéniste goes on to review the different links of *fides* and the circumstances in which the notion is used. These instances show that the partners in trust are not on an equal footing: the one who enjoys the *fides* that a man has placed in him has this man at his mercy. This is why *fides* becomes almost synonymous with *dicio* and *potestas*. In their primitive form, these relations entailed a certain reciprocity: to put *one's fides* in someone procured in exchange his guarantee and support. But this in itself emphasizes the unequal conditions. *Fides* is thus authority that is exerted as well as protection for the one who submits to it, in exchange and proportionate to his submission.

These Latin notions were revived in the sixteenth century by the humanists and their rereading of Cicero's *De officiis*. Erasmus and Melancthon published an annotated Latin edition in 1520 with a hundred odd editions of it being brought out in Europe in the forty years that followed. This filiation and reappropriation is clearly visible in, for instance, the work of the Englishman Thomas Elyot, *The Book named the Governour*, published in 1531. Elyot wrote,

THAT whiche in latyne is called Fides, is a parte of iustice and may diuersely be interpreted, and yet finally it tendeth to one purpose in effects. Some tyme it may be called faythe, some tyme credence, other whyles truste. ... As beleuyng the preceptes and promyse of god it is called faythe. In contractes betwene man and man it is communely called credence. Betwene persones of equall astate or condition it is named truste. From the subiecte or seruaunt to his souerayne or maister it is properly named fidelitie ...²

In this manner, these different notions have been rethought in the context of the hierarchical society of the ancien régime, with its main protagonists, hierarchies, and various forms of relationships between human and God. They slip into the gradations that appear and the contracts into which men enter: from the giving of one's word sufficient among equals

² My thanks to Craig Muldrew, who gave me the figures for the Cicero editions and who drew my attention to this text that he cites in his book *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England*, Basingstoke, Macmillan, 1998, pp. 133–4. I also express deep gratitude to Jeremy Popkin, who answered my queries until very end and helped me formulate in French a number of obscure expressions and Old English turns of phrase.

to the various forms of dependencies that bound clients and servants to their master.

Benvéniste also analyses the terms *loan*, *borrowing*, and *debt* and shows how in all Indo-European languages the correlated technical terms for *debt*, *loan*, and *borrowing* were constituted through the specification and differentiation of other more general terms that belong to another order of representation, that of the language of power. From the very outset, there has been a double construction. On one hand, “loan” and “borrowing” are part of the same process just as “advance” and “repayment” of a sum without interest. The parallelism between to lend and to borrow can be found in German (*borgen*) and old French in which “emprunter” (to borrow) was used for “prêter” (to lend) and “se faire prêter” (to borrow).

Finally, with his analysis of the uses of *prestare*, Benvéniste shows that three different relations of credit were established. *Prestare* was initially and continued for a long time to be used as an interest free loan, a gracious offering, a token of kindness and a nonfinancial transaction. This loan is different from the borrowing *mutuatio*, in which there is reciprocity and the exact repayment of what one has received, and still further removed from *fenus*, a real loan with interest the initial meaning of which is “fecundity” or “prosperity.” All these notions are very visible in Cicero’s correspondence: he does not speak of one but many relations of credit differentiated according to the social and legal status of the debtor. With respect to the senators’ aristocracy, their behaviour was imbued in addition with the cardinal virtue of *liberalitas*, a burdensome generosity but one which brought *gratia*.³ But the notion of *gratia* is dual. On one hand, it implies gratitude and, on the other, credit. This means that the term *gratia* can be understood just as well in the passive sense (the debt of gratitude owed) as in the active sense: the debt of gratitude of which one is the beneficiary. In this manner, in its active sense, *gratia* expresses personal credit, which defines a man of influence.⁴

Gift, exchange and trade are a set of economic notions difficult to define in any other way than by the sum of their distinctive features. Greek vocabulary has several words for gift. Those derived from the root *dô*: *dos*, *doron*, *dorea*, and *dosis* convey the idea of a gift that allows the establishment of profitable relations. *Timé* refers to a gift as a contractual

³ Marina Ioannatou, “Le code de l’honneur des paiements. Créanciers et débiteurs à la fin de la République romaine,” *Annales HSS*, no. 6, November–December 2001, pp. 1201–1.

⁴ Jean-Michel David, *Le patronat judiciaire au dernier siècle de la république romaine*, Rome, Ecole Française de Rome, 1992, p. 146.