

Francesca Trivellato, *The Promise and Peril of Credit. What a Forgotten Legend about Jews and Finance Tells Us about the Making of European Commercial Society* (Princeton: Princeton University Press, 2019), pp. 424.

by *Germano Maifreda*

The Promise and Peril of Credit is one of those very rare books that—precisely because it programmatically intersects with several fields, disciplines, and intellectual tradition, “and fits neatly into none” (p. 218)—manages to be a milestone in several disciplinary fields: economic history, the history of economic thought, Jewish history, and cultural history in its intertwining with politics and society. In fact, the volume indicates a new direction towards an authentically interdisciplinary history of the long-term relations and mutual influences between economy, society and culture.

The book’s aim is twofold. First, to demonstrate that the tale of origins of marine insurance and bills of exchange as inventions of Jews was once so well-known that it can justifiably be called a legend. Second, to shed new light on Europe’s cultural and intellectual entanglements with economic modernity, by understanding the significance and reverberations of such legend. Marine insurance and bills of exchange are among the most valuable by-products of what the Belgian historian Raymond de Roover originally called the “commercial revolution of the Middle Ages”—one that was propelled by institutional more than technological change. By focusing on the specific character of the medieval European economic transformation and its social and cultural byproducts and reception, Trivellato presents a completely innovative approach to the themes (central to the economic history and economic theory of recent decades) of the relationships between institutions and economic development, the very nature of institutions, and the reasons for their existence—in this continuing the work already undertaken in her previous award-winning monograph *The Familiarity of Strangers*.¹

Chapter one of the book investigates the historical characters and functioning of bills of exchange and premium-based marine insurance. Two credit contracts designed to facilitate transactions conducted at distance and therefore inevitably uncertain, by the mid-seventeenth century (when the legend took shape) had become indispensable to long-distance trade and were handed by merchants of all

¹ Francesca Trivellato, *The Familiarity of Strangers. The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven-London: Yale University Press, 2009).

sorts and background. Of course, those instruments were invented by no single person or group. After being introduced in medieval Italy, both of them went through a long period of incubation and incremental evolution. In the mid-fourteenth century, merchants ceased to notarize them, and this is a shift of particular importance for Trivellato's purposes since it allows her to follow the process by which a high degree of (both Jewish and Christian) mercantile self-regulation in the certification of property rights was granted in the late Middle Ages. These quintessential instruments of commercial credit, which laid the grounds for a highly personalized financial market, were not backed by land or bullion managed by the state or central bank, but were mainly based on single merchants' reputation and inter-group communication via business letters. Yet in the perception produced everywhere, bills of exchange especially possessed the illusory idea that they could be bought and sold by anyone, and transmitted the erroneous but indelible impression that they were like paper money.

Chapters two and three identify the making of the legend of the Jewish invention of bills of exchange and marine insurance in mid-seventeenth century Bordeaux and in the writings of the provincial French lawyer Étienne Cleirac (1583-1657). At a time when the increasing impersonality of market exchanges was perceived by Christians as threatening established social hierarchies and traditional forms of authority, Cleirac's account depicted Jews as possessors of superior financial skills, which rendered them apt to circulate financial instruments, such as bills of exchange, whose opacity separated insiders from outsiders. In the eyes of Christians and of a long Christian economic, theological and philosophical tradition (Jewish scholars who challenged Church doctrine in matters of Jewish moneylending and usury were neither accessible nor of interest to Cleirac and his audience), opacity was also a defining trait of the Jews, one that blended their religious and economic infidelity and rendered them suspect of in-group maneuvering. Accusations of religious infidelity and economic cunning thus became mutually reinforcing, creating what Trivellato calls "a legend rather than a myth because Cleirac casts it as a historical narrative" and "a legend rather than an anecdote because [...] it had an astounding resonance over the following centuries among writers who touched on economic themes in France and across Europe" (pp. 46-47).

In the central part of the book, Trivellato formulates her model of explanation of the affirmation of the logic that undergirds the legend. A *contractus innominatus* ("nameless contract," a category developed by medieval jurists to indicate contracts that did not have a specific equivalent in the Roman civil law of

obligations), marine insurance and bills of exchange belonged to a momentous period in the late medieval history of European law: one during which urban commercial elites emerged and long-distance trade demanded full contractual rights be given to social groups that until then had been regarded as inferior to the titled nobility. When, in the early phase of European globalization, these legal and social transformations accelerated, they provoked what Trivellato evocatively defines as “a crisis of legibility in the market” (p. 64). International merchants that in the sixteenth and seventeenth century increasingly operated outside the traditional guilds had to resort to new means to prove their good reputation: and it is precisely at this point that the legend of the Jewish invention of marine insurance and bills of exchange (erroneous as it was) provided early-modern European society with an answer to a vital question which (from the historiographical point of view) had been already placed by Trivellato at the center of *Familiarity of Strangers*: how were investors and entrepreneurs wishing to enter into a voluntary bilateral agreement with someone outside of their immediate circle to verify the integrity and expertise of the contracting party? The legend answered this question by evoking drawing symbolic boundaries in a new world: one in which intangible financial instruments and change in traditional merchants’ corporate status made the impersonality of the market threatening—but also potentially beneficial.

Why did this multi layered sociocultural process start in Bordeaux? Chapter four provides an answer to this question. The only French port city in which a Jewish community could reside (under the veil of New Christians status), Bordeaux saw a very specific local combination of Christian fears of crypto-Judaism and the changing legal framework of trade after the 1673 Colbertist *ordonnance de commerce*. The European crisis of discernability in the boundaries separating Jews and Christians had begun after the mass conversions of Spanish Jews during the 1390s, which is here explored in its deep consequences. The ambiguity (in the eyes of Christians) of the condition of forcibly converted Jews, and the subsequent waves of fifteenth and early sixteenth-century Iberian forced baptisms and expulsions, is here convincingly interwoven by Trivellato with the seventeenth-century French debates on the compatibility of aristocratic status with overseas trade, which in turn was provoked by the creation of legal incentives for aristocrats to invest in overseas trade after Colbert’s reforms. In this context (which is, in many respects, comparable to similar historical contexts of economic-cultural uncertainty, such as the 2008 financial crisis and, perhaps, today’s sanitary crisis), the legend would therefore have been functional to provide simple and effective social reassurance to the key problem raised by the self-regulation of the

commercial sphere: namely, how to detect dishonest economic actors when they operate outside a corporate regime of verification.

Chapters five and six follow the (remarkably ineffective) refutations, and permutations the legend assumed in late seventeenth and eighteenth-century France. They do so by stressing both the persistence and the malleability of Christian images of the Jewish economic role, and through an innovative reading of accepted historical accounts of the relationship between economic, social and political order that regarded commerce as a progressive force. Contrary to what Albert Hirschman's optimistic classic account claims, the literature on commerce starting from the last quarter of the seventeenth century and of all the eighteenth century is shown by Trivellato to develop a tendency to refer to Jews and other minorities as present in European and global marketplace as sinister characters not to be trusted. A reflection of the Christian-French local merchant oligarchies' opposition to Colbert attempts to capitalize Jewish (and Armenian) extensive trade networks in the Mediterranean, such tendency was disseminated by the bestsellers of the eighteenth century *ars mercatoria*, which often regarded Jews as wielding excessive influence in world finance and international commerce, and linked this phenomenon to specific policies, including Colbert's.

Fittingly, Trivellato here debunks two entrenched narratives about Jews in mid- and late-eighteenth century France. First, that eighteenth century commercial developments and financial markets involving (mostly Sephardic and port) Jews were driving forces in the transition from early-modern toleration to modern equality. Rather, she shows that the Enlightenment (and especially Montesquieu's) portraits of the progressive role of the Jews in the European commercial society were far from "egalitarian," since they embraced a concept of equality of rank, and abhorred the idea that commerce might erode traditional hierarchies. Second, she questions the idea that the emancipation of the Jews introduced by the French Revolution has been a sort of gradualist development that had begun in the early-modern period, especially for the "port Jews" of Sephardic extraction, provided of a higher amount of wealth and wider international networks in comparison with their Ashkenazi co-religionists. Trivellato instead—also by putting David Sorkin's theses to the test—argues that "commerce played a minor role, if any at all, in the political emancipation of Jews" (p. 155). Amid the arguments marshaled during the French Revolution in favor of Jewish emancipation, the virtues of commerce were indeed never used by pro-Jewish advocates. "Commerce [...] embedded Jewish and Christian merchants in networks of economic dependence," she concludes,

[... but] these privileges [...] were only acceptable in a society in which the majority population was clearly separated from Jews and the latter could not aspire to full membership in it. When equality became a possibility, few heralded the Jews of southwestern France as archetypes of the virtues of commercial credit in contrast to the Jews of northeastern France, who remained emblems of usury (p. 157).

In the aftermath of the Revolution, the poor economic condition of the majority of French Jews and entrenched suspicions about their usurious character had a decisive effect on the stalling of the advancement of formal equality. Again, usury became the symbol of the suspicion that Jews (now newly invisible as “citizens”) might be unable to partake in civil and political society as fair players, because of their lacking of patriotism. As emancipation promised to eliminate every last vestige of formal discrimination against Jewish economic actors, Cleirac’s concerns from a century and a half earlier about the inability to detect fraud in the new paper economy regained purchase.

Chapter seven analyzes the legend’s echoes beyond France up to 1800, and how they intersected with a variety of discourses about the morality of commercial credit in Britain and United Provinces, the Holy Roman Empire, the Italian Peninsula, Iberia, and among Jewish writers before and during emancipation. Besides demonstrating that the habit of attributing to Jews the invention of bills of exchange reached its zenith in the nineteenth century, Chapter eight provides a deep description of the contemporary historical events (including Jewish emancipation, nationalism, authoritarianism, the politics of anti-Semitism, racial theories, and Zionism) through which the grand theories of Marx, Sombart and Weber about the Jewish (and Christian) role in the creation of modern capitalism came into being. While Marx’s *On the Jewish Question* and Sombart’s *The Jews and Economic Life* appear as profoundly influenced by early-modern economic debates (the former arguing that the Jews “worshiped” bills of exchange, even if they did not invent them, since they represented the capitalist society in its totality; the latter accepting the legend in its version related to endorsable bills instead of bills of exchange, notwithstanding coeval specialists of commercial law at the time had openly rejected it), Weber broke with this tendency and “inaugurated the process of the Christianization of capitalism” (p. 198) that became dominant in the twentieth century.

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In its welcome Coda, this volume deals with general historical periodization and present-day competing views on the way in which the transition from the medieval period to modernity unfolded. The interest the German giants of modern social thought put into discovering what was new in modern capitalism implied a growing emphasis on historical ruptures and periodization. In their work, descriptions of historical change as a series of progressive stages of development, and of transformations in the legal framework of economic organization, couple with the search for “origins” of economic concepts and phenomena. According to Trivellato, this also explains the recent process of forgetting the legend of the Jewish invention and dissemination of bills of exchange. Since in late-twentieth century economic history business history is no longer integral to the study of the past, and recently the center of gravity in the Anglophone economic history of preindustrial Europe has unwelcomely moved away from southern Europe, the golden age of bills of exchange (and other issues underlying the legend) “slipped under economic historians’ radar” (p. 219). I will return to this point shortly.

The volume concludes with seven extensive Appendices, which (among other things) discuss the virtues and limitations of printed bibliographies and online databases collecting texts of the pre-modern mercantile and economic tradition (these priceless tools that we all use, but to which too often we forget to address an open tribute), and carefully list the bibliographical references in Sombart’s *Die Juden und das Wirtschaftsleben* (1911)—an antidote to the uncritical uses of this flawed empirical account that are surprisingly still practiced today.

Scholars in Jewish history, whose academic field in the last few decades has been constructing its own methodological physiognomy across Europe, Israel, and the US, will find their discipline-building process challenged by this book. This is especially true where—following in the footsteps of Jonathan Israel—Trivellato stresses the need for Jewish history to remain open to the study of Jewish-Christian relations, in order to illuminate broader dynamics that affected early-modern Europe at large (see esp. pp. 222-223). Central points of European Jewish-Christian relations history are also addressed: namely anti-Judaic traditions, and the need to use (as this book does) the textual and archival sources that were produced internally in the Jewish world in order to grasp the Jewish reactions to Christian cultural constructions, and the proactive capacity of the Jews to oppose them.

Researchers who are comfortable with placing their work under the disciplinary umbrella of the history of economic thought will find in this book compelling

arguments to prompt them to reconsider the issue of what constitutes a canonical work in their discipline, and how those works shaped European ideas about the birth of capitalism. Moreover, by carefully questioning the relationship between the discursive representations of Jews and commerce on the one hand, and the immediate historical circumstances in which those representations took shape on the other, this book makes it possible to take significant steps towards a historical, empirically based theory of the economic discourse. Inevitably, any attempt to study the forms economic knowledge took in medieval and early modern Europe is conditioned by the forms and methods the field assumed in mid-eighteenth century, when it became a distinct discipline among other human and social sciences. Any intellectual operation fixing the premises which led to the affirmation of a science is in some measure conditioned by what that science has become today: so it is difficult to resist the temptation to pick and choose from past discourses regarding economy those which are closest to, or perhaps overlap with, positions espoused by economists of our own time. It is almost inevitable that those who take a narrow neoclassical view of economics may not find in this book any enrichment in the history of the “economic” knowledge. But those who assume that the privileged theories and objects of today’s economic debate are so precisely because a specific discipline—Economics—has chosen and distinguished them from other theories and social phenomena, may find in this book a powerful warning to resist the temptation to treat the past as a mere repository of hasty “premises,” “forerunners” and “anticipations” of the present. And an invitation not to choose among the data that the past offers in all their variety those on which our present reality casts a false glow of inevitability.

As far as the realm of the economic history is concerned, *The Promise and Peril of Credit* puts at the center of the stage a crucial problem that in current scholarship had seldom been addressed so unequivocally as in this book: that of the interplay between inward beliefs and values on the one hand and institutional formations on the other. Although they does not aim to provide a definitive answer or a single model about this, the results of Trivellato’s experiment complement *The Familiarity of Strangers* in demonstrating not only that the market is not necessarily synonymous with anonymity, individualism, or respect; but also that the apprehension that anonymity socially and culturally generates (and the lack of fairness that can periodically plague competitive markets) carries new risks. Given the raging topicality of this subject after the 2008 financial crisis—and, in some respects, even in light of today’s pandemic crisis—both the research method followed in this book and its results can only inspire new investigations and intense debate.

It will be of interest—providing a sort of litmus test—to observe what place and reception this book will have in today’s economic history arena. To allow us some prefigurations in this regard is the acute analysis that Trivellato herself makes of the main current trends in her own discipline. Due to her multicultural academic and intellectual mastery, the author of this book is in the best position to highlight evidence that the search for the “right” institutional asset for the explanation of modern growth almost exclusively in the historical frameworks of (Protestant) Northern Europe or the US has produced thematic compartmentalizations, omissions, forgetfulness of themes and interrelationships, which a new (authentically global) history of capitalism should reconsider and, I think, finally overcome.

The segmentation of the economic history academic field (often migrated from history to economics departments) and its dominant interpretative neoclassical paradigm have contributed widely in expunging culture from the list of variables to be taken into consideration when analyzing the causes of past economic growth and decline. The new institutional economic historians are still struggling to find not only shared ways to integrate cultural beliefs into their models, but, more broadly, to clarify their relationship with mainstream economics itself. As Luigi Pasinetti has recently suggested, perhaps the economic analysis of social institutions needs to be re-oriented by opening up a separate field of investigation outside the realm of neoclassical economics.² Although something is now changing especially in the United States, often as a consequence of the 2008 financial crisis, whose interpretation within the mainstream methods of economic theory looks impracticable, what Trivellato defines a “disciplinary and methodological balkanization” (Ibid.) between humanistic and social scientific research still persists across the Western academia.

As an unwelcomed consequence of all this, a socioeconomically telling cultural formation such as the legend of the Jewish invention of the bills of exchange could be easily confined by economists and political and social scientists to the status of a seemingly idiosyncratic narrative, and its interpretation abandoned to an alleged specialism apparently pertaining to the realm of the intellectual or of the Jewish history. An explicit resumption in the book’s introduction of the general lines and

² “The theoretical framework of neo-classical economics allows little room for institutional economic analysis. In fact, it prevents a satisfactory development of it. At the same time, those institutional investigations claiming reliance on the neo-classical model derive prestige and legitimation from its theoretical strength.” L.L. Pasinetti “Economic Theory and Institutions,” *Structural Change and Economic Dynamics* in press – available online January 23, 2020.

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limits of today's new institutional economics' debate on institutions, cultural beliefs and "mental models" could perhaps have contributed to deconstructing this suggestion preventively. I would also have found challenging Trivellato's direct engagement with Foucauldian approach to discourse analysis, particularly in its relations with the category of "practice" as social object. A deepening of this approach would allow the "karstic" metaphor used in *The Promise and Peril of Credit*—in order to designate the periodic historical re-emergence of associations between Jews and credit—a further expansion.³ This metaphor being central in Foucault's work, its thorough reception and re-elaboration could result in its renewed, conducive usability even within a renewed realm of the history of economic knowledge. I would also have found compelling an elaboration by the author regarding the position this book assumes within the vein of the original Italian microhistory, as the methodology and the laboratory she has put in place (employing a forgotten legend to uncover the more general structures and dynamics of a persistent social formation) is apparently both subsumable and innovative of that tradition. This is because the book is not only interested in uncovering the interconnection between multiple phenomena (as traditionally Italian microhistorians did) but also on identifying causal processes of change over time.

The hope is that economic historians will seize the opportunity offered by this astonishing book to reflect on how much simplification there is in their entrenched distinction between "practices" and "representations." And that they accept not only the evidence that, as Trivellato points out, "cultural constructions of propriety in credit markets do not speak solely to questions of representation but also fulfill regulatory functions" (p. 11), but also that an economic history that does not have a theory of discursive practices is hopelessly unaccomplished.

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³ As Trivellato writes: "By choosing karstic topography [...] as a metaphor, I emphasize the intricate and sometimes unpredictable webs of meaning that connected a wide range of associations between Jews and credit across the landscape that I have surveyed. [...] Our task is to interpret small differences, the hardest ones to decipher. To do so requires that we stress the permanence of discursive traditions alongside local struggles and the intentional disturbance introduced by certain authors while simultaneously making room for contingency" (p. 192).

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