

***Fear and Greed: Financial Crisis in the Novel since 1850***

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## Abstract

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The financial crisis of 2008 has been the most significant global economic phenomenon of the new century. Sudden and largely unanticipated, this crisis nonetheless marks the latest in a series of financial panics that forms a well-documented feature of finance capitalism stretching back to the Dutch Tulip Bubble of 1637 and beyond, including such notorious crises as the South Sea Bubble of 1720, the Railway Shares panics of 1837 and 1847, the Wall Street Crash of 1929, and Black Monday in 1987. These and other crises have fostered a complex and diverse intellectual response - particularly since the South Sea Bubble - that has included interventions not only from economists and economic historians, but poets, dramatists, novelists, and others. This raises the question of whether the novel's contribution to our wider understanding of financial crises has been fully acknowledged and assessed. In this thesis, the complex and shifting relationship between literary and non-literary responses to financial crisis is explored through an examination of the ideas of political economists, philosophers, journalists, financiers, and others, including Adam Smith, David Ricardo, Lord Overstone, Walter Bagehot, Herbert Spencer, Thorstein Veblen, Joseph Schumpeter, and J.M. Keynes, that situates their theories alongside readings of novels of financial crisis from the 1850s onward.

In a five-chapter structure, this study adopts a chronological approach to the history of ideas relevant to attempts to interpret and understand financial crises from the early nineteenth century onwards, ideas that have absorbed novelists as well as economists. Each chapter pays specific regard to key authors who have shaped the novel's contribution in a given period, from Charles Dickens in the nineteenth century, to Don DeLillo in the twenty-first. Chapter One looks at the rise of the logic of *laissez-faire* that formed around the classical economic theory of Adam Smith and David Ricardo, particularly the spread of the Mandevillian concept of 'private vices as public benefits', morally sanctioned by Smith's 'invisible hand'. Attempts to neutralise the effect of economics' abandonment of prior religious and moral values in the name of national supremacy and wealth-creation were examined in Charles Dickens's novel *Little Dorrit* (1857), where Dickens creates a connection between the classical economic doctrine of self-help, speculation, and the financial crisis that follows in his novel. It is suggested that Dickens's novel identifies financial crisis as the product of a moral bankruptcy hidden behind the ideology of classical economics as 'natural law', an ideology endorsed by the beneficiaries of the speculative economy that Dickens dubbed 'Society'.

Chapter Two draws on developments in late nineteenth-century economic theory regarding the business and trade cycles that blighted the Victorian economy during its rise to international dominance. Anthony Trollope's novel *The Way We Live Now* (1875) engages with ideas relating to the trade and credit cycle developed by Lord Overstone, Walter Bagehot, and others. By linking financial crises to credit cycles, some economists were challenging assumptions of both classical economic theory and Ricardian early monetary theory. Trollope's novel

illustrates the effect of credit on the cycle of business activity, and particularly the role that restricted credit has in triggering financial panics. Like Overstone, Trollope's novel figures financial crisis as a process of economic 'cleansing', a contemporary reversal that reprises the pre-capitalist wheel of fortune in a financial market setting. Consequently, *The Way We Live Now* does not endorse Bagehot's appeal for an expanded role for the Bank of England as lender of last resort to distressed finance houses. Instead, it returns to Lord Overstone's version of *laissez-faire*, in which financial crisis purges the British economy of those who do not observe its principles of engagement.

Chapter Three follows the late century transition from Great Britain to the United States as the world's leading economy, and examines the financial crisis novels of Frank Norris, and Theodore Dreiser. America's rapid industrialisation, and the rise of hugely wealthy 'captains of industry', was accompanied by devastating financial crises that generated a literary response in the form of a series of business novels published around the turn of the century. Writers such as Norris and Dreiser appealed, albeit eclectically, to social Darwinist and providential metanarratives in their efforts to endorse America's rugged individualism and religious instincts in constructions of financial crises as phenomena of the natural world, selecting and shaping those chosen by Providence to secure America's wealth. A close reading of Norris's *The Pit* (1902), and Dreiser's *The Financier* (1912) suggests, however, that both writers drew up short of a full endorsement of the economy they professed to admire, creating a sense of contingency regarding the rugged evolutionary optimism that both writers attempted to site in their country's business leaders.

By the early twentieth century, heavy industrialisation had given way to the rapid expansion of mass markets and the beginnings of what became known as consumer culture. The influence of mass psychology in determining the behaviour of consumers was acknowledged in advertisers' attempts to create and mould personal 'desire', as well as in some economists' ideas regarding group behaviour during periods of financial mania and panic. Chapter Four examines the groundbreaking work on 'conspicuous consumption', and its implications for financial crisis, developed by the American economist Thorstein Veblen, and two broadly contemporaneous texts engaging with desire, consumption, and emulation - H.G. Wells's *Tono-Bungay* (1909) and F. Scott Fitzgerald's *The Great Gatsby* (1925)

Chapter Five begins with the Wall Street Crash of 1929, and traces the development in economic theory during the years following the onset of the Great Depression in parallel with ideas from beyond the economic establishment, including psychoanalysis, anthropology, and, later, critical theory. The monumental waste and destruction of the Depression elicited interventions into the field of economics from a range of disciplines that rejected the quantitative ideology of neoclassical economists. Parallels can be drawn between these new ideas and the analysis of critics of orthodox neoclassical economics from within the economic discipline, such as that of J.M Keynes, and Joseph Schumpeter. The images of waste, dissipation, death, and the resulting suspicion of modernist ideologies of social and economic progress that arose from the challenge to economic orthodoxy after the Wall Street Crash, characterise the financial crisis novels of Saul Bellow, Martin Amis, and Don DeLillo. These novels create a post-war literature of financial crisis that leans towards pessimism and despair regarding the frequency of crises that have stalked the post-war economy. While

escape from the straightjacket of American post-war conformism remained a possibility for Bellow in *Seize the Day* (1956), financial crises in the post-Bretton Woods era imagined in Amis's *Money* (1984) and DeLillo's *Cosmopolis* (2003) suggest nothing more than the chaos and totality of an economic system that, unregulated and de-materialised, has run out of control, and from which, as Walter Benn Michaels suggests, 'there is no escape.'

The central theme of the thesis rests on the readings of texts that demonstrate novelists' close engagement with a range of ideas, economic and non-economic, regarding the manias and panics of financial crisis throughout the period examined here. Their narratives repeat the observation that the fear and greed that characterise these episodes are frequently manifestations of complex emotional rather than rational responses to economic phenomena. Financial crises, intimately wrapped up in economic motivation as they clearly are, are also the concern of the humanities. Any comprehensive attempt to study the cycle of triumph and disaster that these episodes sketch should include considerations that originate outside economics as currently defined in the academy. A study of the novels of financial crisis can contribute to this interdisciplinary discourse.

The financial crisis of 2008 has created another opening for an evaluation of our knowledge of these seemingly unavoidable phenomena. The literary-critical response to the latest crisis currently remains in its infancy. There is reason to believe, however, that a study of the novels of financial crisis from the last two hundred years can make a productive contribution to what promises to be a fruitful field of scholarly research, drawing on a history of ideas that ranges well beyond orthodox economic theory.

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[http://www.henrythornton.com/article.asp?article\\_id=6261](http://www.henrythornton.com/article.asp?article_id=6261)

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The subject of this thesis was conceived during a professional career in finance that lasted almost twenty years. During that time I witnessed several financial crises, from Black Monday in 1987, to Black Wednesday in 1992, and the dark days of the debt crises that began in the mid-1990s, culminating in the crash of 2008. The decision to swap a financial career for the personal crises of the life of a research student was influenced by a former colleague, Dr Jerry Toner, who has had a far more illustrious return to university life than I could hope for, but to whom I am grateful nonetheless. Another former City colleague, Dr Stuart Sweeney, followed a similar path, and provided me with support and reassurance during those moments of self-doubt all research students inevitably experience.

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