UPDATED AND EXPANDED EDITION

DEBT

THE FIRST 5,000 YEARS

DAVID GRAEBER

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—GILLIAN TETT, *FINANCIAL TIMES*

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Chapter One

ON THE EXPERIENCE OF MORAL CONFUSION

debt
• noun 1 a sum of money owed. 2 the state of owing money. 3 a feeling of gratitude for a favour or service.

— *Oxford English Dictionary*

If you owe the bank a hundred thousand dollars, the bank owns you. If you owe the bank a hundred million dollars, you own the bank.

— American Proverb

TWO YEARS AGO, by a series of strange coincidences, I found myself attending a garden party at Westminster Abbey. I was a bit uncomfortable. It's not that other guests weren't pleasant and amicable, and Father Graeme, who had organized the party, was nothing if not a gracious and charming host. But I felt more than a little out of place. At one point, Father Graeme intervened, saying that there was someone by a nearby fountain whom I would certainly want to meet. She turned out to be a trim, well-appointed young woman who, he explained, was an attorney—"but more of the activist kind. She works for a foundation that provides legal support for anti-poverty groups in London. You'll probably have a lot to talk about."

We chatted. She told me about her job. I told her I had been involved for many years with the global justice movement—“anti-globalization movement,” as it was usually called in the media. She was curious: she’d of course read a lot about Seattle, Genoa, the tear gas and street battles, but … well, had we really accomplished anything by all of that?

“Actually,” I said, “I think it’s kind of amazing how much we did manage to accomplish in those first couple of years.”

“For example?”

“Well, for example, we managed to almost completely destroy the IMF.”

As it happened, she didn’t actually know what the IMF was, so I offered that the International Monetary Fund basically acted as the world’s debt enforcers—“You might say, the high-finance equivalent of the guys who come to break your legs.” I launched into historical background, explaining how, during the ’70s oil crisis, OPEC countries ended up pouring so much of their newfound riches into Western banks that the banks couldn’t figure out where to invest the money; how Citibank and Chase therefore began sending agents around the world trying to convince Third World dictators and politicians to take out loans (at the time, this was called “go-go banking”); how they started out at extremely low rates of interest that almost immediately skyrocketed to 20 percent or so due to tight U.S. money policies in the early ’80s; how, during the ’80s and ’90s, this led to the Third World debt crisis; how the IMF then stepped in to insist that, in order to obtain refinancing, poor countries would be obliged to abandon price supports on basic foodstuffs, or even policies of keeping strategic food reserves, and abandon free health care and free education; how all of this had led to the collapse of all the most basic supports for some of the poorest and most vulnerable people on earth. I spoke of poverty, of the looting of public resources, the collapse of societies, endemic violence, malnutrition, hopelessness, and broken lives.

“But what was *your* position?” the lawyer asked.

“About the IMF? We wanted to abolish it.”

“No, I mean, about the Third World debt.”

“Oh, we wanted to abolish that too. The immediate demand was to stop the IMF from imposing structural adjustment policies, which were doing all the direct damage, but we managed to accomplish that surprisingly quickly. The more long-term aim was debt amnesty. Something along the lines of the biblical Jubilee. As far as we were concerned,” I told her, “thirty years of money flowing from the poorest countries to the richest was quite enough.”

“But,” she objected, as if this were self-evident, “they’d borrowed the money! Surely one has to pay one’s debts.”

It was at this point that I realized this was going to be a very different sort of conversation than I had originally anticipated.

Where to start? I could have begun by explaining how these loans had originally been taken out by unelected dictators who placed most of it directly in their Swiss bank accounts, and ask her to contemplate the justice of insisting that the lenders be repaid, not by the dictator, or even by his cronies, but by literally taking food from the mouths of hungry children. Or to think about how many of these poor countries had actually already paid back what they’d borrowed three or four times now, but that through the miracle of compound interest, it still hadn’t made a significant dent in the principal. I could also observe that there was a difference between refinancing loans, and demanding that in order to obtain refinancing, countries have to follow some orthodox free-market economic policy designed in Washington or Zurich that their citizens had never agreed to and never would, and that it was a bit dishonest to insist that countries adopt democratic constitutions and then also insist that, whoever gets elected, they have no control over their country's policies anyway. Or that the economic policies imposed by the IMF didn't even work. But there was a more basic problem: the very assumption that debts *have* to be repaid.

Actually, the remarkable thing about the statement "one has to pay one's debts" is that even according to standard economic theory, it isn't true. A lender is supposed to accept a certain degree of risk. If all loans, no matter how idiotic, were still retrievable—if there were no bankruptcy laws, for instance—the results would be disastrous. What reason would lenders have not to make a stupid loan?

"Well, I know that sounds like common sense," I said, "but the funny thing is, economically, that's not how loans are actually supposed to work. Financial institutions are supposed to be ways of directing resources toward profitable investments. If a bank were guaranteed to get its money back, plus interest, no matter what it did, the whole system wouldn't work. Imagine I were to walk into the nearest branch of the Royal Bank of Scotland and say 'You know, I just got a really great tip on the horses. Think you could lend me a couple million quid?' Obviously they'd just laugh at me. But that's just because they know if my horse didn't come in, there'd be no way for them to get the money back. But, imagine there was some law that said they were guaranteed to get their money back no matter what happens, even if that meant, I don't know, selling my daughter into slavery or harvesting my organs or something. Well, in that case, why not? Why bother waiting for someone to walk in who has a viable plan to set up a laundromat or some such? Basically, that's the situation the IMF created on a global level—which is how you could have all those banks willing to fork over billions of dollars to a bunch of obvious crooks in the first place."

I didn't get quite that far, because at about that point a drunken financier appeared, having noticed that we were talking about money, and began telling funny stories about moral hazard—which somehow, before too long, had morphed into a long and not particularly engrossing account of one of his sexual conquests. I drifted off.

In retrospect I was never quite sure what to make of that conversation. Could an activist lawyer really have never heard of the IMF, or was she just gently playing me? But it didn't really matter one way or the other. For several days afterward, that phrase kept resonating in my head.

"Surely one has to pay one's debts."

The reason it's so powerful is that it's not actually an economic statement: it's a moral statement. After all, isn't paying one's debts what morality is supposed to be all about? Giving people what is due them. Accepting one's responsibilities. Fulfilling one's obligations to others, just as one would expect them to fulfill their obligations to you. What could be a more obvious example of shirking one's responsibilities than reneging on a promise, or refusing to pay a debt?

It was that very apparent self-evidence, I realized, that made the statement so insidious. This was the kind of line that could make terrible things appear utterly bland and unremarkable. This may sound strong, but it's hard not to feel strongly about such matters once you've witnessed the effects. I had. For almost two years, I had lived in the highlands of Madagascar. Shortly before I arrived, there had been an outbreak of malaria. It was a particularly virulent outbreak because malaria had been wiped out in highland Madagascar many years before, so that, after a couple of generations, most people had lost their immunity. The problem was, it took money to maintain the mosquito eradication program, since there had to be periodic tests to make sure mosquitoes weren't starting to breed again and spraying campaigns if it was discovered that they were. Not a lot of money. But owing to IMF-imposed austerity programs, the government had to cut the monitoring program. Ten thousand people died. I met young mothers grieving for lost children. One might think it would be hard to make a case that the loss of ten thousand human lives is really justified in order to ensure that Citibank wouldn't have to cut its losses on one irresponsible loan that wasn't particularly important to its balance sheet anyway. But here was a perfectly decent woman—one who worked for a charitable organization, no less—who took it as self-evident that it was. After all, they owed the money, and surely one has to pay one's debts.

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For the next few weeks, that phrase kept coming back at me. Why debt? What makes the concept so strangely powerful? Consumer debt is the lifeblood of our economy. All modern nation-states are built on deficit spending. Debt has come to be the central issue of international politics. But nobody seems to know exactly what it is, or how to think about it.

The very fact that we don't know what debt is, the very flexibility of the concept, is the basis of its power. If history shows anything, it is that there's no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt—above all, because it immediately makes it seem that it's the victim who's doing something wrong. Mafiosi understand this. So do the commanders of conquering armies. For thousands of years, violent men have been able to tell their victims that those victims owe them something. If nothing else, they "owe them their lives" (a telling phrase) because they haven't been killed.

Nowadays, for example, military aggression is defined as a crime against humanity, and international courts, when they are brought to bear, usually demand that aggressors pay compensation. Germany had to pay massive reparations after World War I, and Iraq is still paying Kuwait for Saddam Hussein's invasion in 1990. Yet the Third World debt, the debt of countries like Madagascar, Bolivia, and the Philippines, seems to work precisely the other way around. Third World debtor nations are almost exclusively countries that have at one time been attacked and conquered by European countries—often, the very countries to whom they now owe money. In 1895, for example, France invaded Madagascar, disbanded the government of then–Queen Ranavalona III, and declared the country a French colony. One of the first things General Gallieni did after "pacification," as they liked to call it then, was to impose heavy taxes on the Malagasy population, in part so they could reimburse the costs of having been invaded, but also, since French colonies were supposed to be fiscally self-supporting, to defray the costs of building the railroads, highways, bridges, plantations, and so forth that the French regime wished to build. Malagasy taxpayers were never asked whether they wanted these railroads, highways, bridges, and plantations, or allowed much input into where and how they were built.[1] To the contrary: over the next half century, the French army and police slaughtered quite a number of Malagasy who objected too strongly to the arrangement (a hundred thousand, by some reports, during one revolt in 1947). It's not as if Madagascar has ever done any comparable damage to France. Despite this, from the beginning, the Malagasy people were told they owed France money, and to this day, the Malagasy people are still held to owe France money, and the rest of the world accepts the justice of this arrangement. When the "international community" does perceive a moral issue, it's usually when they feel the Malagasy government is being slow to pay their debts.

But debt is not just victor's justice; it can also be a way of punishing winners who weren't supposed to win. The most spectacular example of this is the history of the Republic of Haiti—the first poor country to be placed in permanent debt peonage. Haiti was a nation founded by former plantation slaves who had the temerity not only to rise up in rebellion, amidst grand declarations of universal rights and freedoms, but to defeat Napoleon's armies sent to return them to bondage. France immediately insisted that the new republic owed it 150 million francs in damages for the expropriated plantations, as well as the expenses of outfitting the failed military expeditions, and all other nations, including the United States, agreed to impose an embargo on the country until it was paid. The sum was intentionally impossible (equivalent to about 18 billion dollars), and the resultant embargo ensured that the name "Haiti" has been a synonym for debt, poverty, and human misery ever since.[2]

Sometimes, though, debt seems to mean the very opposite. Starting in the 1980s, the United States, which insisted on strict terms for the repayment of Third World debt, itself accrued debts that easily dwarfed those of the entire Third World combined—mainly fueled by military spending. The U.S. foreign debt, though, takes the form of treasury bonds held by institutional investors in countries (Germany, Japan, South Korea, Taiwan, Thailand, the

Gulf States) that are in most cases, effectively, U.S. military protectorates, most covered in U.S. bases full of arms and equipment paid for with that very deficit spending. This has changed a little now that China has gotten in on the game (China is a special case, for reasons that will be explained later), but not very much—even China finds that the fact it holds so many U.S. treasury bonds makes it to some degree beholden to U.S. interests, rather than the other way around.

So what is the status of all this money continually being funneled into the U.S. treasury? Are these loans? Or is it tribute? In the past, military powers that maintained hundreds of military bases outside their own home territory were ordinarily referred to as "empires," and empires regularly demanded tribute from subject peoples. The U.S. government, of course, insists that it is not an empire—but one could easily make a case that the only reason it insists on treating these payments as "loans" and not as "tribute" is precisely to deny the reality of what's going on.

Now, it's true that, throughout history, certain sorts of debt, and certain sorts of debtor, have always been treated differently than others. In the 1720s, one of the things that most scandalized the British public when conditions at debtors' prisons were exposed in the popular press was the fact that these prisons were regularly divided into two sections. Aristocratic inmates, who often thought of a brief stay in Fleet or Marshalsea as something of a fashion statement, were wined and dined by liveried servants and allowed to receive regular visits from prostitutes. On the "common side," impoverished debtors were shackled together in tiny cells, "covered with filth and vermin," as one report put it, "and suffered to die, without pity, of hunger and jail fever."[3]

In a way you can see current world economic arrangements as a much larger version of the same thing: the U.S. in this case being the Cadillac debtor, Madagascar the pauper starving in the next cell—while the Cadillac debtor's servants lecture him on how his problems are due to his own irresponsibility.

But there's something more fundamental going on here, too, a philosophical question, even, that we might do well to contemplate. What is the difference between a gangster pulling out a gun and demanding you give him a thousand dollars of "protection money," and that same gangster pulling out a gun and demanding you provide him with a thousand-dollar "loan"? In most ways, obviously, there is no difference. But in certain ways there is As in the case of the U.S. debt to Korea or Japan, were the balance of power at any point to shift, were America to lose its military supremacy, were the gangster to lose his henchmen, that "loan" might start being treated very differently. It might become a genuine liability. But the crucial element would still seem to be the gun.

There's an old vaudeville gag that makes the same point even more elegantly—here, as improved on by Steve Wright:

> I was walking down the street with a friend the other day and a guy with a gun jumps out of an alley and says "Stick 'em up."
>
> As I pull out my wallet, I figure, "Shouldn't be a total loss." So I pull out some money, turn to my friend and say, "Hey, Fred, here's that fifty bucks I owe you."
>
> The robber was so offended he took out a thousand dollars of his own money, forced Fred to lend it to me at gunpoint, and then took it back again.

In the final analysis, the man with the gun doesn't have to do anything he doesn't want to do. But in order to be able to run even a regime based on violence effectively, one needs to establish some kind of set of rules. The rules can be completely arbitrary. In a way it doesn't even matter what they are. Or, at least, it doesn't matter at first. The problem is, the moment one starts framing things in terms of debt, people will inevitably start asking who really owes what to whom.

Arguments about debt have been going on for at least five thousand years. For most of human history—at least, the history of states and empires—most human beings have been told that they are debtors.[4] Historians, and particularly historians of ideas, have been oddly reluctant to consider the human consequences, especially since this situation—more than any other—has caused continual outrage and resentment. Tell people they are inferior, they are unlikely to be pleased, but this surprisingly rarely leads to armed revolt. Tell people that they are potential equals who have failed and that therefore, even what they do have they do not deserve, that it isn't rightly theirs, and you are much more likely to inspire rage. Certainly this is what history would seem to teach us. For thousands of years, the struggle between rich and poor has largely taken the form of conflicts between creditors and debtors—of arguments about the rights and wrongs of interest payments, debt peonage, amnesty, repossession, restitution, the sequestering of sheep, the seizing of vineyards, and the selling of debtors' children into slavery. By the same token, for the last five thousand years, with remarkable regularity, popular insurrections have begun the same way: with the ritual destruction of the debt records—tablets, papyri, ledgers, whatever form they might have taken in any particular time and place. (After that, rebels usually go after the records of landholding and tax assessments.) As the great classicist Moses Finley often liked to say, in the ancient world, all revolutionary movements had a single program: "Cancel the debts and redistribute the land."[5]

Our tendency to overlook this is all the more peculiar when you consider how much of our contemporary moral and religious language originally emerged directly from these very conflicts. Terms like "reckoning" or "redemption" are only the most obvious, since they're taken directly from the language of ancient finance. In a larger sense, the same can be said of "guilt," "freedom," "forgiveness," and even "sin." Arguments about who really owes what to whom have played a central role in shaping our basic vocabulary of right and wrong.

The fact that so much of this language did take shape in arguments about debt has left the concept strangely incoherent. After all, to argue with the king, one has to use the king's language, whether or not the initial premises make sense.

If one looks at the history of debt, then, what one discovers first of all is profound moral confusion. Its most obvious manifestation is that most everywhere, one finds that the majority of human beings hold simultaneously that (1) paying back money one has borrowed is a simple matter of morality, and (2) anyone in the habit of lending money is evil.

It's true that opinions on this latter point do shift back and forth. One extreme possibility might be the situation the French anthropologist Jean-Claude Galey encountered in a region of the eastern Himalayas where as recently as the 1970s, the low-ranking castes—they were referred to as "the vanquished ones," since they were thought to be descended from a population once conquered by the current landlord caste many centuries before—lived in a situation of permanent debt dependency. Landless and penniless, they were obliged to solicit loans from the landlords simply to find a way to eat—not for the money, since the sums were paltry, but because poor debtors were expected to pay back the interest in the form of work, which meant they were at least provided with food and shelter while they cleaned out their creditors' outhouses and reroofed their sheds. For the "vanquished"—as for most people in the world, actually—the most significant life expenses were weddings and funerals. These required a good deal of money, which always had to be borrowed. In such cases it was common practice, Galey explains, for high-caste moneylenders to demand one of the borrower's daughters as security. Often, when a poor man had to borrow money for his daughter's marriage, the security would be the bride herself. She would be expected to report to the lender's household after her wedding night, spend a few months there as his concubine, and then, once he grew bored, be sent off to some nearby timber camp, where she would have to spend the next year or two working as a prostitute to pay off her father's debt. Once accounts were settled, she return to her husband and begin her married life.[6]

This seems shocking, outrageous even, but Galey does not report any widespread feeling of injustice. Everyone seemed to feel that this was just the way things worked. Neither was there much concern voiced among the local Brahmins, who were the ultimate arbiters in matters of morality—though this is hardly surprising, since the most prominent moneylenders were often Brahmins themselves.

Even here, of course, it's hard to know what people were saying behind closed doors. If a group of Maoist rebels were to seize control of the area (some do operate in this part of rural India) and round up the local usurers for trial, we might suddenly hear all sorts of views expressed.

Still, what Galey describes represents, as I say, one extreme of possibility: one in which the usurers themselves are the ultimate moral authorities. Compare this with, say, medieval France, where the moral status of moneylenders was seriously in question. The Catholic Church had always forbidden the practice of lending money at interest, but the rules often fell into desuetude, causing the Church hierarchy to authorize preaching campaigns, sending mendicant friars to travel from town to town warning usurers that unless they repented and made full restitution of all interest extracted from their victims, they would surely go to Hell.

These sermons, many of which have survived, are full of horror stories of God's judgment on unrepentant lenders: stories of rich men struck down by madness or terrible diseases, haunted by deathbed nightmares of the snakes or demons who would soon rend or eat their flesh. In the twelfth century, when such campaigns reached their heights, more direct sanctions began to be employed. The papacy issued instructions to local parishes that all known usurers were to be excommunicated; they were not to be allowed to receive the sacraments, and under no conditions could their bodies be buried on hallowed ground. One French cardinal, Jacques de Vitry, writing around 1210, recorded the story of a particularly influential moneylender whose friends tried to pressure their parish priest to overlook the rules and allow him to be buried in the local churchyard:

> Since the dead usurer's friends were very insistent, the priest yielded to their pressure and said, "Let us put his body on a donkey and see God's will, and what He will do with the body. Wherever the donkey takes it, be it a church, a

> cemetery, or elsewhere, there will I bury it." The body was placed upon the donkey which without deviating either to right or left, took it straight out of town to the place where thieves are hanged from the gibbet, and with a hearty buck, sent the cadaver flying into the dung beneath the gallows.[7]

Looking over world literature, it is almost impossible to find a single sympathetic representation of a moneylender—or anyway, a professional moneylender, which means by definition one who charges interest. I'm not sure there is another profession (executioners?) with such a consistently bad image. It's especially remarkable when one considers that unlike executioners, usurers often rank among the richest and most powerful people in their communities. Yet the very name, "usurer," evokes images of loan sharks, blood money, pounds of flesh, the selling of souls, and behind them all, the Devil, often represented as himself a kind of usurer, an evil accountant with his books and ledgers, or alternately, as the figure looming just behind the usurer, biding his time until he can repossess the soul of a villain who, by his very occupation, has clearly made a compact with Hell.

Historically, there have been only two effective ways for a lender to try to wriggle out of the opprobrium: either shunt off responsibility onto some third party, or insist that the borrower is even worse. In medieval Europe, for instance, lords often took the first approach, employing Jews as surrogates. Many would even speak of "our" Jews—that is, Jews under their personal protection—though in practice this usually meant that they would first deny Jews in their territories any means of making a living except by usury (guaranteeing that they would be widely detested), then periodically turn on them, claiming they were detestable creatures, and take the money for themselves. The second approach is of course more common. But it usually leads to the conclusion that both parties to a loan are equally guilty; the whole affair is a shabby business; and most likely, both are damned.

Other religious traditions have different perspectives. In medieval Hindu law codes, not only were interest-bearing loans permissible (the main stipulation was that interest should never exceed principal), but it was often emphasized that a debtor who did not pay would be reborn as a slave in the household of his creditor—or in later codes, reborn as his horse or ox. The same tolerant attitude toward lenders, and warnings of karmic revenge against borrowers, reappear in many strands of Buddhism. Even so, the moment that usurers were thought to go too far, exactly the same sort of stories as found in Europe would start appearing. A Medieval Japanese author recounts one—he insists it's a true story—about the terrifying fate of Hiromushime, the wife of a wealthy district governor around 776 AD. An exceptionally greedy woman,

> she would add water to the rice wine she sold and make a huge profit on such diluted saké. On the day she loaned something to someone she would use a small measuring cup, but on the day of collection she used a large one. When lending rice her scale registered small portions, but when she received payment it was in large amounts. The interest that she forcibly collected was tremendous—often as much as ten or even one hundred times the amount of the original loan. She was rigid about collecting debts, showing no mercy whatsoever. Because of this, many people were thrown into a state of anxiety; they abandoned their households to get away from her and took to wandering in other provinces.[8]

After she died, for seven days, monks prayed over her sealed coffin. On the seventh, her body mysteriously sprang to life:

> Those who came to look at her encountered an indescribable stench. From the waist up she had already become an ox with four-inch horns protruding from her forehead. Her two hands had become the hooves of an ox, her nails were now cracked so that they resembled an ox hoof's instep. From the waist down, however, her body was that of a human. She disliked rice and preferred to eat grass. Her manner of eating was rumination. Naked, she would lie in her own excrement.[9]

Gawkers descended. Guilty and ashamed, the family made desperate attempts to buy forgiveness, canceling all debts owed to them by anybody, donating much of their wealth to religious establishments. Finally, mercifully, the monster died.

The author, himself a monk, felt that the story represented a clear case of premature reincarnation—the woman was being punished by the law of karma for her violations of "what is both reasonable and right." His problem was that Buddhist scriptures, insofar as they explicitly weighed in on the matter, didn't provide a precedent. Normally, it was debtors who were supposed to be reborn as oxen, not creditors. As a result, when it came time to explain the moral of the story, his exposition grew decidedly confusing:

> It is as one sutra says: "When we do not repay the things that we have borrowed, our payment becomes that of being reborn as a horse or ox." "The debtor is like a slave, the creditor is like a master." Or again: "a debtor is a pheasant and his creditor a hawk." If you are in a situation of having granted a loan, do not put unreasonable pressure on your

> debtor for repayment. If you do, you will be reborn as a horse or an ox and be put to work for him who was in debt to you, and then you will repay many times over.[10]

So which will it be? They can't both end up as animals in each other's barns.

All the great religious traditions seem to bang up against this quandary in one form or another. On the one hand, insofar as all human relations involve debt, they are all morally compromised. Both parties are probably already guilty of something just by entering into the relationship; at the very least they run a significant danger of becoming guilty if repayment is delayed. On the other hand, when we say someone acts like they "don't owe anything to anybody," we're hardly describing that person as a paragon of virtue. In the secular world, morality consists largely of fulfilling our obligations to others, and we have a stubborn tendency to imagine those obligations as debts. Monks, perhaps, can avoid the dilemma by detaching themselves from the secular world entirely, but the rest of us appear condemned to live in a universe that doesn't make a lot of sense.

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The story of Hiromushime is a perfect illustration of the impulse to throw the accusation back at the accuser—just as in the story about the dead usurer and the donkey, the emphasis on excrement, animals, and humiliation is clearly meant as poetic justice, the creditor forced to experience the same feelings of disgrace and degradation that debtors are always made to feel. It's all a more vivid, more visceral way of asking that same question: "Who really owes what to whom?"

It's also a perfect illustration of how the moment one asks the question "Who really owes what to whom?," one has begun to adopt the creditor's language. Just as if we don't pay our debts, "our payment becomes that of being reborn as a horse or an ox"; so if you are an unreasonable creditor, you too will "repay." Even karmic justice can thus be reduced to the language of a business deal.

Here we come to the central question of this book: What, precisely, does it mean to say that our sense of morality and justice is reduced to the language of a business deal? What does it mean when we reduce moral obligations to debts? What changes when the one turns into the other? And how do we speak about them when our language has been so shaped by the market? On one level the difference between an obligation and a debt is simple and obvious. A debt is the obligation to pay a certain sum of money. As a result, a debt, unlike any other form of obligation, can be precisely quantified. This allows debts to become simple, cold, and impersonal—which, in turn, allows them to be transferable. If one owes a favor, or one's life, to another human being, it is owed to that person specifically. But if one owes forty thousand dollars at 12-percent interest, it doesn't really matter who the creditor is; neither does either of the two parties have to think much about what the other party needs, wants, is capable of doing—as they certainly would if what was owed was a favor, or respect, or gratitude. One does not need to calculate the human effects; one need only calculate principal, balances, penalties, and rates of interest. If you end up having to abandon your home and wander in other provinces, if your daughter ends up in a mining camp working as a prostitute, well, that's unfortunate, but incidental to the creditor. Money is money, and a deal's a deal.

From this perspective, the crucial factor, and a topic that will be explored at length in these pages, is money's capacity to turn morality into a matter of impersonal arithmetic—and by doing so, to justify things that would otherwise seem outrageous or obscene. The factor of violence, which I have been emphasizing up until now, may appear secondary. The difference between a "debt" and a mere moral obligation is not the presence or absence of men with weapons who can enforce that obligation by seizing the debtor's possessions or threatening to break his legs. It is simply that a creditor has the means to specify, numerically, exactly how much the debtor owes.

However, when one looks a little closer, one discovers that these two elements—the violence and the quantification—are intimately linked. In fact it's almost impossible to find one without the other. French usurers had powerful friends and enforcers, capable of bullying even Church authorities. How else could they have collected debts that were technically illegal? Hiromushime was utterly uncompromising with her debtors—"showing no mercy whatsoever"—but then, her husband was the governor. She didn't have to show mercy. Those of us who do not have armed men behind us cannot afford to be so exacting.

The way violence, or the threat of violence, turns human relations into mathematics will crop up again and again over the course of this book. It is the ultimate source of the moral confusion that seems to float around everything surrounding the topic of debt. The resulting dilemmas appear to be as old as civilization itself. We can observe the process in the very earliest records from ancient Mesopotamia; it finds its first philosophical expression in the Vedas, reappears in endless forms throughout recorded history, and still lies underneath the essential fabric of our institutions today—state and market, our most basic conceptions of the nature of freedom, morality, sociality—all of which have been shaped by a history of war, conquest, and slavery in ways we're no longer capable of even perceiving because we can no longer imagine things any other way.

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There are obvious reasons why this is a particularly important moment to reexamine the history of debt. September 2008 saw the beginning of a financial crisis that almost brought the world economy screeching to a halt. In many ways the world economy did: ships stopped moving across the oceans and thousands lay idle or were even broken up for scrap metal.[11] Building cranes were dismantled, as no more buildings were being put up. Banks largely ceased making loans. In the wake of this, there was not only public rage and bewilderment, but the beginning of an actual public conversation about the nature of debt, of money, of the financial institutions that have come to hold the fate of nations in their grip.

But that was just a moment. The conversation never ended up taking place.

The reason that people were ready for such a conversation was that the story everyone had been told for the last decade or so had just been revealed to be a colossal lie. There's really no nicer way to say it. For years, everyone had been hearing of a whole host of new, ultra-sophisticated financial innovations: credit and commodity derivatives, collateralized mortgage obligation derivatives, hybrid securities, debt swaps, and so on. These new derivative markets were so incredibly sophisticated, that—according to one persistent story—a prominent investment house had to employ astrophysicists to run trading programs so complex that even the financiers couldn't begin to understand them.

The message was transparent: leave these things to the professionals. You couldn't possibly get your minds around this. Even if you don't like financial capitalists very much (and few seemed inclined to argue that there was much to like about them), they were nothing if not capable, in fact so preternaturally capable that democratic oversight of financial markets was simply inconceivable. (Even a lot of academics fell for it. I well remember going to conferences in 2006 and 2007 where trendy social theorists presented papers arguing that these new forms of securitization, linked to new information technologies, heralded a looming transformation in the very nature of power, time, possibility—reality itself. I remember thinking: "Suckers!" And so they were.)

Then, when the rubble had stopped bouncing, it turned out that many if not most of them had been nothing more than very elaborate scams. They consisted of operations like selling poor families mortgages crafted in such a way as to make eventual default inevitable; taking bets on how long it would take the holders to default; packaging mortgage and bet together and selling them to institutional investors (representing, perhaps, the mortgage-holders' retirement accounts) claiming that it would make money no matter what happened, and allow said investors to pass such packages around as if they were money; turning over responsibility for paying off the bet to a giant insurance conglomerate that, were it to sink beneath the weight of its resultant debt (which certainly would happen), would then have to be bailed out by taxpayers (as such conglomerates were indeed bailed out).[12] In other words, it looked very much like an unusually elaborate version of what banks were doing when they lent money to dictators in Bolivia and Gabon in the late '70s: making utterly irresponsible loans with the full knowledge that, once it became known they had done so, politicians and bureaucrats would scramble to ensure that they'd still be reimbursed anyway, no matter how many human lives had to be devastated and destroyed in order to do it.

The difference, though, was that this time, the bankers were doing it on an inconceivable scale: the total amount of debt they had run up was larger than the combined Gross Domestic Products of every country in the world—and it threw the world into a tailspin and almost destroyed the system itself.

Armies and police quickly geared up to combat the expected riots and unrest, but at first, none materialized. But neither did any significant changes in how the system was run. At the time, everyone assumed that, with the very defining institutions of capitalism (Lehman Brothers, Citibank, General Motors) crumbling, and all claims to superior wisdom revealed to be false, we would at least restart a broader conversation about the nature of debt and credit institutions. And not just a conversation.

It seemed that most Americans were open to radical solutions. Surveys showed that an overwhelming majority of Americans felt that the banks should not be rescued, *whatever the economic consequences*, but that ordinary citizens stuck with bad mortgages should be bailed out. In the United States this is quite extraordinary. Since colonial days, Americans have been the population least sympathetic to debtors. In a way this is odd, since America was settled largely by absconding debtors, but it's a country where the idea that morality is a matter of paying one's debts runs deeper than almost any other. In colonial days, an insolvent debtor's ear was often nailed to a post. The United States was one of the last countries in the world to adopt a law of bankruptcy: despite the fact that in 1787, the Constitution specifically charged the new government with creating one, all attempts were rejected, or quickly reversed, on "moral grounds" until 1898.[13] The change was epochal. For this very reason, perhaps, those in charge of moderating debate in the media and legislatures decided that this was not the time. The United States government effectively put a three-trillion-dollar Band-Aid over the problem and changed nothing. The bankers were rescued; small-scale debtors—with a paltry few exceptions—were not.[14] To the contrary, in the middle of the greatest economic recession since the '30s, we are already beginning to see a backlash against them—driven by financial corporations who have now turned to the same government that bailed them out to apply the full force of the law against ordinary citizens in financial trouble. "It's not a crime to owe money," reports the Minneapolis-St. Paul *StarTribune*, "But people are routinely being thrown in jail for failing to pay debts." In Minnesota, "the use of arrest warrants against debtors has jumped 60 percent over the past four years, with 845 cases in 2009 … In Illinois and southwest Indiana, some judges jail debtors for missing court-ordered debt payments. In extreme cases, people stay in jail until they raise a minimum payment. In January [2010], a judge sentenced a Kenney, Ill., man 'to indefinite incarceration' until he came up with $300 toward a lumber yard debt."[15]

In other words, we are moving toward a restoration of something much like debtors' prisons. Something had to break eventually. In 2011, after a wave of popular movements swept out of the Middle East and found echoes all over the world, thousands across Europe and North America also began insisting some kind of conversation about the basic questions raised in 2008 be addressed. They were met with a brief spate of attention, and then violent suppression and media blackout. And all this despite the fact that the world economy appears to be tumbling inexorably toward the next great financial catastrophe—the only real question being just how long it will take.

We have reached the point where even some of the central institutions have been forced to admit, however quietly, that this is indeed the case. In America, the Federal Reserve floated a plan for mass mortgage relief in the summer of 2012, only to discover the political class was simply unwilling to consider it. For a while, even the IMF, under Dominique Strauss-Kahn, began trying to reposition itself as the conscience of global capitalism, issuing warnings that if the economy continues on the present course, some kind of crash is inevitable, and the next time, no bailout is likely to be forthcoming: the public simply will not stand for it, and as a result, everything really will come apart. "IMF Warns Second Bailout Would 'Threaten Democracy,' " reads one headline.[16] (Of course by "democracy" they mean "capitalism.") Surely it means something that even those who feel they are responsible for keeping the current global economic system running, who just a few years ago acted as if they could simply assume the current system would be around forever, are now seeing apocalypse everywhere.

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In this case, the IMF had a point. We have every reason to believe that we do indeed stand on the brink of epochal changes.

Admittedly, the usual impulse is to imagine everything around us as absolutely new. Nowhere is this so true as with money. How many times have we been told that the advent of virtual money, the dematerialization of cash into plastic and dollars into blips of electronic information, has brought us to an unprecedented new financial world? The assumption that we were in such uncharted territory, of course, was one of the things that made it so easy for the likes of Goldman Sachs and AIG to convince people that no one could possibly understand their dazzling new financial instruments. The moment one casts matters on a broad historical scale, though, the first thing one learns is that there's nothing new about virtual money. Actually, this was the original form of money. Credit system, tabs, even expense accounts, all existed long before cash. These things are as old as civilization itself. True, we also find that history tends to move back and forth between periods dominated by bullion—where it's assumed that gold and silver *are* money—and periods where money is assumed to be an abstraction, a virtual unit of account. But historically, credit money comes first, and what we are witnessing today is a return of assumptions that would have been considered obvious common sense in, say, the Middle Ages—or even ancient Mesopotamia.

But history does provide fascinating hints of what we might expect. For instance: in the past, ages of virtual credit money almost invariably involve the creation of institutions designed to prevent everything going haywire—to stop the lenders from teaming up with bureaucrats and politicians to squeeze everybody dry, as they seem to be doing now. They are accompanied by the creation of institutions designed to protect debtors. The new age of credit money we are in seems to have started precisely backwards. It began with the creation of global institutions like the IMF designed to protect not debtors, but creditors. At the same time, on the kind of historical scale we're talking about here, a decade or two is nothing. We have very little idea what to expect.

This book is a history of debt, then, but it also uses that history as a way to ask fundamental questions about what human beings and human society are or could be like—what we actually do owe each other, what it even means to ask that question. As a result, the book begins by attempting to puncture a series of myths—not only the Myth of Barter, which is taken up in the first chapter, but also rival myths about primordial debts to the gods, or to the state—that in one way or another form the basis of our common-sense assumptions about the nature of economy and society. In that common-sense view, the State and the Market tower above all else as diametrically opposed principles. Historical reality reveals, however, that they were born together and have always been intertwined. The one thing that all these misconceptions have in common, we will find, is that they tend to reduce all human relations to exchange, as if our ties to society, even to the cosmos itself, can be imagined in the same terms as a business deal. This leads to another question: If not exchange, then what? In Chapter Five, I will begin to answer the question by drawing on the fruits of anthropology to describe a view of the moral basis of economic life, then return to the question of the origins of money to demonstrate how the very principle of exchange emerged largely as an effect of violence—that the real origins of money are to be found in crime and recompense, war and slavery, honor, debt, and redemption. That, in turn, opens the way to starting, with Chapter Eight, an actual history of the last five thousand years of debt and credit, with its great alternations between ages of virtual and physical money. Many of the discoveries here are profoundly unexpected: from the origins of modern conceptions of rights and freedoms in ancient slave law, to the origins of investment capital in medieval Chinese Buddhism, to the fact that many of Adam Smith's most famous arguments appear to have been cribbed from the works of free-market theorists from medieval Persia (a story which, incidentally, has interesting implications for understanding the current appeal of political Islam). All of this sets the stage for a fresh approach to the last five hundred years, dominated by capitalist empires, and allows us to at least begin asking what might really be at stake in the present day.

For a very long time, the intellectual consensus has been that we can no longer ask Great Questions. Increasingly, it's looking like we have no other choice.

Chapter Two

THE MYTH OF BARTER

For every subtle and complicated question, there is a perfectly simple and straightforward answer, which is wrong.

— H. L. Mencken (slightly rephrased)

WHAT IS THE DIFFERENCE between a mere obligation, a sense that one ought to behave in a certain way, or even that one owes something to someone, and a *debt,* properly speaking? The answer is simple: money. The difference between a debt and an obligation is that a debt can be precisely quantified. This requires money.

Not only is it money that makes debt possible: money and debt appear on the scene at exactly the same time. Some of the very first written documents that have come down to us are Mesopotamian tablets recording credits and debits, rations issued by temples, money owed for rent of temple lands, the value of each precisely specified in grain and silver. Some of the earliest works of moral philosophy, in turn, are reflections on what it means to imagine morality as debt—that is, in terms of money.

A history of debt, then, is thus necessarily a history of money—and the easiest way to understand the role that debt has played in human society is simply to follow the forms that money has taken, and the way money has been used, across the centuries—and the arguments that inevitably ensued about what all this means. Still, this is necessarily a very different history of money than we are used to. When economists speak of the origins of money, for example, debt is always something of an afterthought. First comes barter, then money; credit only develops later. Even if one consults books on the history of money in, say, France, India, or China, what one generally gets is a history of coinage, with barely any discussion of credit arrangements at all. For almost a century, anthropologists like me have been pointing out that there is something very wrong with this picture. The standard economic-history version has little to do with anything we observe when we examine how economic life is actually conducted, in real communities and marketplaces, almost anywhere—where one is much more likely to discover everyone is in debt to everyone else in a dozen different ways, and that most transactions take place without the use of currency.

Why the discrepancy?

Some of it is just the nature of the evidence: coins are preserved in the archeological record; credit arrangements usually are not. Still, the problem runs deeper. The existence of credit and debt has always been something of a scandal for economists, since it's almost impossible to pretend that those lending and borrowing money are acting on purely "economic" motivations (for instance, that a loan to a stranger is the same as a loan to one's cousin); it seems important, therefore, to begin the story of money in an imaginary world from which credit and debt have been entirely erased. Before we can apply the tools of anthropology to reconstruct the real history of money, we need to understand what's wrong with the conventional account.

Economists generally speak of three functions of money: medium of exchange, unit of account, and store of value. All economic textbooks treat the first as primary. Here's a fairly typical extract from *Economics*, by Case, Fair, Gärtner, and Heather (1996):

> Money is vital to the working of a market economy. Imagine what life would be like without it. The alternative to a monetary economy is barter, people exchanging goods and services for other goods and services directly instead of exchanging via the medium of money.
>
> How does a barter system work? Suppose you want croissants, eggs and orange juice for breakfast. Instead of going to the grocer's and buying these things with money, you would have to find someone who has these items and is willing to trade them. You would also have to have something the baker, the orange juice purveyor and the egg vendor want. Having pencils to trade will do you no good if the baker and the orange juice and egg sellers do not want pencils.
>
> A barter system requires a double coincidence of wants for trade to take place. That is, to effect a trade, I need not only have to find someone who has what I want, but that person must also want what I have. Where the range of traded goods is small, as it is in relatively unsophisticated economies, it is not difficult to find someone to trade with, and barter is often used.[1]

This latter point is questionable, but it's phrased in so vague a way that it would be hard to disprove.

> In a complex society with many goods, barter exchanges involve an intolerable amount of effort. Imagine trying to find people who offer for sale all the things you buy in a typical trip to the grocer's, and who are willing to accept goods that you have to offer in exchange for their goods.
>
> Some agreed-upon medium of exchange (or means of payment) neatly eliminates the double coincidence of wants

problem.[2]

It’s important to emphasize that this is not presented as something that actually happened, but as a purely imaginary exercise. “To see that society benefits from a medium of exchange” write Begg, Fischer and Dornbuch (*Economics*, 2005), “imagine a barter economy.” “Imagine the difficulty you would have today,” write Maunder, Myers, Wall, and Miller (*Economics Explained*, 1991), “if you had to exchange your labor directly for the fruits of someone else’s labor.” “Imagine,” write Parkin and King (*Economics*, 1995), “you have roosters, but you want roses.”[3] One could multiply examples endlessly. Just about every economics textbook employed today sets out the problem the same way. Historically, they note, we know that there was a time when there was no money. What must it have been like? Well, let us imagine an economy something like today’s, except with no money. That would have been decidedly inconvenient! Surely, people must have invented money for the sake of efficiency.

The story of money for economists always begins with a fantasy world of barter. The problem is where to locate this fantasy in time and space: Are we talking about cave men, Pacific Islanders, the American frontier? One textbook, by economists Joseph Stiglitz and John Driffill, takes us to what appears to be an imaginary New England or Midwestern town:

> One can imagine an old-style farmer bartering with the blacksmith, the tailor, the grocer, and the doctor in his small town. For simple barter to work, however, there must be a double coincidence of wants … Henry has potatoes and wants shoes, Joshua has an extra pair of shoes and wants potatoes. Bartering can make them both happier. But if

> Henry has firewood and Joshua does not need any of that, then bartering for Joshua's shoes requires one or both of them to go searching for more people in the hope of making a multilateral exchange. Money provides a way to make multilateral exchange much simpler. Henry sells his firewood to someone else for money and uses the money to buy Joshua's shoes.[4]

Again this is just a make-believe land much like the present, except with money somehow plucked away. As a result it makes no sense: Who in their right mind would set up a grocery in such a place? And how would they get supplies? But let's leave that aside. There is a simple reason why everyone who writes an economics textbook feels they have to tell us the same story. For economists, it is in a very real sense the most important story ever told. It was by telling it, in the significant year of 1776, that Adam Smith, professor of moral philosophy at the University of Glasgow, effectively brought the discipline of economics into being.

He did not make up the story entirely out of whole cloth. Already in 330 BC, Aristotle was speculating along vaguely similar lines in his treatise on politics. At first, he suggested, families must have produced everything they needed for themselves. Gradually, some would presumably have specialized, some growing corn, others making wine, swapping one for the other.[5] Money, Aristotle assumed, must have emerged from such a process. But, like the medieval schoolmen who occasionally repeated the story, Aristotle was never clear as to how.[6]

In the years after Columbus, as Spanish and Portuguese adventurers were scouring the world for new sources of gold and silver, these vague stories disappear. Certainly no one reported discovering a land of barter. Most sixteenth- and seventeenth-century travelers in the West Indies or Africa assumed that all societies would necessarily have their own forms of money, since all societies had governments and all governments issued money.[7]

Adam Smith, on the other hand, was determined to overturn the conventional wisdom of his day. Above all, he objected to the notion that money was a creation of government. In this, Smith was the intellectual heir of the Liberal tradition of philosophers like John Locke, who had argued that government begins in the need to protect private property and operated best when it tried to limit itself to that function. Smith expanded on the argument, insisting that property, money, and markets not only existed before political institutions but were the very foundation of human society. It followed that insofar as government should play any role in monetary affairs, it should limit itself to guaranteeing the soundness of the currency. It was only by making such an argument that he could insist that economics is itself a field of human inquiry with its own principles and laws—that is, as distinct from, say ethics or politics.

Smith's argument is worth laying out in detail because it is, as I say, the great founding myth of the discipline of economics.

What, he begins, is the basis of economic life, properly speaking? It is "a certain propensity in human nature … the propensity to truck, barter, and exchange one thing for another." Animals don't do this. "Nobody," Smith observes, "ever saw a dog make a fair and deliberate exchange of one bone for another with another dog."[8] But humans, if left to their own devices, will inevitably begin swapping and comparing things. This is just what humans do. Even logic and conversation are really just forms of trading, and as in all things, humans will always try to seek their own best advantage, to seek the greatest profit they can from the exchange.[9]

It is this drive to exchange, in turn, which creates that division of labor responsible for all human achievement and civilization. Here the scene shifts to another one of those economists' faraway fantasylands—it seems to be an amalgam of North American Indians and Central Asian pastoral nomads:[10]

> In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier; a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages …

It's only once we have expert arrow-makers, wigwam-makers, and so on that people start realizing there's a problem. Notice how, as in so many examples, we have a tendency to slip from imaginary savages to small-town shopkeepers.

> But when the division of labor first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange …
>
> […]
>
> In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labor, must naturally have endeavored to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined that few people would be likely to refuse in exchange for the produce of their industry.[11]

So everyone will inevitably start stockpiling something they figure that everyone else is likely to want. This has a paradoxical effect, because at a certain point, rather than making that commodity less valuable (since everyone already has some) it becomes more valuable (because it becomes, effectively, currency):

> Salt is said to be the common instrument of commerce and exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia; sugar in some of our West India colonies; hides or

> dressed leather in some other countries; and there is at this day a village in Scotland where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker's shop or the ale-house.[12]

Eventually, of course, at least for long-distance trade, it all boils down to precious metals, since these are ideally suited to serve as currency, being durable, portable, and able to be endlessly subdivided into identical portions.

> Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the ancient Spartans; copper among the ancient Romans; and gold and silver among all rich and commercial nations.
>
> […]
>
> Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage …
>
> […]
>
> The use of metals in this rude state was attended with two very considerable inconveniencies; first with the trouble of weighing; and, secondly, with that of assaying them. In the precious metals, where a small difference in the quantity makes a great difference in the value, even the business of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold in particular is an operation of some nicety …[13]

It's easy to see where this is going. Using irregular metal ingots is easier than barter, but wouldn't standardizing the units—say, stamping pieces of metal with uniform designations guaranteeing weight and fineness, in different denominations—make things easier still? Clearly it would, and so was coinage born. True, issuing coinage meant governments had to get involved, since they generally ran the mints; but in the standard version of the story, governments have only this one limited role—to guarantee the money supply—and tend to do it badly, since throughout history, unscrupulous kings have often cheated by debasing the coinage and causing inflation and other sorts of political havoc in what was originally a matter of simple economic common sense.

Tellingly, this story played a crucial role not only in founding the discipline of economics, but in the very idea that there was something called "the economy," which operated by its own rules, separate from moral or political life, that economists could take as their field of study. "The economy" is where we indulge in our natural propensity to truck and barter. We are still trucking and bartering. We always will be. Money is simply the most efficient means.

Economists like Karl Menger and Stanley Jevons later improved on the details of the story, most of all by adding various mathematical equations to demonstrate that a random assortment of people with random desires could, in theory, produce not only a single commodity to use as money but a uniform price system. In the process, they also substituted all sorts of impressive technical vocabulary (e.g., "inconveniences" became "transaction costs"). The crucial thing, though, is that by now, this story has become simple common sense for most people. We teach it to children in schoolbooks and museums. Everybody knows it. "Once upon a time, there was barter. It was difficult. So people invented money. Then came the development of banking and credit." It all forms a perfectly simple, straightforward progression, a process of increasing sophistication and abstraction that has carried humanity, logically and inexorably, from the Stone Age exchange of mastodon tusks to stock markets, hedge funds, and securitized derivatives.[14]

It really has become ubiquitous. Wherever we find money, we also find the story. At one point, in the town of Arivonimamo, in Madagascar, I had the privilege of interviewing a Kalanoro, a tiny ghostly creature that a local spirit medium claimed to keep hidden away in a chest in his home. The spirit belonged to the brother of a notorious local loan shark, a horrible woman named Nordine, and to be honest I was a bit reluctant to have anything to do with the family, but some of my friends insisted—since, after all, this was a creature from ancient times. The creature spoke from behind a screen in an eerie, otherworldly quaver. But all it was really interested in talking about was money. Finally, slightly exasperated by the whole charade, I asked, “So, what did you use for money back in ancient times, when you were still alive?”

The mysterious voice immediately replied, “No. We didn’t use money. In ancient times we used to barter commodities directly, one for the other …”

The story, then, has become the founding myth of our system of economic relations. It is so deeply established in common sense, even in places like Madagascar, that most people on earth couldn’t imagine any other way that money possibly could have come about.

The problem is there’s no evidence that it ever happened, and an enormous amount of evidence suggesting that it did not.

For centuries now, explorers have been trying to find this fabled land of barter—none with success. Adam Smith set his story in aboriginal North America (others preferred

Africa or the Pacific). In Smith's defense, at least it could be said that in his time, reliable information on Native American economic systems was unavailable in Scottish libraries. His successors have no excuse. By mid-century, Lewis Henry Morgan's descriptions of the Six Nations of the Iroquois, among others, were widely published—and they made clear that the main economic institution among the Iroquois nations were longhouses where most goods were stockpiled and then allocated by women's councils, and no one ever traded arrowheads for slabs of meat. Economists simply ignored this information.[15] Stanley Jevons, for example, who in 1871 wrote what has come to be considered the classic book on the origins of money, took his examples straight from Smith, with Indians swapping venison for elk and beaver hides, and made no use of actual descriptions of Indian life that made it clear that Smith had simply made this up. Around that same time, missionaries, adventurers, and colonial administrators were fanning out across the world, many bringing copies of Smith's book with them, expecting to find the land of barter. None ever did. They discovered an almost endless variety of economic systems. But to this day, no one has been able to locate a part of the world where the ordinary mode of economic transaction between neighbors takes the form of "I'll give you twenty chickens for that cow."

The definitive anthropological work on barter, by Caroline Humphrey, of Cambridge, could not be more definitive in its conclusions: "No example of a barter economy, pure and simple, has ever been described, let alone the emergence from it of money; all available ethnography suggests that there never has been such a thing."[16]

Now, all this hardly means that barter does not exist—

or even that it's never practiced by the sort of people that Smith would refer to as "savages." It just means that it's almost never employed, as Smith imagined, between fellow villagers. Ordinarily, it takes place between strangers, even enemies. Let us begin with the Nambikwara of Brazil. They would seem to fit all the criteria: they are a simple society without much in the way of division of labor, organized into small bands that traditionally numbered at best a hundred people each. Occasionally if one band spots the cooking fires of another in their vicinity, they will send emissaries to negotiate a meeting for purposes of trade. If the offer is accepted, they will first hide their women and children in the forest, then invite the men of the other band to visit camp. Each band has a chief; once everyone has been assembled, each chief gives a formal speech praising the other party and belittling his own; everyone puts aside their weapons to sing and dance together—though the dance is one that mimics military confrontation. Then, individuals from each side approach each other to trade:

> If an individual wants an object he extols it by saying how fine it is. If a man values an object and wants much in exchange for it, instead of saying that it is very valuable he says that it is no good, thus showing his desire to keep it. "This axe is no good, it is very old, it is very dull," he will say, referring to his axe which the other wants.
>
> This argument is carried on in an angry tone of voice until a settlement is reached. When agreement has been reached each snatches the object out of the other's hand. If a man has bartered a necklace, instead of taking it off and handing it over, the other person must take it off with a show of force. Disputes, often leading to fights, occur when one party is a little premature and snatches the object before the other has finished arguing.[17]

The whole business concludes with a great feast at which the women reappear, but this too can lead to problems, since amidst the music and good cheer, there is ample opportunity for seductions.[18] This sometimes led to jealous quarrels. Occasionally, people would get killed.

Barter, then, for all the festive elements, was carried out between people who might otherwise be enemies and hovered about an inch away from outright warfare—and, if the ethnographer is to be believed—if one side later decided they had been taken advantage of, it could very easily lead to actual wars.

To shift our spotlight halfway around the world to Western Arnhem Land in Australia, where the Gunwinggu people are famous for entertaining neighbors in rituals of ceremonial barter called the *dzamalag*. Here the threat of actual violence seems much more distant. Partly, this is because things are made easier by the existence of a moiety system that embraces the whole region: no one is allowed to marry, or even have sex with, people of their own moiety, no matter where they come from, but anyone from the other is technically a potential match. Therefore, for a man, even in distant communities, half the women are strictly forbidden, half of them fair game. The region is also united by local specialization: each people has its own trade product to be bartered with the others.

What follows is from a description of a *dzamalag* held in the 1940s, as observed by an anthropologist named Ronald Berndt.

Once again, it begins as strangers, after some initial negotiations, are invited into the hosts' main camp. The visitors in this particular example were famous for their "much-prized serrated spears"—their hosts had access to good European cloth. The trading begins when the visiting party, which consisted of both men and women, enters the camp's dancing ground, or "ring place," and three of them begin to entertain their hosts with music. Two men start singing, a third accompanies them on the *didjeridu*. Before long, women from the hosts' side come and attack the musicians:

> Men and women rise and begin to dance. The *dzamalag* opens when two Gunwinggu women of the opposite moiety to the singing men "give *dzamalag*" to the latter. They present each man with a piece of cloth, and hit or touch him, pulling him down on the ground, calling him a *dzamalag* husband, and joking with him in an erotic vein. Then another woman of the opposite moiety to the pipe player gives him cloth, hits and jokes with him.
>
> This sets in motion the *dzamalag* exchange. Men from the visiting group sit quietly while women of the opposite moiety come over and give them cloth, hit them, and invite them to copulate; they take any liberty they choose with the men, amid amusement and applause, while the singing and dancing continue. Women try to undo the men's loin coverings or touch their penises, and to drag them from the "ring place" for coitus. The men go with their *dzamalag* partners, with a show of reluctance, to copulate in the bushes away from the fires which light up the dancers. They may give the women tobacco or beads. When the women return, they give part of this tobacco to their own husbands, who have encouraged them to go *dzamalag*. The husbands, in turn, use the tobacco to pay their own female *dzamalag* partners …[19]

New singers and musicians appear, are again assaulted and dragged off to the bushes; men encourage their wives "not to be shy," so as to maintain the Gunwinggu reputation for hospitality; eventually those men also take the initiative with the visitors' wives, offering cloth, hitting them, and leading them off into the bushes. Beads and tobacco circulate. Finally, once participants have all paired off at least once, and the guests are satisfied with the cloth they have acquired, the women stop dancing and stand in two rows and the visitors line up to repay them.

> Then visiting men of one moiety dance towards the women of the opposite moiety, in order to "give them *dzamalag.*" They hold shovel-nosed spears poised, pretending to spear the women, but instead hit them with the flat of the blade. "We will not spear you, for we have already speared you with our penises." They present the spears to the women. Then visiting men of the other moiety go through the same actions with the women of their opposite moiety, giving them spears with serrated points. This terminates the ceremony, which is followed by a large distribution of food.[20]

This is a particularly dramatic case, but dramatic cases are revealing. What the Gunwinggu hosts appear to have been able to do here, owing to the relatively amicable relations between neighboring peoples in Western Arnhem Land, is to take all the elements in Nambikwara barter (the music and dancing, the potential hostility, the sexual intrigue) and turn it all into a kind of festive game—one not, perhaps, without its dangers, but (as the ethnographer emphasizes) considered enormous good fun by everyone concerned.

What all such cases of trade through barter have in common is that they are meetings with strangers who will, likely as not, never meet again, and with whom one certainly will not enter into any ongoing relations. This is why a direct one-on-one exchange is appropriate: each side makes their trade and walks away. It's all made possible by laying down an initial mantle of sociability in the form of shared pleasures, music, and dance—the usual base of conviviality on which trade must always be built. Then comes the actual trading, where both sides make a great display of the latent hostility that necessarily exists in any exchange of material goods between strangers—where neither party has no particular reason *not* to take advantage of the other—by playful mock aggression, though in the Nambikwara case, where the mantle of sociability is extremely thin, mock aggression is in constant danger of slipping over into the real thing. The Gunwinggu, with their more relaxed attitude toward sexuality, have quite ingeniously managed to make the shared pleasures and aggression into exactly the same thing.

Recall here the language of the economics textbooks: "Imagine a society without money." "Imagine a barter economy." One thing these examples make abundantly clear is just how limited the imaginative powers of most economists turn out to be.[21]

Why? The simplest answer would be: for there to even be a discipline called "economics," a discipline that concerns itself first and foremost with how individuals seek the most advantageous arrangement for the exchange of shoes for potatoes, or cloth for spears, it must assume that the exchange of such goods need have nothing to do with war, passion, adventure, mystery, sex, or death. Economics assumes a division between different spheres of human behavior that, among people like the Gunwinngu and the Nambikwara, simply does not exist. These divisions in turn are made possible by very specific institutional arrangements—the existence of lawyers, prisons, and police—to ensure that even people who don't like each other very much, who have no interest in developing any kind of ongoing relationship, but are simply interested in getting their hands on as much of the others' possessions as possible, will nonetheless refrain from the most obvious expedient (theft). This in turn allows us to assume that life is neatly divided between the marketplace, where we do our shopping, and the "sphere of consumption," where we concern ourselves with music, feasts, and seduction. In other words, the vision of the world that forms the basis of the economics textbooks, which Adam Smith played so large a part in promulgating, has by now become so much a part of our common sense that we find it hard to imagine any other possible arrangement.

From these examples, it begins to be clear why there are no societies based on barter. Such a society could only be one in which everybody was an inch away from everybody else's throat; but nonetheless hovering there, poised to strike but never actually striking, forever. True, barter does sometimes occur between people who do not consider each other strangers, but they're usually people who might as well be strangers—that is, who feel no sense of mutual responsibility or trust, or the desire to develop ongoing relations. The Pukhtun of Northern Pakistan, for instance, are famous for their open-handed hospitality. Barter is what you do with those to whom you are *not* bound by ties of hospitality (or kinship, or much of anything else):

> A favorite mode of exchange among men is barter, or *adal-badal* (give and take). Men are always on the alert for the possibility of bartering one of their possessions for something better. Often the exchange is like for like: a radio for a radio, sunglasses for sunglasses, a watch for a watch. However, unlike objects can also be exchanged, such as, in one instance, a bicycle for two donkeys. *Adal-badal* is always practiced with non-relatives and affords men a great deal of

> pleasure as they attempt to get the advantage over their exchange partner. A good exchange, in which a man feels he has gotten the better of the deal, is cause for bragging and pride. If the exchange is bad, the recipient tries to renege on the deal or, failing that, to palm off the faulty object on someone unsuspecting. The best partner in *adal-badal* is someone who is distant spatially and will therefore have little opportunity to complain.[22]

Neither are such unscrupulous motives limited to Central Asia. They seem inherent to the very nature of barter—which would explain the fact that in the century or two before Smith's time, the English words "truck and barter," like their equivalents in French, Spanish, German, Dutch, and Portuguese, literally meant "to trick, bamboozle, or rip off."[23] Swapping one thing directly for another while trying to get the best deal one can out of the transaction is, ordinarily, how one deals with people one doesn't care about and doesn't expect to see again. What reason is there *not* to try to take advantage of such a person? If, on the other hand, one cares enough about someone—a neighbor, a friend—to wish to deal with her fairly and honestly, one will inevitably also care about her enough to take her individual needs, desires, and situation into account. Even if you do swap one thing for another, you are likely to frame the matter as a gift.

▮ ▮ ▮ ▮ ▮

To illustrate what I mean by this, let's return to the economics textbooks and the problem of the "double coincidence of wants." When we left Henry, he needed a pair of shoes, but all he had lying around were some potatoes. Joshua had an extra pair of shoes, but he didn't really need potatoes. Since money has not yet been invented, they have a problem. What are they to do?

The first thing that should be clear by now is that we'd really have to know a bit more about Joshua and Henry. Who are they? Are they related? If so, how? They appear to live in a small community. Any two people who have been living their lives in the same small community will have some sort of complicated history with each other. Are they friends, rivals, allies, lovers, enemies, or several of these things at once?

The authors of the original example seem to assume two neighbors of roughly equal status, not closely related, but on friendly terms—that is, as close to neutral equality as one can get. Even so, this doesn't say much. For example, if Henry was living in a Seneca longhouse and needed shoes, Joshua would not even enter into it; he'd simply mention it to his wife, who'd bring up the matter with the other matrons, and, if the matter were approved, fetch materials from the longhouse's collective storehouse, and sew him some. Alternately, to find a scenario fit for an imaginary economics textbook, we might place Joshua and Henry together in a small, intimate community like a Nambikwara or Gunwinggu band:

SCENARIO 1

> Henry walks up to Joshua and says, "Nice shoes!"
>
> Joshua says, "Oh, they're not much, but since you seem to like them, by all means take them."
>
> Henry takes the shoes.
>
> Henry's potatoes are not at issue since both parties are perfectly well aware that if Joshua were ever short of potatoes, Henry would give him some.

And that's about it. Of course it's not clear, in this case, how long Henry will actually get to keep the shoes. It probably depends on how nice they are. If they were just ordinary shoes, this might be the end of the matter. If they are in any way unique or beautiful, they might end up being passed around. There's a famous story that John and Lorna Marshall, who carried out a study of Kalahari Bushmen in the '60s, once gave a knife to one of their favorite informants. They left and came back a year later, only to discover that pretty much everyone in the band had been in possession of the knife at some point in between. On the other hand, several Arab friends confirm to me that in less strictly egalitarian contexts, there is an expedient. If a friend praises a bracelet or bag, you are normally expected to immediately say, "Take it"—but if you are really determined to hold on to it, you can always say, "Yes, isn't it beautiful? It was a gift."

But clearly, the authors of the textbook have a slightly more impersonal transaction in mind. The authors seem to imagine the two men as the heads of patriarchal households, on good terms with each other, but who keep their own supplies. Perhaps they live in one of those Scottish villages with the butcher and the baker in Adam Smith's examples, or a colonial settlement in New England. Except for some reason they've never heard of money. It's a peculiar fantasy, but let's see what we can do:

SCENARIO 2

Henry walks up to Joshua and says, "Nice shoes!"

Or, perhaps—let's make this a bit more realistic—Henry's wife is chatting with Joshua's and strategically lets slip that the state of Henry's shoes is getting so bad he's complaining about corns.

The message is conveyed, and Joshua comes by the next day to offer his extra pair to Henry as a present, insisting

> that this is just a neighborly gesture. He would certainly never want anything in return.
>
> It doesn't matter whether Joshua is sincere in saying this. By doing so, Joshua thereby registers a credit. Henry owes him one.
>
> How might Henry pay Joshua back? There are endless possibilities. Perhaps Joshua really does want potatoes. Henry waits a discrete interval and drops them off, insisting that this too is just a gift. Or Joshua doesn't need potatoes now, but Henry waits until he does. Or maybe a year later, Joshua is planning a banquet, so he comes strolling by Henry's barnyard and says, "Nice pig …"

In any of these scenarios, the problem of "double coincidence of wants," so endlessly invoked in the economics textbooks, simply disappears. Henry might not have something Joshua wants right now. But if the two are neighbors, it's obviously only a matter of time before he will.[24]

This in turn means that the need to stockpile commonly acceptable items in the way that Smith suggested disappears as well. With it goes the need to develop currency. As with so many actual small communities, everyone simply keeps track of who owes what to whom.

There is just one major conceptual problem here—one the attentive reader might have noticed. Henry "owes Joshua one." One what? How do you quantify a favor? On what basis do you say that this many potatoes, or this big a pig, seems more or less equivalent to a pair of shoes? Because even if these things remain rough-and-ready approximations, there must be *some* way to establish that X is roughly equivalent to Y, or slightly worse or slightly better. Doesn't this imply that something like money, at least in the sense of a unit of account by which one can compare the value of different objects, already has to exist?

In most gift economies, there actually is a rough-and-ready way to solve the problem. One establishes a series of ranked categories of *types* of thing. Pigs and shoes may be considered objects of roughly equivalent status: one can give one in return for the other. Coral necklaces are quite another matter; one would have to give back another necklace, or at least another piece of jewelry—anthropologists are used to referring to these as creating different "spheres of exchange."[25] This does simplify things somewhat. When cross-cultural barter becomes a regular and unexceptional thing, it tends to operate according to similar principles: there are only certain things traded for certain others (cloth for spears, for example), which makes it easy to work out traditional equivalences. However, this doesn't help us at all with the problem of the origin of money. Actually, it makes it infinitely worse. Why stockpile salt or gold or fish if they can only be exchanged for some things and not others?

In fact, there is good reason to believe that barter is not a particularly ancient phenomenon at all, but has only really become widespread in modern times. Certainly in most of the cases we know about, it takes place between people who are familiar with the use of money but, for one reason or another, don't have a lot of it around. Elaborate barter systems often crop up in the wake of the collapse of national economies: most recently in Russia in the '90s and in Argentina around 2002, when rubles in the first case, and dollars in the second, effectively disappeared.[26] Occasionally one can even find some kind of currency beginning to develop: for instance, in POW camps and many prisons, inmates have indeed been known to use cigarettes as a kind of currency, much to the delight and excitement of professional economists.[27] But here too we are talking about people who grew up using money and now have to make do without it—exactly the situation "imagined" by the economics textbooks with which I began.

The more frequent solution is to adopt some sort of credit system. When much of Europe "reverted to barter" after the collapse of the Roman Empire, and then again after the Carolingian Empire likewise fell apart, this seems to be what happened. People continued keeping accounts in the old imperial currency, even if they were no longer using coins.[28] Similarly, the Pukhtun men who like to swap bicycles for donkeys are hardly unfamiliar with the use of money. Money has existed in that part of the world for thousands of years. They just prefer direct exchange between equals—in this case, because they consider it more manly.[29]

The most remarkable thing is that even in Adam Smith's examples of fish and nails and tobacco being used as money, the same sort of thing was happening. In the years following the appearance of *The Wealth of Nations*, scholars checked into most of those examples and discovered that in just about every case, the people involved were quite familiar with the use of money and, in fact, *were* using money—as a unit of account.[30] Take the example of dried cod, supposedly used as money in Newfoundland. As the British diplomat A. Mitchell-Innes pointed out almost a century ago, what Smith describes was really an illusion, created by a simple credit arrangement:

> In the early days of the Newfoundland fishing industry, there was no permanent European population; the fishers went there for the fishing season only, and those who were not fishers were traders who bought the dried fish and sold to the fishers their daily supplies. The latter sold their catch

to the traders at the market price in pounds, shillings and pence, and obtained in return a credit on their books, with which they paid for their supplies. Balances due by the traders were paid for by drafts on England or France.[31]

It was quite the same in the Scottish village. It's not as if anyone actually walked into the local pub, plunked down a roofing nail, and asked for a pint of beer. Employers in Smith's day often lacked coin to pay their workers; wages could be delayed by a year or more; in the meantime, it was considered acceptable for employees to carry off either some of their own products or leftover work materials, lumber, fabric, cord, and so on. The nails were de facto interest on what their employers owed them. So they went to the pub, ran up a tab, and when occasion permitted, brought in a bag of nails to charge off against the debt. The law making tobacco legal tender in Virginia seems to have been an attempt by planters to oblige local merchants to accept their products as a credit around harvest time. In effect, the law forced all merchants in Virginia to become middlemen in the tobacco business, whether they liked it or not; just as all West Indian merchants were obliged to become sugar dealers, since that's what all their wealthier customers brought in to write off against their debt.

The primary examples, then, were ones in which people were improvising credit systems because actual money—gold and silver coinage—was in short supply. But the most shocking blow to the conventional version of economic history came with the translation, first of Egyptian hieroglyphics, and then of Mesopotamian cuneiform, which pushed back scholars' knowledge of written history almost three millennia, from the time of Homer (circa 800 BC), where it had hovered in Smith's time, to roughly 3500 BC. What these texts revealed was that credit systems of exactly this sort actually *preceded* the invention of coinage by thousands of years.

The Mesopotamian system is the best documented, more so than that of Pharaonic Egypt (which appears similar), Shang China (about which we know little), or the Indus Valley civilization (about which we know nothing at all). As it happens, we know a great deal about Mesopotamia, since the vast majority of cuneiform documents were financial in nature.

The Sumerian economy was dominated by vast temple and palace complexes. These were often staffed by thousands: priests and officials, craftspeople who worked in their industrial workshops, farmers and shepherds who worked their considerable estates. Even though ancient Sumer was usually divided into a large number of independent city-states, by the time the curtain goes up on Mesopotamian civilization around 3500 BC, temple administrators already appear to have developed a single, uniform system of accountancy—one that is in some ways still with us, actually, because it's to the Sumerians that we owe such things as the dozen, 60-minute hour, or the 24-hour day.[32] The basic monetary unit was the silver shekel. One shekel's weight in silver was established as the equivalent of one gur, or bushel of barley. A shekel was subdivided into 60 minas, corresponding to one portion of barley—on the principle that there were 30 days in a month, and Temple workers received two rations of barley every day. It's easy to see that "money" in this sense is in no way the product of commercial transactions. It was actually created by bureaucrats in order to keep track of resources and move things back and forth between departments.

Temple bureaucrats used the system to calculate debts (rents, fees, loans, etc.) in silver. Silver was, effectively, money. And it did indeed circulate in the form of unworked chunks, "rude bars" as Smith had put it.[33] In this he was right. But it was almost the only part of his account that was right. For one thing, silver did not circulate very much. Most of it just sat around in Temple and Palace treasuries, some of which remained, carefully guarded, in the same place for literally thousands of years. It would have been easy enough to standardize the ingots, stamp them, create some authoritative system to guarantee their purity. The technology existed. Yet no one saw any particular need to do so. One reason was that while debts were calculated in silver, they did not have to be *paid* in silver—in fact, they could be paid in more or less anything one had around. Peasants who owed money to the Temple or Palace, or to some Temple or Palace official, seem to have settled their debts mostly in barley, which is why fixing the ratio of silver to barley was so important. But it was perfectly acceptable to show up with goats, or furniture, or lapis lazuli. Temples and Palaces were huge industrial operations—they could find a use for almost anything.[34]

In the marketplaces that cropped up in Mesopotamian cities, prices were also calculated in silver, and the prices of commodities that weren't entirely controlled by the Temples and Palaces would tend to fluctuate according to supply and demand. But even here, such evidence as we have suggests that most transactions were based on credit. Merchants (who sometimes worked for the Temples, sometimes operated independently) were among the few people who did, often, use silver in transactions; but even they mostly did much of their dealings on credit, and ordinary people buying beer from "ale women," or local innkeepers, once again, did so by running up a tab, to be settled at harvest time in barley or anything they might have had at hand.[35]

At this point, just about every aspect of the conventional story of the origins of money lay in rubble. Rarely has an historical theory been so absolutely and systematically refuted. By the early decades of the twentieth century, all the pieces were in place to completely rewrite the history of money. The groundwork was laid by Mitchell-Innes—the same one I've already cited on the matter of the cod—in two essays that appeared in New York's *Banking Law Journal* in 1913 and 1914. In these, Mitchell-Innes matter-of-factly laid out the false assumptions on which existing economic history was based and suggested that what was really needed was a history of debt:

> One of the popular fallacies in connection with commerce is that in modern days a money-saving device has been introduced called *credit* and that, before this device was known, all purchases were paid for in cash, in other words in coins. A careful investigation shows that the precise reverse is true. In olden days coins played a far smaller part in commerce than they do today. Indeed so small was the quantity of coins, that they did not even suffice for the needs of the [Medieval English] Royal household and estates which regularly used tokens of various kinds for the purpose of making small payments. So unimportant indeed was the coinage that sometimes Kings did not hesitate to call it all in for re-minting and re-issue and still commerce went on just the same.[36]

In fact, our standard account of monetary history is precisely backwards. We did not begin with barter, discover money, and then eventually develop credit systems. It happened precisely the other way around. What we now call virtual money came first. Coins came much later, and their use spread only unevenly, never completely replacing credit systems. Barter, in turn, appears to be largely a kind of accidental byproduct of the use of coinage or paper money: historically, it has mainly been what people who are used to cash transactions do when for one reason or another they have no access to currency.

The curious thing is that it never happened. This new history was never written. It's not that any economist has ever refuted Mitchell-Innes. They just ignored him. Textbooks did not change their story—even if all the evidence made clear that the story was simply wrong. People still write histories of money that are actually histories of coinage, on the assumption that in the past these were necessarily the same thing; periods when coinage largely vanished are still described as times when the economy "reverted to barter," as if the meaning of this phrase is self-evident, even though no one actually knows what it means. As a result we have next to no idea how, say, the inhabitant of a Dutch town in 950 AD actually went about acquiring cheese or spoons or hiring musicians to play at his daughter's wedding—let alone how any of this was likely to be arranged in Pemba or Samarkand.[37]

Chapter Three

PRIMORDIAL DEBTS

In being born every being is born as debt owed to the gods, the saints, the Fathers and to men. If one makes a sacrifice, it is because of a debt owing to the gods from birth … If one recites a sacred text, it is because of a debt owing to the saints … If one wishes for offspring, it is because of a debt due to the fathers from birth … And if one gives hospitality, it is because it is a debt owing to men.

— *Satapatha Brahmana* 1.7.12, 1–6

Let us drive away the evil effects of bad dreams, just as we pay off debts.

— *Rig Veda* 8.47.17

THE REASON THAT economics textbooks now begin with imaginary villages is because it has been impossible to talk about real ones. Even some economists have been forced to admit that Smith's Land of Barter doesn't really exist.[1]

The question is why the myth has been perpetuated anyway. Mainstream economists have been happy to jettison other elements of *The Wealth of Nations*—for instance, Smith's labor theory of value and disapproval of joint-stock corporations.[2] Why not simply write off the myth of barter as a quaint Enlightenment parable and instead attempt to understand primordial credit arrangements—or anyway, something more in keeping with the historical evidence?

The answer seems to be that the Myth of Barter cannot go away because it is central to the entire discourse of economics.

Recall here what Smith was trying to do when he wrote *The Wealth of Nations*. Above all, the book was an attempt to establish the newfound discipline of economics as a science. This meant that not only did economics have its own peculiar domain of study—what we now call "the economy," though the idea that there even was something called an "economy" was very new in Smith's day—but that this economy operated according to laws of much the same sort as Sir Isaac Newton had so recently identified as governing the physical world. Newton had represented God as a cosmic watchmaker who had created the physical machinery of the universe in such a way that it would operate for the ultimate benefit of humans, and then let it run on its own. Smith was trying to make a similar, Newtonian argument.[3] God—or Divine Providence, as he put it—had arranged matters in such a way that our pursuit of self-interest would nonetheless, given an unfettered market, be guided "as if by an invisible hand" to promote the general welfare. Smith's famous invisible hand was, as he says in his *Theory of Moral Sentiments*, the agent of Divine Providence. It was literally the hand of God.[4]

Once economics had been established as a discipline, the theological arguments no longer seemed necessary or important. People continue to argue about whether an unfettered free market really will produce the results that Smith said it would; but no one questions whether "the market" naturally exists. The underlying assumptions that derive from this came to be seen as common sense—so much so that, as I've noted, we simply assume that when valuable objects change hands, it will normally be because two individuals have both decided they would gain a material advantage by swapping them. One interesting corollary is that, as a result, economists have come to see the very question of the presence or absence of money as not especially important, since money is just a commodity, chosen to facilitate exchange, and which we use to measure the value of other commodities. Otherwise, it has no special qualities. In 1958, Paul Samuelson, one of the leading lights of the neoclassical school that still predominates in modern economic thought, could still express disdain for what he called "the social contrivance of money." "Even in the most advanced industrial economies," he insisted, "if we strip exchange down to its barest essentials and peel off the obscuring layer of money, we find that trade between individuals and nations largely boils down to barter."[5] Others spoke of a "veil of money" obscuring the nature of the "real economy" in which people produced real goods and services and swapped them back and forth.[6]

Call this the final apotheosis of economics as common sense. Money is unimportant. Economies—"real economies"—are really vast barter systems. The problem is that history shows that without money, such vast barter systems do not occur. Even when economies "revert to barter," as Europe was said to do in the Middle Ages, they don't actually abandon the use of money. They just abandon the use of cash. In the Middle Ages, for instance, everyone continued to assess the value of tools and livestock in the old Roman currency, even if the coins themselves had ceased to circulate.[7]

It's money that had made it possible for us to imagine ourselves in the way economists encourage us to do: as a collection of individuals and nations whose main business is swapping things. It's also clear that the mere existence of money, in itself, is not enough to allow us see the world this way. If it were, the discipline of economics would have been created in ancient Sumer, or anyway, far earlier than 1776, when Adam Smith's *The Wealth of Nations* appeared.

The missing element is in fact exactly the thing Smith was attempting to downplay: the role of government policy. In England, in Smith's day, it became possible to see the market, the world of butchers, ironmongers, and haberdashers, as its own entirely independent sphere of human activity because the British government was actively engaged in fostering markets. This required laws and police, but also specific monetary policies which liberals like Smith were (successfully) advocating.[8] It required pegging the value of the currency to silver, but at the same time greatly increasing the money supply, and particularly the amount of small change in circulation. This, in turn, not only required huge amounts of tin and copper, but also the careful regulation of the banks that were, at that time, the only source of paper money. The century before *The Wealth of Nations* had seen at least two attempts to create state-supported central banks, in France and Sweden, that had proven to be spectacular failures. In each case, the would-be central bank issued notes based largely on speculation that collapsed the moment investors lost faith. Smith supported the use of paper money, but like Locke before him, he also believed that the relative success of the Bank of England and Bank of Scotland had been due to their policy of pegging paper money firmly to precious metals. This became the mainstream economic view, so much so that alternative theories of money as credit—the one that Mitchell-Innes advocated—were quickly relegated to the margins, their proponents written off as cranks. They were dismissed as the very sort of thinking that led to bad banks and speculative bubbles in the first place.

It might be helpful, then, to consider what these alternative theories actually were.

State and Credit Theories of Money

Mitchell-Innes was an exponent of what came to be known as the Credit Theory of money, a position that over the course of the nineteenth century had its most avid proponents not in Mitchell-Innes's native Britain but in the two up-and-coming rival powers of the day, the United States and Germany. Credit Theorists insisted that money is not a commodity but an accounting tool. In other words, it is not a "thing" at all. For a Credit Theorist can no more touch a dollar or a deutschmark than you can touch an hour or a cubic centimeter. Units of currency are merely abstract units of measurement, and as the credit theorists correctly noted, historically, such abstract systems of accounting emerged long before the use of any particular token of exchange.[9]

The obvious next question is: If money is a just a yardstick, what then does it measure? The answer was simple: debt. A coin is, effectively, an IOU. Whereas conventional wisdom holds that a banknote is, or should be, a promise to pay a certain amount of "real money" (gold, silver, whatever that might be taken to mean), Credit Theorists argued that a banknote is simply the promise to pay *something* of the same value as an ounce of gold. But that's all that money ever is. There's no fundamental difference in this respect between a silver dollar, a Susan B. Anthony dollar coin made of a coppernickel alloy designed to look vaguely like gold, a green piece of paper with a picture of George Washington on it, or a digital blip on some bank's computer. Conceptually, the idea that a piece of gold is really just an IOU is always rather difficult to wrap one's head around, but something like this must be true, because even when gold and silver coins were in use, they almost never circulated at their bullion value.

How could credit money come about? Let us return to the economics professors' imaginary town. Say, for example, that Joshua were to give his shoes to Henry, and, rather than Henry owing him a favor, Henry promises him something of equivalent value.[10] Henry gives Joshua an IOU. Joshua could wait for Henry to have something useful and then redeem it. In that case Henry would rip up the IOU and the story would be over. But say Joshua were to pass the IOU on to a third party—Sheila—to whom he owes something else. He could tick it off against his debt to a fourth party, Lola—now Henry will owe that amount to her. Hence, money is born, because there's no logical end to it. Say Sheila now wishes to acquire a pair of shoes from Edith; she can just hand Edith the IOU and assure her that Henry is good for it. In principle, there's no reason that the IOU could not continue circulating around town for years—provided people continue to have faith in Henry. In fact, if it goes on long enough, people might forget about the issuer entirely. Things like this do happen. The anthropologist Keith Hart once told me a story about his brother, who in the '50s was a British soldier stationed in Hong Kong. Soldiers used to pay their bar tabs by writing checks on accounts back in England. Local merchants would often simply endorse them over to each other and pass them around as currency: once, he saw one of his own checks, written six months before, on the counter of a local vendor covered with about forty different tiny inscriptions in Chinese.

What credit theorists like Mitchell-Innes were arguing is that even if Henry gave Joshua a gold coin instead of a piece of paper, the situation would be essentially the same. A gold coin is a promise to pay something else of equivalent value to a gold coin. After all, a gold coin is not actually useful in itself. One only accepts it because one assumes other people will.

In this sense, the value of a unit of currency is not the measure of the value of an object, but the measure of one's trust in other human beings.

This element of trust of course makes everything more complicated. Early banknotes circulated via a process almost exactly like what I've just described, except that, like the Chinese merchants, each recipient added his or her signature to guarantee the debt's legitimacy. But generally, the difficulty in the Chartalist position—this is what it came to be called, from the Latin *charta*, or token—is to establish why people would continue to trust a piece of paper. After all, why couldn't anyone just sign Henry's name on an IOU? True, this sort of debt-token system might work within a small village where everyone knew one another, or even among a more dispersed community like sixteenth-century Italian or twentieth-century Chinese merchants, where everyone at least had ways of keeping track of everybody else. But systems like these cannot create a full-blown currency system, and there's no evidence that they ever have. Providing a sufficient number of IOUs to allow everyone even in a medium-sized city to be able to carry out a significant portion of their daily transactions in such currency would require millions of tokens.[11] To be able to guarantee all of them, Henry would have to be almost unimaginably rich.

All this would be much less of a problem, however, if Henry were, say, Henry II, King of England, Duke of Normandy, Lord of Ireland, and Count of Anjou.

The real impetus for the Chartalist position, in fact, came out of what came to be known as the "German Historical School," whose most famous exponent was the historian G.F. Knapp, whose *State Theory of Money* first appeared in 1905.[12] If money is simply a unit of measure, it makes sense that emperors and kings should concern themselves with such matters. Emperors and kings are almost always concerned to established uniform systems of weights and measures throughout their kingdoms. It is also true, as Knapp observed, that once established, such systems tend to remain remarkably stable over time. During the reign of the actual Henry II (1154–1189), just about everyone in Western Europe was still keeping their accounts using the monetary system established by Charlemagne some 350 years earlier—that is, using pounds, shillings, and pence—despite the fact that some of these coins had never existed (Charlemagne never actually struck a silver pound), none of Charlemagne's actual shillings and pence remained in circulation, and those coins that did circulate tended to vary enormously in size, weight, purity, and value.[13] According to the Chartalists, this doesn't really matter. What matters is that there is a uniform system for measuring credits and debts, and that this system remains stable over time. The case of Charlemagne's currency is particularly dramatic because his actual empire dissolved quite quickly, but the monetary system he created continued to be used for keeping accounts within his former territories for more than 800 years. It was referred to, in the sixteenth century, quite explicitly as "imaginary money," and derniers and livres were only completely abandoned as units of account around the time of the French Revolution.[14]

According to Knapp, whether or not the actual, physical money stuff in circulation corresponds to this "imaginary money" is not particularly important. It makes no real difference whether it's pure silver, debased silver, leather tokens, or dried cod—provided the state is willing to accept it in payment of taxes. Because whatever the state was willing to accept, for that reason, became currency. One of the most important forms of currency in England in Henry's time were notched "tally sticks" used to record debts. Tally sticks were quite explicitly IOUs: both parties to a transaction would take a hazelwood twig, notch it to indicate the amount owed, and then split it in half. The creditor would keep one half, called "the stock" (hence the origin of the term "stock holder") and the debtor kept the other, called "the stub" (hence the origin of the term "ticket stub.") Tax assessors used such twigs to calculate amounts owed by local sheriffs. Often, though, rather than wait for the taxes to come due, Henry's exchequer would often sell the tallies at a discount, and they would circulate, as tokens of debt owed to the government, to anyone willing to trade for them.[15]

Modern banknotes actually work on a similar principle, except in reverse.[16] Recall here the little parable about Henry's IOU. The reader might have noticed one puzzling aspect of the equation: the IOU can operate as money only as long as Henry never pays his debt. In fact this is precisely the logic on which the Bank of England—the first successful modern central bank—was originally founded. In 1694, a consortium of English bankers made a loan of £1,200,000 to the king. In return they received a royal monopoly on the issuance of banknotes. What this meant in practice was they had the right to advance IOUs for a portion of the money the king now owed them to any inhabitant of the kingdom willing to borrow from them, or willing to deposit their own money in the bank—in effect, to circulate or "monetize" the newly created royal debt. This was a great deal for the bankers (they got to charge the king 8 percent annual interest for the original loan and simultaneously charge interest on the same money to the clients who borrowed it), but it only worked as long as the original loan remained outstanding. To this day, this loan has never been paid back. It cannot be. If it ever were, the entire monetary system of Great Britain would cease to exist.[17]

If nothing else, this approach helps solve one of the obvious mysteries of the fiscal policy of so many early kingdoms: Why did they make subjects pay taxes at all? This is not a question we're used to asking. The answer seems self-evident. Governments demand taxes because they wish to get their hands on people's money. But if Smith was right, and gold and silver became money through the natural workings of the market completely independently of governments, then wouldn't the obvious thing be to just grab control of the gold and silver mines? Then the king would have all the money he could possibly need. In fact, this is what ancient kings would normally do. If there were gold and silver mines in their territory, they would usually take control of them. So what exactly was the point of extracting the gold, stamping one's picture on it, causing it to circulate among one's subjects—and then demanding that those same subjects give it back again?

This does seem a bit of a puzzle. But if money and markets do not emerge spontaneously, it actually makes perfect sense. Because this is the simplest and most efficient way to bring markets into being. Let us take a hypothetical example. Say a king wishes to support a standing army of fifty thousand men. Under ancient or medieval conditions, feeding such a force was an enormous problem. Such a force would likely consume anything edible within ten miles of their camp in as many days; unless they were on the march, one would need to employ almost as many men and animals just to locate, acquire, and transport the necessary provisions.[18] On the other hand, if one simply hands out coins to the soldiers and then demands that every family in the kingdom was obliged to pay one of those coins back to you, one would, in one blow, turn one's entire national economy into a vast machine for the provisioning of soldiers, since now every family, in order to get their hands on the coins, must find some way to contribute to the general effort to provide soldiers with things they want. Markets are brought into existence as a side effect.

This is a bit of a cartoon version, but it is very clear that markets did spring up around ancient armies; one need only take a glance at Kautilya's *Arthasasatra*, the Sassanian "circle of sovereignty," or the Chinese "Discourses on Salt and Iron" to discover that most ancient rulers spent a great deal of their time thinking about the relation between mines, soldiers, taxes, and food. Most concluded that the creation of markets of this sort was not just convenient for feeding soldiers, but useful in all sorts of ways, since it meant officials no longer had to requisition everything they needed directly from the populace or figure out a way to produce it on royal estates or royal workshops. In other words, despite the dogged liberal assumption—again, coming from Smith's legacy—that the existence of states and markets are somehow opposed, the historical record implies that exactly the opposite is the case. Stateless societies tend also to be without markets.

As one might imagine, state theories of money have always been anathema to mainstream economists working in the tradition of Adam Smith. In fact, Chartalism has tended to be seen as a populist underside of economic theory, favored mainly by cranks.[19] The curious thing is that the mainstream economists often ended up actually working for governments and advising such governments to pursue policies much like those the Chartalists described—that is, tax policies designed to create markets where they had not existed before—despite the fact that they were in theory committed to Smith's argument that markets develop spontaneously of their own accord.

This was particularly true in the colonial world. To return to Madagascar for a moment: I have already mentioned that one of the first things that the French general Gallieni, conqueror of Madagascar, did when the conquest of the island was complete in 1901 was to impose a head tax. Not only was this tax quite high, it was also only payable in newly issued Malagasy francs. In other words, Gallieni did indeed print money and then demand that everyone in the country give some of that money back to him.

Most striking of all, though, was language he used to describe this tax. It was referred to as the "*impôt moralisateur*," the "educational" or "moralizing tax." In other words, it was designed—to adopt the language of the day—to teach the natives the value of work. Since the "educational tax" came due shortly after harvest time, the easiest way for farmers to pay it was to sell a portion of their rice crop to the Chinese or Indian merchants who soon installed themselves in small towns across the country. However, harvest was when the market price of rice was, for obvious reasons, at its lowest; if one sold too much of one's crop, that meant one would not have enough left to feed one's family for the entire year, and thus be forced to buy one's own rice back, on credit, from those same merchants later in the year when prices were much higher. As a result, farmers quickly fell hopelessly into debt (the merchants doubling as loan sharks). The easiest way to pay back the debt was either to find some kind of cash crop to sell—to start growing coffee, or pineapples—or else to send one's children off to work for wages in the city or on one of the plantations that French colonists were establishing across the island. The whole project might seem no more than a cynical scheme to squeeze cheap labor out of the peasantry, and it was that, but it was also something more. The colonial government was also quite explicit (at least in their own internal policy documents) about the need to make sure that peasants had at least some money of their own left over, and to ensure that they became accustomed to the minor luxuries—parasols, lipstick, cookies—available at the Chinese shops. It was crucial that they develop new tastes, habits, and expectations; that they lay the foundations of a consumer demand that would endure long after the conquerors had left, and keep Madagascar forever tied to France.

Most people are not stupid, and most Malagasy understood exactly what their conquerors were trying to do to them. Some were determined to resist. More than sixty years after the invasion, a French anthropologist, Gerard Althabe, was able to observe villages on the east coast of the island whose inhabitants would dutifully show up at the coffee plantations to earn the money for their poll tax and then, having paid it, studiously ignore the wares for sale at the local shops and instead turn over any remaining money to lineage elders, who would then use it to buy cattle for sacrifice to their ancestors.[20] Many were quite open in saying that they saw themselves as resisting a trap.

Still, such defiance rarely lasts forever. Markets did gradually take shape, even in those parts of the island where none had previously existed. With them came the inevitable network of little shops. And by the time I got there, in 1990, a generation after the poll tax had finally been abolished by a revolutionary government, the logic of the market had become so intuitively accepted that even spirit mediums were reciting passages that might as well have come from Adam Smith.

Such examples could be multiplied endlessly. Something like this occurred in just about every part of the world conquered by European arms where markets were not already in place. Rather than discovering barter, they ended up using the very techniques that mainstream economics rejected to bring something like the market into being.

In Search of a Myth

Anthropologists have been complaining about the Myth of Barter for almost a century. Occasionally, economists point out with slight exasperation that there's a fairly simple reason why they're still telling the same story despite all the evidence against it: anthropologists have never come up with a better one.[21] This is an understandable objection, but there's a simple answer to it. The reasons why anthropologists haven't been able to come up with a simple, compelling story for the origins of money is because there's no reason to believe there could be one. Money was no more ever "invented" than music or mathematics or jewelry. What we call "money" isn't a "thing" at all; it's a way of comparing things mathematically, as proportions: of saying one of X is equivalent to six of Y. As such it is probably as old as human thought. The moment we try to get any more specific, we discover that there are any number of different habits and practices that have converged in the stuff we now call "money," and this is precisely the reason why economists, historians, and the rest have found it so difficult to come up with a single definition.

Credit Theorists have long been hobbled by the lack of an equally compelling narrative. This is not to say that all sides in the currency debates that ranged between 1850 and 1950 were not in the habit of deploying mythological weaponry. This was true particularly, perhaps, in the United States. In 1894, the Greenbackers, who pushed for detaching the dollar from gold entirely to allow the government to spend freely on job-creation campaigns, invented the idea of the March on Washington—an idea that was to have endless resonance in U.S. history. L. Frank Baum's book *The Wonderful Wizard of Oz*, which appeared in 1900, is often held to be a parable for the Populist campaign of William Jennings Bryan, who twice ran for president on the Free Silver platform—vowing to replace the gold standard with a bimetallic system that would allow the free creation of silver money alongside gold.[22] As with the Greenbackers, one of the main constituencies for the movement was debtors: particularly, Midwestern farm families such as Dorothy's, who had been facing a massive wave of foreclosures during the severe recession of the 1890s. According to the Populist reading, the Wicked Witches of the East and West represent the East and West Coast bankers (promoters of and benefactors from the tight money supply), the Scarecrow represented the farmers (who didn't have the brains to avoid the debt trap), the Tin Woodsman was the industrial proletariat (who didn't have the heart to act in solidarity with the farmers), the Cowardly Lion represented the political class (who didn't have the courage to intervene). The yellow brick road, silver slippers, emerald city, and hapless Wizard presumably speak for themselves.[23] "Oz" is of course the standard abbreviation for "ounce."[24] As an attempt to create a new myth, Baum's story was remarkably effective. As political propaganda, less so. William Jennings Bryan failed in three attempts to win the presidency, the silver standard was never adopted, and few nowadays even remember what *The Wonderful Wizard of Oz* was originally supposed to be about.[25]

For state-money theorists in particular, this has been a problem. Stories about rulers using taxes to create markets in conquered territories, or to pay for soldiers or other state functions, are not particularly inspiring. German ideas of money as the embodiment of national will did not travel very well.

Every time there was a major economic meltdown, however, conventional laissez-faire economics took another hit. The Bryan campaigns were born as a reaction to the Panic of 1893. By the time of the Great Depression of the 1930s, the very notion that the market could regulate itself, so long as the government ensured that money was safely pegged to precious metals, was completely discredited. From roughly 1933 to 1979, every major capitalist government reversed course and adopted some version of Keynesianism. Keynesian orthodoxy started from the assumption that capitalist markets would not really work unless capitalist governments were willing effectively to play nanny: most famously, by engaging in massive deficit "pump-priming" during downturns. While in the ’80s, Margaret Thatcher in Britain and Ronald Reagan in the United States made a great show of rejecting all of this, it’s unclear how much they really did.[26] And in any case, they were operating in the wake of an even greater blow to previous monetary orthodoxy: Richard Nixon’s decision in 1971 to unpeg the dollar from precious metals entirely, eliminate the international gold standard, and introduce the system of floating currency regimes that has dominated the world economy ever since. This meant in effect that all national currencies were henceforth, as neoclassical economists like to put it, “fiat money” backed only by the public trust.

Now, John Maynard Keynes himself was much more open to what he liked to call the “alternative tradition” of credit and state theories than any economist of that stature (and Keynes is still arguably the single most important economic thinker of the twentieth century) before or since. At certain points he immersed himself in it: he spent several years in the 1920s studying Mesopotamian cuneiform banking records to try to ascertain the origins of money—his “Babylonian madness,” as he would later call it.[27] His conclusion, which he set forth at the very beginning of his *Treatise on Money*, was more or less the only conclusion one could come to if one started not from first principles but from a careful examination of the historical record: that the lunatic fringe was, essentially, right. Whatever its earliest origins, for the last four thousand years money has been effectively a creature of the state. Individuals, he observed, make contracts with one another. They take out debts, and they promise payment.

> The State, therefore, comes in first of all as the authority of law which enforces the payment of the thing which corresponds to the name or description in the contract. But it

> comes doubly when, in addition, it claims the right to determine and declare *what thing* corresponds to the name, and to vary its declaration from time to time—when, that is to say it claims the right to re-edit the dictionary. This right is claimed by all modern States and has been so claimed for some four thousand years at least. It is when this stage in the evolution of Money has been reached that Knapp's Chartalism—the doctrine that money is peculiarly a creation of the State—is fully realized … Today all civilized money is, beyond the possibility of dispute, chartalist.[28]

This does not mean that the state necessarily *creates* money. Money is credit, it can be brought into being by private contractual agreements (loans, for instance). The state merely enforces the agreement and dictates the legal terms. Hence Keynes' next dramatic assertion: that banks create money, and that there is no intrinsic limit to their ability to do so: since however much they lend, the borrower will have no choice but to put the money back into some bank again, and thus, from the perspective of the banking system as a whole, the total number of debits and credits will always cancel out.[29] The implications were radical, but Keynes himself was not. In the end, he was always careful to frame the problem in a way that could be reintegrated into the mainstream economics of his day.

Neither was Keynes much of a mythmaker. Insofar as the alternative tradition has come up with an answer to the Myth of Barter, it was not from Keynes' own efforts (Keynes ultimately decided that the origins of money were not particularly important) but in the work of some contemporary neo-Keynesians, who were not afraid to follow some of his more radical suggestions as far as they would go.

The real weak link in state-credit theories of money was always the element of taxes. It is one thing to explain why early states demanded taxes (in order to create markets). It's another to ask "By what right?" Assuming that early rulers were not simply thugs and that taxes were not simply extortion—and no Credit Theorist, to my knowledge, took such a cynical view even of early government—one must ask how they justified this sort of thing.

Nowadays, we all think we know the answer to this question. We pay our taxes so that the government can provide us with services. This starts with security services—military protection being about the only service many early states were really able to provide. By now, of course, the government provides all sorts of things. All of this is said to go back to some sort of original "social contract" that everyone somehow agreed on, though no one really knows exactly when or by whom, or why we should be bound by the decisions of distant ancestors on this one matter when we don't feel particularly bound by the decisions of our distant ancestors on anything else.[30] It all makes sense if you assume that markets come before governments, but the whole argument totters quickly once you realize that they don't.

There is an alternative explanation, one created to be in keeping with the state-credit theory approach. It's referred to as "primordial debt theory," and it has been developed largely in France by a team of researchers—not only economists but anthropologists, historians, and classicists—originally assembled around the figures of Michel Aglietta and Andre Orléans,[31] and more recently, Bruno Théret, and it has since been taken up by some neo-Keynesians in the United States and the United Kingdom as well.[32]

It's a position that has emerged quite recently and at first, largely amidst debates about the nature of the euro. The creation of a common European currency sparked not only all sorts of intellectual debates (Does a common currency necessarily imply the creation of a common European state? Or of a common European economy or society? Are these ultimately the same thing?) but dramatic political ones as well. The creation of the euro zone was spearheaded above all by Germany, whose central banks still see their main goal as combating inflation. What's more, tight money policies and the need to balance budgets having been used as the main weapon to chip away welfare-state policies in Europe, it has necessarily become the stake of political struggles between bankers and pensioners, creditors and debtors, just as heated as those of 1890s America.

The core argument is that any attempt to separate monetary policy from social policy is ultimately wrong. Primordial-debt theorists insist that these have always been the same thing. Governments use taxes to create money, and they are able to do so because they have become the guardians of the debt that all citizens have to one another. This debt is the essence of society itself. It exists long before money and markets, and money and markets themselves are simply ways of chopping pieces of it up.

At first, the argument goes, this sense of debt was expressed not through the state but through religion. To make the argument, Aglietta and Orléans fixed on certain works of early Sanskrit religious literature: the hymns, prayers, and poetry collected in the Vedas, and the Brahmanas, priestly commentaries composed over the centuries that followed, texts that are now considered the foundations of Hindu thought. It's not as odd a choice as it might seem. These texts constitute the earliest known historical reflections on the nature of debt.

Actually, even the very earliest Vedic poems, composed sometime between 1500 and 1200 BC, evince a constant concern with debt—which is treated as synonymous with guilt and sin.[33] There are numerous prayers pleading with the gods to liberate the worshipper from the shackles or bonds of debt. Sometimes these seem to refer to debt in the literal sense—Rig Veda 10.34, for instance, has a long description of the sad plight of gamblers who "wander homeless, in constant fear, in debt, and seeking money." Elsewhere it's clearly metaphorical.

In these hymns, Yama, the god of death, figures prominently. To be in debt was to have a weight placed on you by Death. To be under any sort of unfulfilled obligation, any unkept promise, to gods or to men, was to live in the shadow of Death. Often, even in the very early texts, debt seems to stand in for a broader sense of inner suffering, from which one begs the gods—particularly Agni, who represents the sacrificial fire—for release. It was only with the Brahmanas that commentators started trying to weave all this together into a more comprehensive philosophy. The conclusion: that human existence is itself a form of debt.

> A man, being born, is a debt; by his own self he is born to Death, and only when he sacrifices does he redeem himself from Death.[34]

Sacrifice (and these early commentators were themselves sacrificial priests) is thus called "tribute paid to Death." Or such was the manner of speaking. In reality, as the priests knew better than anyone, sacrifice was directed to all the gods, not just Death—Death was just the intermediary. Framing things this way, though, did immediately raise the one problem that always comes up, whenever anyone conceives human life through such an idiom. If our lives are on loan, who would actually wish to repay such a debt? To live in debt is to be guilty, incomplete. But completion can only mean annihilation. In this way, the "tribute" of sacrifice could be seen as a kind of interest payment, with the life of the animal substituting temporarily for what's really owed, which is ourselves—a mere postponement of the inevitable.[35]

Priestly commentators proposed different ways out of the dilemma. Some ambitious Brahmins began telling their clients that sacrificial ritual, if done correctly, promised a way to break out of the human condition entirely and achieve eternity (since, in the face of eternity, all debts become meaningless).[36] Another way was to broaden the notion of debt, so that all social responsibilities become debts of one sort or another. Thus two famous passages in the Brahmanas insist that we are born as a debt not just to the gods, to be repaid in sacrifice, but also to the Sages who created the Vedic learning to begin with, which we must repay through study; to our ancestors ("the Fathers"), who we must repay by having children; and finally, "to men"—apparently meaning humanity as a whole, to be repaid by offering hospitality to strangers.[37] Anyone, then, who lives a proper life is constantly paying back existential debts of one sort or another; but at the same time, as the notion of debt slides back into a simple sense of social obligation, it becomes something far less terrifying than the sense that one's very existence is a loan taken against Death.[38] Not least because social obligations always cut both ways. After all, once one has oneself fathered children, one is just as much a debtor as a creditor.

What primordial-debt theorists have done is to propose that the ideas encoded in these Vedic texts are not peculiar to a certain intellectual tradition of early Iron

Age ritual specialists in the Ganges valley, but that they are essential to the very nature and history of human thought. Consider for example this statement, from an essay by French economist Bruno Théret with the uninspiring title "The Socio-Cultural Dimensions of the Currency: Implications for the Transition to the Euro," published in the *Journal of Consumer Policy* in 1999:

> At the origin of money we have a "relation of representation" of death as an invisible world, before and beyond life—a representation that is the product of the symbolic function proper to the human species and which envisages birth as an original debt incurred by all men, a debt owing to the cosmic powers from which humanity emerged.
>
> Payment of this debt, which can however never be settled on earth—because its full reimbursement is out of reach—takes the form of sacrifices which, by replenishing the credit of the living, make it possible to prolong life and even in certain cases to achieve eternity by joining the Gods. But this initial belief-claim is also associated with the emergence of sovereign powers whose legitimacy resides in their ability to represent the entire original cosmos. And it is these powers that invented money as a means of settling debts—a means whose abstraction makes it possible to resolve the sacrificial paradox by which putting to death becomes the permanent means of protecting life. Through this institution, belief is in turn transferred to a currency stamped with the effigy of the sovereign—a money put in circulation but whose return is organized by this other institution which is the tax/settlement of the life debt. So money also takes on the function of a means of payment.[39]

If nothing else, this provides a neat illustration of how different are standards of debate in Europe from those current in the Anglo-American world. One can't imagine an American economist of any stripe writing something like this. Still, the author is actually making a rather clever synthesis here. Human nature does not drive us to "truck and barter." Rather, it ensures that we are always creating symbols—such as money itself. This is how we come to see ourselves in a cosmos surrounded by invisible forces; as in debt to the universe.

The ingenious move of course is to fold this back into the state theory of money—since by "sovereign powers" Théret actually means "the state." The first kings were sacred kings who were either gods in their own right or stood as privileged mediators between human beings and the ultimate forces that governed the cosmos. This sets us on a road to the gradual realization that our debt to the gods was always, really, a debt to the society that made us what we are.

The "primordial debt," writes British sociologist Geoffrey Ingham, "is that owed by the living to the continuity and durability of the society that secures their individual existence."[40] In this sense it is not just criminals who owe a "debt to society"—we are all, in a certain sense, guilty, even criminals.

For instance, Ingham notes that, while there is no actual proof that money emerged in this way, "there is considerable indirect etymological evidence":

> In all Indo-European languages, words for "debt" are synonymous with those for "sin" or "guilt," illustrating the links between religion, payment and the mediation of the sacred and profane realms by "money." For example, there is a connection between money (German *Geld*), indemnity or sacrifice (Old English *Geild*), tax (Gothic *Gild*) and, of course, guilt.[41]

Or, to take another curious connection: Why were cattle so often used as money? The German historian Bernard Laum long ago pointed out that in Homer, when people measure the value of a ship or suit of armor, they always measure it in oxen—even though when they actually exchange things, they never pay for anything in oxen. It is hard to escape the conclusion that this was because an ox was what one offered the gods in sacrifice. Hence oxen represented absolute value. From Sumer to Classical Greece, silver and gold were dedicated as offerings in temples. Everywhere, money seems to have emerged from the thing most appropriate for giving to the gods.[42]

If the king has simply taken over guardianship of that primordial debt we all owe to society for having created us, this provides a very neat explanation for why the government feels it has the right to make us pay taxes. Taxes are just a measure of our debt to the society that made us. But this doesn't really explain how this kind of absolute life-debt can be converted into *money*, which is by definition a means of measuring and comparing the value of *different* things. This is just as much a problem for credit theorists as for neoclassical economists, even if the problem for them is somewhat differently framed. If you start from the barter theory of money, you have to resolve the problem of how and why you would come to select one commodity to measure just how much you want each of the other ones. If you start from a credit theory, you are left with the problem I described in the first chapter: how to turn a moral obligation into a specific sum of money, how the mere sense of owing someone else a favor can eventually turn into a system of accounting in which one is able to calculate exactly how many sheep or fish or chunks of silver it would take to repay the debt. Or in this case, how do we go from that absolute debt we owe to

God to the very specific debts we owe our cousin, or the bartender?

The answer provided by primordial-debt theorists is, again, ingenious. If taxes represent our absolute debt to the society that created us, then the first step toward creating real money comes when we start calculating much more specific debts to society, systems of fines, fees, and penalties, or even debts we owe to specific individuals who we have wronged in some way, and thus to whom we stand in a relation of "sin" or "guilt."

This is actually much less implausible than it might sound. One of the puzzling things about all the theories about the origins of money that we've been looking at so far is that they almost completely ignore the evidence of anthropology. Anthropologists do have a great deal of knowledge of how economies within stateless societies actually worked—how they still work in places where states and markets have been unable to completely break up existing ways of doing things. There are innumerable studies of, say, the use of cattle as money in eastern or southern Africa, of shell money in the Americas (wampum being the most famous example) or Papua New Guinea, bead money, feather money, the use of iron rings, cowries, spondylus shells, brass rods, or woodpecker scalps.[43] The reason that this literature tends to be ignored by economists is simple: "primitive currencies" of this sort are only rarely used to buy and sell things, and even when they are, never primarily to buy and sell everyday items such as chickens or eggs or shoes or potatoes. Rather than being employed to acquire things, they are mainly used to rearrange relations between people. Above all, to arrange marriages and to settle disputes, particularly those arising from murders or personal injury.

There is every reason to believe that our own money started the same way—even the English word "to pay" is originally derived from a word for "to pacify, appease"—as in, to give someone something precious, for instance, to express just how badly you feel about having just killed his brother in a drunken brawl, and how much you would really like to avoid this becoming the basis for an ongoing blood-feud.[44]

Debt theorists are especially concerned with this latter possibility. This is partly because they tend to skip past the anthropological literature and look at early law codes—taking inspiration here from the groundbreaking work of one of the twentieth century's greatest numismatists, Philip Grierson, who in the '70s first suggested that money might first have emerged from early legal practice. Grierson was an expert in the European Dark Ages, and he became fascinated by what have come to be known as the "Barbarian Law Codes," established by many Germanic peoples after the destruction of the Roman Empire in the 600s and 700s—Goths, Frisians, Franks, and so on—soon followed by similar codes published everywhere from Russia to Ireland. Certainly, they are fascinating documents. On the one hand, they make it abundantly clear just how wrong are conventional accounts of Europe around this time "reverting to barter." Almost all of the Germanic law codes use Roman money to make assessments; penalties for theft, for instance, are almost always followed by demands that the thief not only return the stolen property but pay any outstanding rent (or in the event of stolen money, interest) owing for the amount of time it has been in his possession. On the other hand, these were soon followed by law codes by people living in territories that had never been under Roman rule—in Ireland, Wales, Nordic countries, Russia—and these are if anything even more revealing. They could be remarkably creative, both in what could be used as a means of payment and on the precise breakdown of injuries and insults that required compensation:

> Compensation in the Welsh laws is reckoned primarily in cattle and in the Irish ones in cattle or bondmaids (*cumal*), with considerable use of precious metals in both. In the Germanic codes it is mainly in precious metal … In the Russian codes it was silver and furs, graduated from marten down to squirrel. Their detail is remarkable, not only in the personal injuries envisioned—specific compensations for the loss of an arm, a hand, a forefinger, a nail, for a blow on the head so that the brain is visible or bone projects—but in the coverage some of them gave to the possessions of the individual household. Title II of the Salic Law deals with the theft of pigs, Title III with cattle, Title IV with sheep, Title V with goats, Title VI with dogs, each time with an elaborate breakdown differentiating between animals of different age and sex.[45]

This does make a great deal of psychological sense. I've already remarked how difficult it is to imagine how a system of precise equivalences—one young healthy milk cow is equivalent to exactly thirty-six chickens—could arise from most forms of gift exchange. If Henry gives Joshua a pig and feels he has received an inadequate counter-gift, he might mock Joshua as a cheapskate, but he would have little occasion to come up with a mathematical formula for precisely how cheap he feels Joshua has been. On the other hand, if Joshua's pig just destroyed Henry's garden, and especially, if that led to a fight in which Henry lost a toe, and Henry's family is now hauling Joshua up in front of the village assembly—this is precisely the context where people are most likely to become petty and legalistic and express outrage if they feel they have received one groat less than was their rightful due. That means exact mathematical specificity: for instance, the capacity to measure the exact value of a two-year-old pregnant sow. What's more, the levying of penalties must have constantly required the calculation of equivalences. Say the fine is in marten pelts but the culprit's clan doesn't have any martens. How many squirrel skins will do? Or pieces of silver jewelry? Such problems must have come up all the time and led to at least a rough-and-ready set of rules of thumb over what sorts of valuable were equivalent to others. This would help explain why, for instance, medieval Welsh law codes can contain detailed breakdowns not only of the value of different ages and conditions of milk cow, but of the monetary value of every object likely to be found in an ordinary homestead, down to the cost of each piece of timber—despite the fact that there seems no reason to believe that most such items could even be purchased on the open market at the time.[46]

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There is something very compelling in all this. For one thing, the premise makes a great deal of intuitive sense. After all, we do owe everything we are to others. This is simply true. The language we speak and even think in, our habits and opinions, the kind of food we like to eat, the knowledge that makes our lights switch on and toilets flush, even the style in which we carry out our gestures of defiance and rebellion against social conventions—all of this we learned from other people, most of them long dead. If we were to imagine what we owe them as a debt, it could only be infinite. The question is: Does it really make sense to think of this as a debt? After all, a debt is by definition something that we could at least imagine paying back. It is strange enough to wish to be square with one's parents—it rather implies that one does not wish to think of them as parents anymore. Would we really want to be square with all humanity? What would that even mean? And is this desire really a fundamental feature of all human thought?

Another way to put this would be: Are primordial-debt theorists *describing* a myth, have they discovered a profound truth of the human condition that has always existed in all societies, and is it simply spelled out particularly clearly in certain ancient texts from India—or are they *inventing* a myth of their own?

Clearly it must be the latter. They are inventing a myth.

The choice of the Vedic material is significant. The fact is, we know almost nothing about the people who composed these texts and little about the society that created them.[47] We don't even know if interest-bearing loans existed in Vedic India—which obviously has a bearing on whether priests really saw sacrifice as the payment of interest on a loan we owe to Death.[48] As a result, the material can serve as a kind of empty canvas, or a canvas covered with hieroglyphics in an unknown language, on which we can project almost anything we want to. If we look at other ancient civilizations in which we do know something about the larger context, we find that no such notion of sacrifice as payment is in evidence.[49] If we look through the work of ancient theologians, we find that most were familiar with the idea that sacrifice was a way by which human beings could enter into commercial relations with the gods, but that they felt it was patently ridiculous: If the gods already have everything they want, what exactly do humans have to bargain with?[50] We've seen in the last chapter how difficult it is to give gifts to kings. With gods (let alone

God) the problem is magnified infinitely. Exchange implies equality. In dealing with cosmic forces, this was simply assumed to be impossible from the start.

The notion that debts to gods were appropriated by the state, and thus became the bases for taxation systems, can't really stand up either. The problem here is that in the ancient world free citizens didn't usually pay taxes. Generally speaking, tribute was levied only on conquered populations. This was already true in ancient Mesopotamia, where the inhabitants of independent cities did not usually have to pay direct taxes at all. Similarly, as Moses Finley noted, "Classical Greeks looked upon direct taxes as tyrannical and avoided them whenever possible."[51] Athenian citizens did not pay direct taxes of any sort, though the city did sometimes distribute money to its citizens, a kind of reverse taxation—either directly, as with the proceeds of the Laurium silver mines, and indirectly, through generous fees for jury duty or attending the assembly. Subject cities, however, did have to pay tribute. Even within the Persian Empire, Persians did not have to pay tribute to the Great King, but the inhabitants of conquered provinces did.[52] The same was true in Rome, where for a very long time Roman citizens not only paid no taxes but had a right to a share of the tribute levied on others, in the form of the dole—the "bread" part of the famous "bread and circuses."[53]

In other words, Benjamin Franklin was wrong when he said that in this world nothing is certain except death and taxes. This obviously makes the idea that the debt to one is just a variation on the other much harder to maintain.

None of this, however, deals a mortal blow to the state theory of money, since even those states that did not demand taxes did levy fees, penalties, tariffs, and fines of one sort or another. But it *is* very hard to reconcile with any theory that claims states were first conceived as guardians of some sort of cosmic, primordial debt.

It's curious that primordial-debt theorists never have much to say about Sumer or Babylonia, despite the fact that Mesopotamia is where the practice of loaning money at interest was first invented, probably two thousand years before the Vedas were composed—and that it was also the home of the world's first states. But if we look into Mesopotamian history, it becomes a little less surprising. Again, what we find there is in many ways the exact opposite of what such theorists would have predicted.

The reader will recall here that Mesopotamian city-states were dominated by vast Temples: gigantic, complex industrial institutions often staffed by thousands—including everyone from shepherds and barge-pullers to spinners and weavers to dancing girls and clerical administrators. By at least 2700 BC, ambitious rulers had begun to imitate them by creating palace complexes organized on similar terms—with the exception that where the Temples centered on the sacred chambers of a god or goddess, represented by a sacred image who was fed and clothed and entertained by priestly servants as if he or she were a living person. Palaces centered on the chambers of an actual live king. Sumerian rulers rarely went so far as to declare themselves gods, but they often came very close. However, when they did interfere in the lives of their subjects in their capacity as cosmic rulers, they did not do it by imposing public debts, but rather by canceling private ones.[54]

We don't know precisely when and how interest-bearing loans originated, since they appear to predate writing. Most likely, Temple administrators invented the idea as a way of financing the caravan trade. This trade was crucial because while the river valley of ancient Mesopotamia was extraordinarily fertile and produced huge surpluses of grain and other foodstuffs, and supported enormous numbers of livestock, which in turn supported a vast wool and leather industry, it was almost completely lacking in anything else. Stone, wood, metal, even the silver used as money, all had to be imported. From quite early times, then, Temple administrators developed the habit of advancing goods to local merchants—some of them private, others themselves Temple functionaries—who would then go off and sell it overseas. Interest was just a way for the Temples to take their share of the resulting profits.[55] However, once established, the principle seems to have quickly spread. Before long, we find not only commercial loans, but also consumer loans—usury in the classical sense of the term. By c. 2400 BC it already appears to have been common practice on the part of local officials, or wealthy merchants, to advance loans to peasants who were in financial trouble on collateral and begin to appropriate their possessions if they were unable to pay. It usually started with grain, sheep, goats, and furniture, then moved on to fields and houses, or, alternately or ultimately, family members. Servants, if any, went quickly, followed by children, wives, and in some extreme occasions, even the borrower himself. These would be reduced to debt-peons: not quite slaves, but very close to that, forced into perpetual service in the lender's household—or, sometimes, in the Temples or Palaces themselves. In theory, of course, any of them could be redeemed whenever the borrower repaid the money, but for obvious reasons, the more a peasant's resources were stripped away from him, the harder that became.

The effects were such that they often threatened to rip society apart. If for any reason there was a bad harvest, large proportions of the peasantry would fall into debt peonage; families would be broken up. Before long, lands lay abandoned as indebted farmers fled their homes for fear of repossession and joined semi-nomadic bands on the desert fringes of urban civilization. Faced with the potential for complete social breakdown, Sumerian and later Babylonian kings periodically announced general amnesties: "clean slates," as economic historian Michael Hudson refers to them. Such decrees would typically declare all outstanding consumer debt null and void (commercial debts were not affected), return all land to its original owners, and allow all debt-peons to return to their families. Before long, it became more or less a regular habit for kings to make such a declaration on first assuming power, and many were forced to repeat it periodically over the course of their reigns.

In Sumer, these were called "declarations of freedom"—and it is significant that the Sumerian word *amargi*, the first recorded word for "freedom" in any known human language, literally means "return to mother"—since this is what freed debt-peons were finally allowed to do.[56]

Michael Hudson argues that Mesopotamian kings were only in a position to do this because of their cosmic pretensions: in taking power, they saw themselves as literally recreating human society, and so were in a position to wipe the slate clean of all previous moral obligations. Still, this is about as far from what primordial-debt theorists had in mind as one could possibly imagine.[57]

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Probably the biggest problem in this whole body of literature is the initial assumption: that we begin with an infinite debt to something called "society." It's this debt to society that we project onto the gods. It's this same debt that then gets taken up by kings and national governments.

What makes the concept of society so deceptive is that we assume the world is organized into a series of compact, modular units called "societies," and that all people know which one they're in. Historically, this is very rarely the case. Imagine I am a Christian Armenian merchant living under the reign of Genghis Khan. What is "society" for me? Is it the city where I grew up, the society of international merchants (with its own elaborate codes of conduct) within which I conduct my daily affairs, other speakers of Armenian, Christendom (or maybe just Orthodox Christendom), or the inhabitants of the Mongol empire itself, which stretched from the Mediterranean to Korea? Historically, kingdoms and empires have rarely been the most important reference points in people's lives. Kingdoms rise and fall; they also strengthen and weaken; governments may make their presence known in people's lives quite sporadically, and for many people in history, it was not at all clear whose government they were actually in. Even until quite recently, many of the world's inhabitants were not quite sure of what country they were citizens, or why it should matter. My mother, who was born a Jew in Poland, once told me a joke from her childhood:

> There was a small town located along the frontier between Russia and Poland; no one was ever quite sure to which it belonged. One day an official treaty was signed and not long after, surveyors arrived to draw a border. Some villagers approached them where they had set up their equipment on a nearby hill.
>
> "So where are we, Russia or Poland?"
>
> "According to our calculations, your village now begins

> exactly thirty-seven meters into Poland."
>
> The villagers immediately began dancing for joy.
>
> "Why?" the surveyors asked. "What difference does it make?"
>
> "Don't you know what this means?" they replied. "It means we'll never have to endure another one of those terrible Russian winters!"

However, if we are born with an infinite debt to all those people who made our existence possible, but there is no natural unit called "society"—then who or what exactly do we really owe it to? Everyone? Everything? Some people or things more than others? And how do we pay a debt to something so diffuse? Or, perhaps more to the point, who exactly can claim the authority to tell us how we can repay it, and on what grounds?

If we frame the problem that way, the authors of the Brahmanas are offering a quite sophisticated reflection on a moral question that no one has really ever been able to answer any better before or since. As I say, we can't know much about the conditions under which those texts were composed, but such evidence as we do have suggests that the crucial documents date from sometime between 500 and 400 BC—that is, roughly the time of Socrates—which in India appears to have been just around the time that a commercial economy and institutions like coined money and interest-bearing loans were beginning to become features of everyday life. The intellectual classes of the time were, much as they were in Greece and China, grappling with the implications. In their case, this meant asking: What does it mean to imagine our responsibilities as debts? To whom do we owe our existence?

It's significant that their answer did not make any mention either of "society" or states (though kings and governments certainly existed in early India). Instead, they fixed on debts to gods, to sages, to fathers, and to "men." It wouldn't be at all difficult to translate their formulation into more contemporary language. We could put it this way. We owe our existence above all:

- To the universe, cosmic forces, as we would put it now, to Nature. The ground of our existence. To be repaid through ritual: ritual being an act of respect and recognition towards all that beside which we are small.[58]
- To those who have created the knowledge and cultural accomplishments that we value most, that give our existence its form, its meaning, but also its shape. Here we would include not only the philosophers and scientists who created our intellectual tradition but everyone from William Shakespeare to that long-since-forgotten woman, somewhere in the Middle East, who created leavened bread. We repay them by becoming learned ourselves and contributing to human knowledge and human culture.
- To our parents, and their parents—our ancestors. We repay them by becoming ancestors.
- To humanity as a whole. We repay them by generosity to strangers, by maintaining that basic communistic ground of sociality that makes human relations, and hence life, possible.

Set out this way, though, the argument begins to undermine its very premise. These are nothing like commercial debts. After all, one might repay one's parents by having children, but one is not generally thought to have repaid one's creditors if one lends the cash to someone else.[59]

Myself, I wonder: Couldn't that really be the point? Perhaps what the authors of the Brahmanas were really demonstrating was that, in the final analysis, our relation with the cosmos is ultimately nothing like a commercial transaction, nor could it be. That is because commercial transactions imply both equality and separation. These examples are all about overcoming separation: you are free from your debt to your ancestors when you become an ancestor; you are free from your debt to the sages when you become a sage, you are free from your debt to humanity when you act with humanity. All the more so if one is speaking of the universe. If you cannot bargain with the gods because they already have everything, then you certainly cannot bargain with the universe, because the universe *is* everything—and that everything necessarily includes yourself. One could in fact interpret this list as a subtle way of saying that the only way of "freeing oneself" from the debt was not literally repaying debts, but rather showing that these debts do not exist because one is not in fact separate to begin with, and hence that the very notion of canceling the debt and achieving a separate, autonomous existence was ridiculous from the start. Or even that the very presumption of positing oneself as separate from humanity or the cosmos, so much so that one can enter into one-to-one dealings with it, is itself the crime that can be answered only by death. Our guilt is not due to the fact that we cannot repay our debt to the universe. Our guilt is our presumption in thinking of ourselves as being in any sense an equivalent to Everything Else that Exists or Has Ever Existed, so as to be able to conceive of such a debt in the first place.[60]

Or let us look at the other side of the equation. Even if it is possible to imagine ourselves as standing in a position of absolute debt to the cosmos, or to humanity, the next question becomes: Who exactly has a right to speak for the cosmos, or humanity, to tell us how that debt must be repaid? If there's anything more preposterous than claiming to stand apart from the entire universe so as to enter into negotiations with it, it is claiming to speak for the other side.

If one were looking for the ethos for an individualistic society such as our own, one way to do it might well be to say: we all owe an infinite debt to humanity, society, nature, or the cosmos (however one prefers to frame it), but no one else could possibly tell us how we are to pay it. This at least would be intellectually consistent. If so, it would actually be possible to see almost all systems of established authority—religion, morality, politics, economics, and the criminal-justice system—as so many different fraudulent ways to presume to calculate what cannot be calculated, to claim the authority to tell us how some aspect of that unlimited debt ought to be repaid. Human freedom would then be our ability to decide for ourselves how we want to do so.

No one, to my knowledge, has ever taken this approach. Instead, theories of existential debt always end up becoming ways of justifying—or laying claim to—structures of authority. The case of the Hindu intellectual tradition is telling here. The debt to humanity appears only in a few early texts and is quickly forgotten. Almost all later Hindu commentators ignore it and instead put their emphasis on a man's debt to his father.[61]

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Primordial-debt theorists have other fish to fry. They are not really interested in the cosmos, but actually, in "society."

Let me return again to that word, "society." The reason that it seems like such a simple, self-evident concept is because we mostly use it as a synonym for "nation." After all, when Americans speak of paying their debt to society, they are not thinking of their responsibilities to people who live in Sweden, or Gabon. It's only the modern state, with its elaborate border controls and social policies, that enables us to imagine "society" in this way, as a single bounded entity. This is why projecting that notion backwards into Vedic or Medieval times will always be deceptive, even though we don't really have another word.

It seems to me that this is exactly what the primordial-debt theorists are doing: projecting such a notion backwards.

Really, the whole complex of ideas they are talking about—the notion that there is this thing called society, that we have a debt to it, that governments can speak for it, that it can be imagined as a sort of secular god—all of these ideas emerged together around the time of the French Revolution, or in its immediate wake. In other words, it was born alongside the idea of the modern nation-state.

We can already see them coming together clearly in the work of Auguste Comte, in early nineteenth-century France. Comte, a philosopher and political pamphleteer now most famous for having first coined the term "sociology," went so far, by the end of his life, as actually proposing a Religion of Society, which he called Positivism, broadly modeled on Medieval Catholicism, replete with vestments where all the buttons were on the back (so they couldn't be put on without the help of others). In his last work, which he called a "Positivist Catechism," he also laid down the first explicit theory of social debt. At one point someone asks an imaginary Priest of Positivism what he thinks of the notion of human rights. The priest scoffs at the idea. This is nonsense, he says, an error born of individualism. Positivism understands only duties. After all:

> We are born under a load of obligations of every kind, to our predecessors, to our successors, to our contemporaries. After our birth these obligations increase or accumulate before the point where we are capable of rendering anyone any service. On what human foundation, then, could one seat the idea of "rights"?[62]

While Comte doesn't use the word "debt," the sense is clear enough. We have already accumulated endless debts before we get to the age at which we can even think of paying them. By that time, there's no way to calculate to whom we even owe them. The only way to redeem ourselves is to dedicate ourselves to the service of Humanity as a whole.

In his lifetime, Comte was considered something of a crackpot, since he obviously was—but his ideas proved influential. His notion of unlimited obligations to society ultimately crystallized in the notion of the "social debt," a notion taken up among social reformers and, eventually, socialist politicians in many parts of Europe and abroad.[63] "We are all born as debtors to society": in France the notion of a social debt soon became something of a catchphrase, a slogan, and eventually a cliché.[64] The state, according to this view, was merely the administrator of an existential debt that all of us have to the society that created us, embodied not least in the fact that we all continue to be completely dependent on one another for our existence, even if we are not completely aware of how.

These are also the intellectual and political circles that shaped the thought of Emile Durkheim, the founder of the discipline of sociology that we know today, who in a way did Comte one better by arguing that all gods in all religions are always already projections of society—so an explicit religion of society would not even be necessary.

All religions, for Durkheim, are simply ways of recognizing our mutual dependence on one another, a dependence that affects us in a million ways that we are never entirely aware of. "God" and "society" are ultimately the same.

The problem is that for several hundred years now, it has simply been assumed that the guardian of that debt we owe for all of this, the legitimate representatives of that amorphous social totality that has allowed us to become individuals, must necessarily be the state. Almost all socialist or socialistic regimes end up appealing to some version of this argument. To take one notorious example, this was how the Soviet Union used to justify forbidding their citizens from emigrating to other countries. The line was always: The USSR created these people, the USSR raised and educated them, made them who they are. What right do they have to take the product of our investment and transfer it to another country, as if they didn't owe us anything? Neither is this rhetoric restricted to socialist regimes. Nationalists appeal to exactly the same kind of arguments—especially in times of war. And all modern governments are nationalist to some degree.

One might even say that what we really have here, in the idea of primordial debt, is the ultimate nationalist myth. Once we owed our lives to the gods that created us, paid interest in the form of animal sacrifice, and ultimately paid back the principal with our lives. Now we owe it to the Nation that formed us, pay interest in the form of taxes, and when it comes time to defend the nation against its enemies, offer to pay it with our lives.

This is a great trap of the twentieth century: on one side is the logic of the market, where we like to imagine we all start out as individuals who don't owe each other anything. On the other is the logic of the state, where we all begin with a debt we can never truly pay. We are constantly told that they are opposites and that between them they contain the only real human possibilities. But it’s a false dichotomy. States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we would recognize today.

Chapter Four

CRUELTY AND REDEMPTION

> *We will buy the poor for silver, the needy for a pair of sandals.*
>
> — *Amos* 2:6

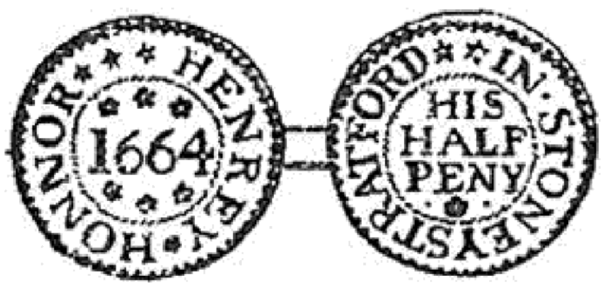
THE READER MAY have noticed that there is an unresolved debate between those who see money as a commodity and those who see it as an IOU. So which one is it? By now, the answer should be obvious: it's both. Keith Hart, probably the best-known current anthropological authority on the subject, pointed this out many years ago. There are, he famously observed, two sides to any coin:

> Look at a coin from your pocket. On one side is "heads"—the symbol of the political authority which minted the coin; on the other side is "tails"—the precise specification of the amount the coin is worth as payment in exchange. One side reminds us that states underwrite currencies and the money is originally a relation between persons in society, a token perhaps. The other reveals the coin as a thing, capable of entering into definite relations with other things.[1]

Clearly, money was not invented to overcome the inconveniences of barter between neighbors—since neighbors would have no reason to engage in barter in the first place. Still, a system of pure credit money would have serious inconveniences as well. Credit money is based on trust, and in competitive markets, trust itself becomes a scarce commodity. This is particularly true of dealings between strangers. Within the Roman empire, a silver coin stamped with the image of Tiberius might have circulated at a value considerably higher than the value of the silver it contained. Ancient coins invariably circulated at a value higher than their metal content.[2] This was largely because Tiberius's government was willing to accept them at face value. However, the Persian government probably wasn't, and the Mauryan and Chinese governments definitely would not. Very large numbers of Roman gold and silver coins did end up in India and even China; this is presumably the main reason that they were made of gold and silver to begin with.

What's true for a vast empire like Rome or China is obviously all the more true for a Sumerian or Greek city-state, let alone for the kind of broken checkerboard of kingdoms, towns, and tiny principalities that characterized most of Medieval Europe or India. As I've pointed out, often what was inside and what was outside were not especially clear. Within a community—a town, a city, a guild or religious society—pretty much anything could function as money, provided everyone knew there was *someone* willing to accept it to cancel out a debt. To offer one particularly striking example, in certain cities in nineteenth-century Siam, small change consisted entirely of porcelain Chinese gaming counters—basically, the equivalent of poker chips—issued by local casinos. If one of these casinos went out of business or lost its license, its owners would have to send a crier through the streets banging a gong and announcing that anyone holding such chits had three days to redeem them.[3] For major transactions, of course, currency that was also acceptable outside the community (usually silver or gold again) was ordinarily employed.

In a similar way, English shops, for many centuries, would issue their own wood or lead or leather token money. The practice was often technically illegal, but it continued until relatively recent times. Here is an example from the seventeenth century, by a certain Henry, who had a store at Stony Stratford, Buckinghamshire:



This is clearly a case of the same principle: Henry would provide small change in the form of IOUs redeemable at his store. As such, they might circulate broadly, at least among anyone who did regular business at that shop. But they were unlikely to travel very far from Stony Stratford—most tokens, in fact, never circulated more than a few blocks in any direction. For larger transactions, everyone, including Henry, expected money in a form that would be acceptable anywhere, including in Italy or France.[4]

Throughout most of history, even where we do find elaborate markets, we also find a complex jumble of different sorts of currency. Some of these may have originally emerged from barter between foreigners: the cacao money of Mesoamerica or salt money of Ethiopia are frequently cited examples.[5] Others arose from credit systems, or from arguments over what sort of goods should be acceptable to pay taxes or other debts. Such questions were often matters of endless contestation. One could often learn a lot about the balance of political forces in a given time and place by what sorts of things were acceptable as currency. For instance: in much the same way that colonial Virginia planters managed to pass a law obliging shopkeepers to accept their tobacco as currency, medieval Pomeranian peasants appear to have at certain points convinced their rulers to make taxes, fees, and customs duties, which were registered in Roman currency, payable in wine, cheese, peppers, chickens, eggs, and even herring—much to the annoyance of traveling merchants, who therefore had to either carry such things around in order to pay the tolls or buy them locally at prices that would have been more advantageous to their suppliers for that very reason.[6] This was in an area with a free peasantry, rather than serfs. They were in a relatively strong political position. In other times and places, the interests of lords and merchants prevailed instead.

Thus money is almost always something hovering between a commodity and a debt-token. This is probably why coins—pieces of silver or gold that are already valuable commodities in themselves but that, being stamped with the emblem of a local political authority, became even more valuable—still sit in our heads as the quintessential form of money. They most perfectly straddle the divide that defines what money is in the first place. What's more, the relation between the two was a matter of constant political contestation.

In other words, the battle between state and market, between governments and merchants, is not inherent to the human condition.

Our two origin stories—the myth of barter and the myth of primordial debt—may appear to be about as far apart as they could be, but in their own way, they are also two sides of the same coin. One assumes the other. It's only once we can imagine human life as a series of commercial transactions that we're capable of seeing our relation to the universe in terms of debt.

To illustrate, let me call a perhaps surprising witness, Friedrich Nietzsche, a man able to see with uncommon clarity what happens when you try to imagine the world in commercial terms.

Nietzsche's *On the Genealogy of Morals* appeared in 1887. In it, he begins with an argument that might well have been taken directly from Adam Smith—but he takes it a step further than Smith ever dared to, insisting that not just barter, but buying and selling itself, precede any other form of human relationship. The feeling of personal obligation, he observes,

> has its origin in the oldest and most primitive personal relationship there is, in the relationship between seller and buyer, creditor and debtor. Here for the first time one person moved up against another person, here an individual *measured himself* against another individual. We have found no civilization still at such a low level that something of this relationship is not already perceptible. To set prices, to measure values, to think up equivalencies, to exchange things—that preoccupied man's very first thinking to such a degree that in a certain sense it's what thinking *itself* is. Here the oldest form of astuteness was bred; here, too, we can assume are the first beginnings of man's pride, his feeling of pre-eminence in relation to other animals. Perhaps our word "man" (*manas*) continues to express directly something of *this* feeling of the self: the human being describes himself as a being which assesses values, which values and measures, as the "inherently calculating animal." Selling and buying, together with their psychological attributes, are even older

> than the beginnings of any form of social organizations and groupings; out of the most rudimentary form of personal legal rights the budding feeling of exchange, contract, guilt, law, duty, and compensation was instead first *transferred* to the crudest and earliest social structures (in their relationships with similar social structures), along with the habit of comparing power with power, of measuring, of calculating.[7]

Smith, too, we will remember, saw the origins of language—and hence of human thought—as lying in our propensity to "exchange one thing for another," in which he also saw the origins of the market.[8] The urge to trade, to compare values, is the very thing that makes us intelligent beings, and different from other animals. Society comes later—which means our ideas about responsibilities to other people first take shape in strictly commercial terms.

Unlike with Smith, however, it never occurred to Nietzsche that you could have a world where all such transactions immediately cancel out. Any system of commercial accounting, he assumed, will produce creditors and debtors. In fact, he believed that it was from this very fact that human morality emerged. Note, he says, how the German word *schuld* means both "debt" and "guilt." At first, to be in debt was simply to be guilty, and creditors delighted in punishing debtors unable to repay their loans by inflicting "all sorts of humiliation and torture on the body of the debtor, for instance, cutting as much flesh off as seemed appropriate for the debt."[9] In fact, Nietzsche went so far as to insist that those original barbarian law codes that tabulated so much for a ruined eye, so much for a severed finger, were not originally meant to fix rates of monetary compensation for the loss of eyes and fingers, but to establish how much of the debtor's body creditors were allowed to take! Needless to say, he doesn't provide a scintilla of evidence for this (none exists).[10] But to ask for evidence would be to miss the point. We are dealing here not with a real historical argument but with a purely imaginative exercise.

When humans did begin to form communities, Nietzsche continues, they necessarily began to imagine their relationship to the community in these terms. The tribe provides them with peace and security. They are therefore in its debt. Obeying its laws is a way of paying it back ("paying your debt to society" again). But this debt, he says, is also paid—here too—in sacrifice:

> Within the original tribal cooperatives—we're talking about primeval times—the living generation always acknowledged a legal obligation to the previous generations, and especially to the earliest one which had founded the tribe [...] Here the reigning conviction is that the tribe only *exists* at all only because of the sacrifices and achievements of its ancestors—and that people have to *pay them back* with sacrifices and achievements. In this people recognize a *debt* which keeps steadily growing because these ancestors in their continuing existence as powerful spirits do not stop giving the tribe new advantages and lending them their power. Do they do this for free? But there is no "for free" for those raw and "spiritually destitute" ages. What can people give back to them? Sacrifices (at first as nourishment understood very crudely), festivals, chapels, signs of honor, above all, obedience—for all customs, as work of one's ancestors, are also their statutes and commands. Do people ever give them enough? This suspicion remains and grows.[11]

In other words, for Nietzsche, starting from Adam Smith's assumptions about human nature means we must necessarily end up with something very much along the lines of primordial-debt theory. On the one hand, it is because of our feeling of debt to the ancestors that we obey the ancestral laws: this is why we feel that the community has the right to react "like an angry creditor" and punish us for our transgressions if we break them. In a larger sense, we develop a creeping feeling that we could never really pay back the ancestors, that no sacrifice (not even the sacrifice of our first-born) will ever truly redeem us. We are terrified of the ancestors, and the stronger and more powerful a community becomes, the more powerful they seem to be, until finally, "the ancestor is necessarily transfigured into a god." As communities grow into kingdoms and kingdoms into universal empires, the gods themselves come to seem more universal, they take on grander, more cosmic pretentions, ruling the heavens, casting thunderbolts—culminating in the Christian god, who, as the maximal deity, necessarily "brought about the maximum feeling of indebtedness on earth." Even our ancestor Adam is no longer figured as a creditor, but as a transgressor, and therefore a debtor, who passes on to us his burden of Original Sin:

> Finally, with the impossibility of discharging the debt, people also come up with the notion that it is impossible to remove the penance, the idea that it cannot be paid off ("*eternal* punishment")… until all of a sudden we confront the paradoxical and horrifying expedient with which a martyred humanity found temporary relief, that stroke of genius of *Christianity*: God sacrificing himself for the guilt of human beings, God paying himself back with himself, God as the only one who can redeem man from what for human beings has become impossible to redeem—the creditor sacrificing himself for the debtor, out of *love* (can people believe that?), out of love for his debtor![12]

It all makes perfect sense if you start from Nietzsche's initial premise. The problem is that the premise is insane.

There is also every reason to believe that Nietzsche knew the premise was insane; in fact, that this was the entire point. What Nietzsche is doing here is starting out from the standard, common-sense assumptions about the nature of human beings prevalent in his day (and to a large extent, still prevalent)—that we are rational calculating machines, that commercial self-interest comes before society, that "society" itself is just a way of putting a kind of temporary lid on the resulting conflict. That is, he is starting out from ordinary bourgeois assumptions and driving them to a place where they can only shock a bourgeois audience.

It's a worthy game and no one has ever played it better; but it's a game played entirely within the boundaries of bourgeois thought. It has nothing to say to anything that lies beyond it. The best response to anyone who wants to take seriously Nietzsche's fantasies about savage hunters chopping pieces off each other's bodies for failure to remit are the words of an actual hunter-gatherer—an Inuit from Greenland made famous in the Danish writer Peter Freuchen's *Book of the Eskimo*. Freuchen tells how one day, after coming home hungry from an unsuccessful walrus-hunting expedition, he found one of the successful hunters dropping off several hundred pounds of meat. He thanked him. The man objected indignantly:

> "Up in our country we are human!" said the hunter. "And since we are human we help each other. We don't like to hear anybody say thanks for that. What I get today you may get tomorrow. Up here we say that by gifts one makes slaves and by whips one makes dogs."[13]

The last line is something of an anthropological classic, and similar statements about the refusal to calculate credits and debits can be found throughout the anthropological literature on egalitarian hunting societies. Rather than seeing himself as human because he could make economic calculations, the hunter insisted that being truly human meant *refusing* to make such calculations, refusing to measure or remember who had given what to whom, for the precise reason that doing so would inevitably create a world where we began "comparing power with power, measuring, calculating" and reducing each other to slaves or dogs through debt.

It's not that he, like untold millions of similar egalitarian spirits throughout history, was unaware that humans have a propensity to calculate. If he wasn't aware of it, he could not have said what he did. Of course we have a propensity to calculate. We have all sorts of propensities. In any real-life situation, we have propensities that drive us in several different contradictory directions simultaneously. No one is more real than any other. The real question is which we take as the foundation of our humanity and therefore, make the basis of our civilization. If Nietzsche's analysis of debt is helpful to us, then, it is because it reveals that when we start from the assumption that human thought is essentially a matter of commercial calculation, that buying and selling are the basis of human society—then, yes, once we begin to think about our relationship with the cosmos, we will necessarily conceive of it in terms of debt.

▮ ▮ ▮ ▮ ▮

I do think Nietzsche helps us in another way as well: to understand the concept of redemption. Niezsche's account of "primeval times" might be absurd, but his description of Christianity—of how a sense of debt is transformed into an abiding sense of guilt, and guilt to self-loathing, and self-loathing to self-torture—all of this does ring very true.

Why, for instance, do we refer to Christ as the "redeemer"? The primary meaning of "redemption" is to buy something back, or to recover something that had been given up in security for a loan; to acquire something by paying off a debt. It is rather striking to think that the very core of the Christian message, salvation itself, the sacrifice of God's own son to rescue humanity from eternal damnation, should be framed in the language of a financial transaction.

Nietzsche might have been playfully adopting the same assumptions as Adam Smith, but clearly the early Christians were not. The roots of this thinking lie deeper than Smith's with his nation of shopkeepers. The authors of the Brahmanas were not alone in borrowing the language of the marketplace as a way of thinking about the human condition. Indeed, to one degree or another, all the major world religions did.

The reason is that all of them—from Zoroastrianism to Islam—arose amidst intense arguments about the role of money and the market in human life, and particularly about what these institutions meant for fundamental questions of what human beings owed to one another. The question of debt, and arguments about debt, ran through every aspect of the political life of the time. These arguments were set amidst revolts, petitions, and reformist movements. Some such movements gained allies in the temples and palaces. Others were brutally suppressed. Most of the terms, slogans, and specific issues being debated, though, have been lost to history. We just don't have any idea what a political argument in a Syrian tavern in, say, 750 BC was likely to have been like. As a result, we have spent thousands of years contemplating sacred texts full of political allusions that would have been instantly recognizable to any reader at the time when they were written, but whose meaning we now can only guess at.[14]

One of the unusual things about the Bible is that it preserves some bits of this larger context. To return to the notion of redemption: the Hebrew words *padah* and *goal*, both translated as "redemption," could be used for buying back anything one had sold to someone else, particularly the recovery of ancestral land, or to recovering some object held by creditors in way of a pledge.[15] The example foremost in the minds of prophets and theologians seems to have been the last: the redemption of pledges and especially, of family members held as debt-pawns. It would seem that the economy of the Hebrew kingdoms, by the time of the prophets, was already beginning to develop the same kinds of debt crises that had long been common in Mesopotamia: especially in years of bad harvests, as the poor became indebted to rich neighbors or to wealthy moneylenders in the towns, they would begin to lose title to their fields and to become tenants on what had been their own land, and their sons and daughters would be removed to serve as servants in their creditors' households, or even sold abroad as slaves.[16] The earlier prophets contain allusions to such crises, but the book of Nehemiah, written in Persian times, is the most explicit:[17]

> Some also there were that said, "We have mortgaged our lands, vineyards, and houses, that we might buy corn, because of the dearth."
>
> There were also those that said, "We have borrowed money for the king's tribute, and that upon our lands and vineyards.

> "Yet now our flesh is as the flesh of our brethren, our children as their children: and, lo, we bring into bondage our sons and our daughters to be servants, and some of our daughters are brought unto bondage already: neither is it in our power to redeem them; for other men have our lands and vineyards."
>
> And I was very angry when I heard their cry and these words.
>
> Then I consulted with myself, and I rebuked the nobles, and the rulers, and said unto them, "Ye exact usury, every one of his brother." And I set a great assembly against them.[18]

Nehemiah was a Jew born in Babylon, a former cup-bearer to the Persian emperor. In 444 BC, he managed to talk the Great King into appointing him governor of his native Judaea. He also received permission to rebuild the Temple in Jerusalem that had been destroyed by Nebuchadnezzar more than two centuries earlier. In the course of rebuilding, sacred texts were recovered and restored; in a sense, this was the moment of the creation of what we now consider Judaism.

But as soon as Nehemiah returned home, he found himself confronted with a social crisis. All around him, impoverished peasants were unable to pay their taxes; creditors were carrying off the children of the poor. His first response was to issue a classic Babylonian-style "clean slate" edict—having himself been born in Babylon, he was clearly familiar with the general principle. All non-commercial debts were to be forgiven. Maximum interest rates were set. At the same time, though, Nehemiah managed to locate, revise, and reissue much older Jewish laws, now preserved in Exodus, Deuteronomy, and Leviticus, which in certain ways went even further, by institutionalizing the principle.[19] The most famous of these is the Law of Jubilee: a law that stipulated that all debts would be automatically canceled "in the Sabbath year" (that is, after seven years had passed), and that all who languished in bondage owing to such debts would be released.[20]

In the Bible, as in Mesopotamia, "freedom," came to refer above all to release from the effects of debt. Over time, the history of the Jewish people itself came to be interpreted in this light: the liberation from bondage in Egypt was God's first, paradigmatic act of redemption; the historical tribulations of the Jews (defeat, conquest, exile) were seen as misfortunes that would eventually lead to a final redemption with the coming of the Messiah—though this could only be accomplished, prophets such as Jeremiah warned them, after the Jewish people truly repented of their sins (carrying each other off into bondage, whoring after false gods, the violation of commandments).[21] In this light, the adoption of the term by Christians is hardly surprising. Redemption was a release from one's burden of sin and guilt, and the end of history would be that moment when all slates are wiped clean and all debts finally lifted, when a great blast from angelic trumpets will announce the final Jubilee.

If so, "redemption" is no longer about buying something back. It's really more a matter of destroying the entire system of accounting. In many Middle Eastern cities, this was literally true: one of the common acts during debt cancellation was the ceremonial destruction of the tablets on which financial records had been kept, an act to be repeated, much less officially, in just about every major peasant revolt in history.[22]

This leads to another problem: What is possible in the meantime, before that final redemption comes? In one of his more disturbing parables, the Parable of the Unforgiving Servant, Jesus seemed to be explicitly playing with the problem:

> Therefore, the kingdom of heaven is like a king who wanted to settle accounts with his servants. As he began the settlement, a man who owed him ten thousand talents was brought to him. Since he was not able to pay, the master ordered that he and his wife and his children and all that he had be sold to repay the debt.
>
> The servant fell on his knees before him. “Be patient with me,” he begged, “and I will pay back everything.” The servant’s master took pity on him, canceled the debt, and let him go.
>
> But when that servant went out, he found one of his fellow servants who owed him a hundred denarii. He grabbed him and began to choke him. “Pay back what you owe me!” he demanded.
>
> His fellow servant fell to his knees and begged him, “Be patient with me, and I will pay you back.”
>
> But he refused. Instead, he went off and had the man thrown into prison until he could pay the debt. When the other servants saw what had happened, they were greatly distressed and went and told their master everything that had happened.
>
> Then the master called the servant in. “You wicked servant,” he said, “I canceled all that debt of yours because you begged me to. Shouldn’t you have had mercy on your fellow servant just as I had on you?” In anger his master turned him over to the jailers to be tortured, until he should pay back all he owed.[23]

This is quite an extraordinary text. On one level it’s a joke; in others, it could hardly be more serious.

We begin with the king wishing to “settle accounts” with his servants. The premise is absurd. Kings, like gods, can't really enter into relations of exchange with their subjects, since no parity is possible. And this is a king who clearly *is* God. Certainly there can be no final settling of accounts.

So at best we are dealing with an act of whimsy on the king's part. The absurdity of the premise is hammered home by the sum the first man brought before him is said to owe. In ancient Judaea, to say someone owes a creditor "ten thousand talents" would be like now saying someone owes "a hundred billion dollars." The number is a joke, too; it simply stands in for "a sum no human being could ever conceivably repay."[24]

Faced with infinite, existential debt, the servant can only tell obvious lies: "A hundred billion? Sure, I'm good for it! Just give me a little more time." Then, suddenly, apparently just as arbitrarily, the Lord forgives him.

Yet, it turns out, the amnesty has a condition he is not aware of. It is incumbent on his being willing to act in an analogous way to other humans—in this particular case, another servant who owes him (to translate again into contemporary terms), maybe a thousand bucks. Failing the test, the human is cast into hell for all eternity, or "until he should pay back all he owed," which in this case comes down to the same thing.

The parable has long been a challenge to theologians. It's normally interpreted as a comment on the endless bounty of God's grace and how little He demands of us in comparison—and thus, by implication, as a way of suggesting that torturing us in hell for all eternity is not as unreasonable as it might otherwise seem. Certainly, the unforgiving servant is a genuinely odious character. Still, what is even more striking to me is the tacit suggestion that forgiveness, in this world, is ultimately impossible.

Christians practically say as much every time they recite the Lord's Prayer and ask God to "forgive us our debts, as we also forgive our debtors."[25] It repeats the story of the parable almost exactly, and the implications are similarly dire. After all, most Christians reciting the prayer are aware that they do not generally forgive their debtors. Why then should God forgive them their sins?[26]

What's more, there is the lingering suggestion that we really couldn't live up to those standards even if we tried. One of the things that makes the Jesus of the New Testament such a tantalizing character is that it's never clear what he's telling us. Everything can be read two ways. When he calls on his followers to forgive all debts, refuse to cast the first stone, turn the other cheek, love their enemies, to hand over their possessions to the poor—is he really expecting them to do this? Or are such demands just a way of throwing in their faces that, since we are clearly not prepared to act this way, we are all sinners whose salvation can only come in another world—a position that can be (and has been) used to justify almost anything? This is a vision of human life as inherently corrupt, but it also frames even spiritual affairs in commercial terms: with calculations of sin, penance, and absolution, the Devil and St. Peter with their rival ledger books, usually accompanied by the creeping feeling that it's all a charade because the very fact that we are reduced to playing such a game of tabulating sins reveals us to be fundamentally unworthy of forgiveness.

World religions, as we shall see, are full of this kind of ambivalence. On the one hand they are outcries against the market; on the other, they tend to frame their objections in commercial terms—as if to argue that turning human life into a series of transactions is not a very good deal. What I think even these few examples reveal, though, is how much is being papered over in the conventional accounts of the origins and history of money. There is something almost touchingly naïve in the stories about neighbors swapping potatoes for an extra pair of shoes. When the ancients thought about money, friendly swaps were hardly the first thing that came to mind.

True, some might have thought about their tab at the local ale-house or, if they were a merchant or administrator, of storehouses, account books, exotic imported delights. For most, though, what was likely to come to mind was the selling of slaves and ransoming of prisoners, corrupt tax-farmers and the depredations of conquering armies, mortgages and interest, theft and extortion, revenge and punishment, and, above all, the tension between the need for money to create families, to acquire a bride so as to have children, and use of that same money to destroy families—to create debts that lead to the same wife and children being taken away. "Some of our daughters are brought unto bondage already: neither is it in our power to redeem them." One can only imagine what those words meant, emotionally, to a father in a patriarchal society in which a man's ability to protect the honor of his family was everything. Yet this is what money meant to the majority of people for most of human history: the terrifying prospect of one's sons and daughters being carried off to the homes of repulsive strangers to clean their pots and provide occasional sexual services, to be subject to every conceivable form of violence and abuse, possibly for years, conceivably forever, as their parents waited, helpless, avoiding eye contact with their neighbors, who knew exactly what was happening to those they were supposed to have been able to protect.[27] Clearly, this was the worst thing that could happen to

What we see in the Bible and other religious traditions are traces of the moral arguments by which such claims were justified, usually subject to all sorts of imaginative twists and turns, but inevitably, to some degree, incorporating the language of the marketplace itself.

foundation for a system of ethics, but for most of us, "an eye for an eye" does not evoke justice so much as vindictive brutality.[4] "One good turn deserves another" is a pleasant sentiment, but "I'll scratch your back, you scratch mine" is shorthand for political corruption. Conversely, there are relationships that seem clearly moral but appear to have nothing to do with reciprocity. The relation between mother and child is an oft-cited example. Most of us learn our sense of justice and morality first from our parents. Yet it is extremely difficult to see the relation between parent and child as particularly reciprocal. Would we really be willing to conclude that therefore it is not a moral relationship? That it has nothing to do with justice?

The Canadian novelist Margaret Atwood begins her recent book on debt with a similar paradox:

> Nature Writer Ernest Thompson Seton had an odd bill presented to him on his twenty-first birthday. It was a record kept by his father of all the expenses connected with young Ernest's childhood and youth, including the fee charged by the doctor for delivering him. Even more oddly, Ernest is said to have paid it. I used to think that Mr. Seton Senior was a jerk, but now I'm wondering.[5]

Most of us wouldn't wonder much. Such behavior seems monstrous, inhuman. Certainly Seton found it so: he paid the bill, but never spoke to his father again afterward.[6] And in a way, this is precisely why the presentation of such a bill seems so outrageous. Squaring accounts means that the two parties have the ability to walk away from each other. By presenting it, his father suggested he'd just as soon have nothing further to do with him.

In other words, while most of us can imagine what we owe to our parents as a kind of debt, few of us can *image not available*

been savaged by a tiger, demanded a knife. One French missionary working in Central Africa insisted that such things happened to him on a regular basis:

> You save a person's life, and you must expect to receive a visit from him before long; you are now under an obligation to him, and you will not get rid of him except by giving him presents.[8]

Now, certainly, there is almost always felt to be something extraordinary about saving a life. Anything surrounding birth and death almost cannot help but partake of the infinite, and, therefore, throw all everyday means of moral calculation askew. This is probably why stories like this had become something of a cliché in America when I was growing up. I remember as a child several times being told that among the Inuit (or sometimes it was among Buddhists, or Chinese, but, curiously, never Africans)—that if one saves someone else's life, one is considered responsible for taking care of that person forever. It defies our sense of reciprocity. But, somehow, it also makes a weird kind of sense.

We have no way of knowing what was really going on in the minds of the patients in these stories, since we don't know who they were or what sort of expectations they had (how they normally interacted with their doctors, for example). But we can guess. Let's try a thought experiment. Imagine that we are dealing with a place where if one man saved another's life, the two became like brothers. Each was now expected to share everything and to provide for the other when he was in need. If so, the patient would surely notice that his new brother appeared to be extraordinarily wealthy, not in much need of anything, but that he, the patient, was lacking in many things the missionary could provide.

particularly disposed to communism. Lies, insults, put-downs, and other sorts of verbal aggression are important—but they derive most of their power from the shared assumption that people do not ordinarily act this way: an insult does not sting unless one assumes that others will normally be considerate of one's feelings, and it's impossible to lie to someone who does not assume you would ordinarily tell the truth. When we genuinely wish to break off amicable relations with someone, we stop speaking to them entirely.

The same goes for small courtesies like asking for a light, or even for a cigarette. It seems more legitimate to ask a stranger for a cigarette than for an equivalent amount of cash, or even food; in fact, if one has been identified as a fellow smoker, it's rather difficult to refuse such a request. In such cases—a match, a piece of information, holding the elevator—one might say the "from each" element is so minimal that most of us comply without even thinking about it. Conversely, the same is true if another person's need—even a stranger's—is particularly spectacular or extreme: if he is drowning, for example. If a child has fallen onto the subway tracks, we assume that anyone who is capable of helping her up will do so.

I will call this "baseline communism": the understanding that, unless people consider themselves enemies, if the need is considered great enough, or the cost considered reasonable enough, the principle of "from each according to their abilities, to each according to their needs" will be assumed to apply. Of course, different communities apply very different standards. In large, impersonal urban communities, such a standard may go no further than asking for a light or directions. This might not seem like much, but it founds the possibility of larger social relations. In smaller, less impersonal communities—

especially those not divided into social classes—the same logic will likely extend much further: for example, it is often effectively impossible to refuse a request not just for tobacco, but for food, sometimes even from a stranger, and certainly from anyone considered to belong to the community. Exactly one page after describing his difficulties in asking for directions, Evans-Pritchard notes that these same Nuer find themselves unable, when dealing with someone they have accepted as a member of their camp, to refuse a request for almost any item of common consumption. A man or woman known to have anything extra in the way of grain, tobacco, tools, or agricultural implements can be expected to see their stockpiles disappear almost immediately.[14] However, this baseline of openhanded sharing and generosity never extends to everything. Often, in fact, things freely shared are treated as trivial and unimportant for that very reason. Among the Nuer, true wealth takes the form of cattle. No one would freely share their cattle; in fact, young Nuer men learn that they are expected to defend their cattle with their lives; but for the same reason, neither are cattle ever bought or sold.

The obligation to share food, and whatever else is considered a basic necessity, tends to become the basis of everyday morality in a society whose members see themselves as equals. Another anthropologist, Audrey Richards, once described how Bemba mothers, "such lax disciplinarians in everything else," will scold their children harshly if they give one an orange or some other treat and the child does not immediately offer to share it with her friends.[15] But sharing is also, in such societies—in any, if we really think about it—a major focus of life's pleasures. As a result, the need to share is particularly acute in both the best of times and the worst of times:

during famines, for example, but also during moments of extreme plenty. Early missionary accounts of native North Americans almost invariably include awestruck remarks on generosity in times of famine, often to total strangers.[16] At the same time,

> On returning from their fishing, their hunting, and their trading, they exchange many gifts; if they have thus obtained something unusually good, even if they have bought it, or if it has been given to them, they make a feast to the whole village with it. Their hospitality towards all sorts of strangers is remarkable.[17]

The more elaborate the feast, the more likely one is to see some combination of free sharing of some things (for instance, food and drink) and careful distribution of others: say, prize meat, whether from game or sacrifice, which is often parceled out according to very elaborate protocols or equally elaborate gift exchange. The giving and taking of gifts often takes on a distinctly gamelike quality, continuous often with the actual games, contests, pageants, and performances that also often mark popular festivals. As with society at large, the shared conviviality could be seen as a kind of communistic base on top of which everything else is constructed. It also helps to emphasize that sharing is not simply about morality, but also about pleasure. Solitary pleasures will always exist, but for most human beings, the most pleasurable activities almost always involve sharing something: music, food, liquor, drugs, gossip, drama, beds. There is a certain communism of the senses at the root of most things we consider fun.

The surest way to know that one is in the presence of communistic relations is that not only are no accounts taken, but it would be considered offensive, or simply