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Debt: The First Five Thousand Years

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Contents

What follows are a series of brief reflections (part of a much broader work in progress) on debt, credit, and virtual money: topics that are, obviously, of rather pressing concern for many at the current time.

There seems little doubt that history, widely rumored to have come to an end a few years ago, has gone into overdrive of late, and is in the process of spitting us into a new political and economic landscape whose contours no one understands. Everyone agrees something has just ended but no one is quite sure what. Neoliberalism? Postmodernism? American hegemony? The rule of finance capital? Capitalism itself (unlikely for the time being)? It's even more difficult to predict what's about to be thrown at us, let alone what shape the forces of resistance to it are likely to take. Some new form of green capitalism? Knowledge Keynesianism? Chinese-style industrial authoritarianism? 'Progressive' imperialism?

At moments of transformation, one of the few things one can say for certain is that we don't really know how much our own actions can affect the outcome, but we would be very foolish to assume that they cannot.

Historical action tends to be narrative in form. In order to be able to make an intervention in history (arguably, in order to act decisively in any circumstances), one has to be able to cast oneself in some sort of story — though, speaking as someone who has actually had the opportunity to be in the middle of one or two world historical events, I can also attest that one in that situation is almost never quite certain what sort of drama it really is, since there are usually several alternatives battling it out, and that the question is not entirely resolved until everything is over (and never completely resolved even then). But I think there's something that comes before even that. When one is first trying to assess a historical situation, having no real idea where one stands, trying to place oneself in a much larger stream of history so as to be able to start to think about what the problem even is, then usually it's less a matter of placing oneself in a story than of figuring out the larger rhythmic structure, the ebb and flow of historical movements. Is what is happening around me the result of a generational political realignment, a movement of capitalism's boom or bust cycle, the beginning or result of a new wave of struggles, the inevitable unfolding of a Kondratieff B curve? Or is it all these things? How do all these rhythms weave in and out of each other? Is there one core rhythm pushing the others along? How do they sit inside one another, syncopate, concatenate, harmonise, clash?

Let me briefly lay out what might be at stake here. I'll focus here on cycles of capitalism, secondarily on war. This is because I don't like capitalism and think that it's rapidly destroying the planet, and that if we are going to survive as a species, we're really going to have to come up with something else. I also don't like war, both for all the obvious reasons, but also, because it strikes me as one of the main ways capitalism has managed to perpetuate itself. So in picking through

possible theories of historical cycles, this is what I have had primarily in mind. Even here there are any number of possibilities. Here are a few:

Are we seeing an alternation between periods of peace and massive global warfare? In the late 19th century, for example, war between major industrial powers seemed to be a thing of the past, and this was accompanied by vast growth of both trade, and revolutionary internationalism (of broadly anarchist inspiration). 1914 marked a kind of reaction, a shift to 70 years mainly concerned with fighting, or planning for, world wars. The moment the Cold War ended, the pattern of the 1890s seemed to be repeating itself, and the reaction was predictable.

Or could one look at brief cycles — sub-cycles perhaps? This is particularly clear in the US, where one can see a continual alternation, since WWII, between periods of relative peace and democratic mobilisation immediately followed by a ratcheting up of international conflict: the civil rights movement followed by Vietnam, for example; the anti-nuclear movement of the '70s followed by Reagan's proxy wars and abandonment of détente; the global justice movement followed by the War on Terror.

Or should we be looking at financialisation? Are we dealing with Fernand Braudel or Giovanni Arrighi's alternation between hegemonic powers (Genoa/Venice, Holland, England, USA), which start as centers for commercial and industrial capital, later turn into centers of finance capital, and then collapse?

If so, then the question is of shifting hegemonies to East Asia, and whether (as Wallerstein for instance has recently been predicting) the US will gradually shift into the role of military enforcer for East Asian capital, provoking a realignment between Russia and the EU. Or, in fact, if all bets are off because the whole system is about to shift since, as Wallerstein also suggests, we are entering into an even more profound, 500-year cycle shift in the nature of the world-system itself?

Are we dealing with a global movement, as some autonomists (for example, the Midnight Notes collective) propose, of waves of popular struggle, as capitalism reaches a point of saturation and collapse — a crisis of inclusion as it were?

According to this version, the period from 1945 to perhaps 1975 was marked by a tacit deal with elements of the North Atlantic male working class, who were offered guaranteed good jobs and social security in exchange for political loyalty. The problem for capital was that more and more people demanded in on the deal: people in the Third World, excluded minorities in the North, and, finally, women. At this point the system broke, the oil shock and recession of the '70s became a way of declaring that all deals were off: such groups could have political rights but these would no longer have any economic consequences.

Then, the argument goes, a new cycle began in which workers tried — or were encouraged — to buy into capitalism itself, whether in the form of micro-credit, stock options, mortgage refinancing, or 401ks. It's this movement that seems

to have hit its limit now, since, contrary to much heady rhetoric, capitalism is not and can never be a democratic system that provides equal opportunities to everyone, and the moment there's a serious attempt to include the bulk of the population even in one country (the US) into the deal, the whole thing collapses into energy crisis and global recession all over again.

None of these are necessarily mutually exclusive but they have very different strategic implications. Much rests on which factor one happens to decide is the driving force: the internal dynamics of capitalism, the rise and fall of empires, the challenge of popular resistance? But when it comes to reading the rhythms in this way, the current moment still throws up unusual difficulties. There is a widespread sense that we are heading towards some kind of fundamental rupture, that old rhythms can no longer be counted on to repeat themselves, that we might be entering a new sort of time. Wallerstein says so much explicitly: if everything were going the way it generally has tended to go, for the last 500 years, East Asia would emerge as the new center of capitalist dominance. Problem is we may be coming to the end of a 500 year cycle and moving into a world that works on entirely different principles (subtext: capitalism itself may be coming to an end). In which case, who knows? Similarly, cycles of militarism cannot continue in the same form in a world where major military powers are capable of extinguishing all life on earth, with all-out war between them therefore impossible. Then there's the factor of imminent ecological catastrophe.

One could make the argument, of course, that history is such that we always feel we're at the edge of something. It's always a crisis, there's no particular reason to assume that this time it's true. Historically, it has been a peculiar feature of capitalism that it seems to feel the need to constantly throw up spectres of its own demise. For most of the 19th century, and well into the 20th, most capitalists operated under the very strong suspicion that they might shortly end up hanging from trees — or, if they weren't going to be strung up in an apocalyptic Socialist Revolution, witness some similar apocalyptic collapse into degenerate barbarism. One of the most disturbing features of capitalism, in fact, is not just that it constantly generates apocalyptic fantasies, but that it actually produces the physical means to make apocalyptic fantasies come true. For example, in the '50s, once the destruction of capitalism from within could no longer be plausibly imagined, along came the spectre of nuclear war. In this case, the bombs were quite real. And once the prospect of anyone using those bombs (at least in such numbers as to destroy the planet) became increasingly implausible, with the end of the Cold War, we were suddenly greeted by the prospect of global warming.

It would be interesting to reflect at length on capitalism and its time horizons: what is it about this economic system that it seems to want to wipe out the prospect of its own eternity? On the one hand, capitalism being based on a logic

of perpetual growth, one might argue that it is, by definition, not eternal, and can only recognise itself as such. But at other times those who embrace capitalism seem to want to think of it as having been around forever, or at least 5 thousand years, and stubbornly insist it will continue to exist 5 thousand years into the future. At yet other times it seems like a historical blip, an insanely powerful engine of accumulation that exploded around 1500, or maybe 1750, which couldn't possibly be maintained without some sort of apocalyptic collapse. Perhaps the apparent tangle of contradictions is the result of a need to balance the short term perspectives needed by short term profit-seekers, managers, and CEOs, with the broader strategic perspectives of those actually running the system, which are of necessity more political. The result is a clash of narratives. Or maybe it's the fact that whenever capitalism does see itself as eternal, it tends to lead to a spiraling of debt. Actually, the relations between debt bubbles and apocalypse are complicated and would be difficult (though fascinating) to disentangle, but I would suggest this much. The financialisation of capital has lead to a situation where something like 97 to 98 percent of the money in the total 'economy' of wealthy countries like the US or UK is debt. That is to say, it is money whose value rests not on something that actually exists in the present (bauxite, sculptures, peaches, software), but something that might exist at some point in the future. 'Abstract' money is not an idea, it's a promise — a promise of something concrete that will exist at some time in the future, future profits extracted from future resources, future labour of miners, artists, fruit-pickers, web designers, not yet born. At the point where the imaginary future economy is 50 to 100 times larger than the current 'real' one, something has got to give. But the bursting of bubbles often leaves no future to imagine at all, except of catastrophe, because the creation of bubbles is made possible by the destruction of any ability to imagine alternative futures. It's only once one cannot imagine that we are moving towards any sort of new future society, that the world will never be fundamentally different, that there's nothing left to imagine but more and more future money.

It might be interesting, as I say, to try to disentangle the shifting historical relations between war, the development of 'security' apparatuses designed above all to strangle dreams of alternative futures, speculative bubbles, class struggle, and history of the capitalist Future, which seems to veer back and forth between utopia and cataclysm. These are not, however, precisely the questions that I'm asking here. I want, rather, to look at questions of debt from a different, and much longer term, historical perspective. Doing so provides a picture much less bleak and depressing than one might think, since the history of debt is not only a history of slavery, oppression, and bitter social struggles — which, of course, it certainly is, since debt is surely the most effective means ever created for taking relations that are founded on violence and oppression and making them seem right and moral

to all concerned — but also of credit, honour, trust, and mutual commitment. Debt has been for the last 5 thousand years the fulcrum not only of forms of oppression but of popular struggle. Debt crises are periodic and become the stuff of uprisings, mobilisations and revolutions, but also, as a result, reflections on what human beings actually do owe each other, on the moral basis of human society, and on the nature of time, labour, value, creativity and violence.

Debt and Violence

In this essay I don't want so much to delve into the philosophical questions as to lay out the historical groundwork, the rhythmic structure of history if imagined as a history of debt. Here my training as an anthropologist becomes particularly useful. One of the traditional roles of the economic anthropologist is to point out that the standard narrative set out in economic textbooks — the one we all take for granted, really, that once upon a time there was barter; that when this became too inconvenient, people invented money; that eventually, this lead to abstract systems of credit and debt, banking, and the New York Stock Exchange — is simply wrong. There is in fact no known example of a human society whose economy is based on barter of the 'I'll give you ten chickens for that cow' variety. Most economies that don't employ money — or anything that we'd identify as money, anyway — operate quite differently. They are, as French anthropologist Marcel Mauss famously put it, 'gift economies' where transactions are either based on principles of open-handed generosity, or, when calculation does take place, most often descend into competitions over who can give the most away. What I want to emphasise here, though, is what happens when money does first appear in something like it's current form (basically, with the appearance of the state). Because here, it becomes apparent that not only do the economists get it wrong, they get it precisely backwards. In fact, virtual money comes first. Banking, tabs, and expense accounts existed for at least 2 thousand years before there was anything like coinage, or any other physical object that was regularly used to buy and sell things, anything that could be labeled 'currency'.

'Money' in that modern sense, a uniform commodity not only chosen to measure the value of other commodities, but actually stamped in uniform denominations and paid out every time anyone bought or sold something, was an Iron Age innovation — most likely, invented to pay mercenaries. Barter in the sense imagined by Adam Smith, the direct exchange of arrowheads for shoes or the like, can sometimes develop at the margins between societies, or as part of international trade, but it mainly tends to occur in places where people have become accustomed to the use of money and then that supply of money disappears. Examples

of the latter include some parts of 18th and 19th century West Africa, or more recently, if more briefly, in Russia or Argentina.

What follows is a fragment of a much larger project of research on debt and debt money in human history. The first and overwhelming conclusion of this project is that in studying economic history, we tend to systematically ignore the role of violence, the absolutely central role of war and slavery in creating and shaping the basic institutions of what we now call 'the economy'. What's more, origins matter. The violence may be invisible, but it remains inscribed in the very logic of our economic common sense, in the apparently self-evident nature of institutions that simply would never and could never exist outside of the monopoly of violence — but also, the systematic threat of violence — maintained by the contemporary state.

Let me start with the institution of slavery, whose role, I think, is key. In most times and places, slavery is seen as a consequence of war. Sometimes most slaves actually are war captives, sometimes they are not, but almost invariably, war is seen as the foundation and justification of the institution. If you surrender in war, what you surrender is your life; your conqueror has the right to kill you, and often will. If he chooses not to, you literally owe your life to him, a debt conceived as absolute, infinite, irredeemable. He can in principle extract anything he wants, and all debts — obligations — you may owe to others (your friends, family, former political allegiances), or that others therefore owe you, are seen as being absolutely negated. Your debt to your owner is all that now exists.

This sort of logic has at least two very interesting consequences, though they might be said to pull in rather contrary directions. First of all, as we all know, it is another typical — perhaps defining — feature of slavery that slaves can be bought or sold. In this case, absolute debt becomes (in another context, that of the market) no longer absolute — in fact, it can be precisely quantified. There is good reason to believe that it was precisely this operation that made it possible to create something like our contemporary form of money to begin with, since what anthropologists used to refer to as 'primitive money', the kind that one finds in stateless societies (Solomon Island feather money, Iroquois wampum), was mostly used to arrange marriages, resolve blood-feuds, and fiddle with other sorts of relations between people rather than to buy and sell commodities. For instance, if slavery is debt, then debt can lead to slavery. A Babylonian peasant might have paid a handy sum in silver to his wife's parents to officialise the marriage, but he in no sense owned her. He certainly couldn't buy or sell the mother of his children. But all that would change if he took out a loan. Were he to default, his creditors could first remove his sheep and furniture, then his house, fields and orchards, and, finally, take his wife, children, and even himself as debt peons until the matter was settled (which, as his resources vanished, of course became

increasingly difficult to do.) Debt was the hinge that made it possible to imagine money in anything like the modern sense, and therefore, too, to produce what we like to call the market: an arena where anything can be bought and sold, because all objects are (like slaves) disembedded from their former social relations and exist only in relation to money.

But at the same time the logic of debt as conquest can, as I mentioned, pull another way. Kings, throughout history, tend to be profoundly ambivalent towards allowing the logic of debt to get completely out of hand. This is not because they are hostile to markets. On the contrary, they normally encourage them, for the simple reason that governments find it inconvenient to levy everything they need (silks, chariot wheels, flamingo tongues, lapis lazuli) directly from their subject population; it's much easier to encourage markets and then buy them. Early markets often followed armies or royal entourages, or formed near palaces or on the fringes of military posts. This actually helps explain more, rather puzzling behavior on the part of royal courts: after all, since kings usually controlled the gold and silver mines, what exactly was the point of stamping bits of the stuff with your face on it, dumping it on the civilian population, and then demanding they give it back to you again as taxes? It only makes sense if levying taxes was really a way to force everyone to acquire coins, so as to facilitate the rise of markets, since markets were convenient to have around. However, for our present purposes, the critical question is: how were these taxes justified? Why did subjects owe them, what debt were they discharging when they were paid? Here we return again to right of conquest. (Actually, in the ancient world, free citizens — whether in Mesopotamia, Greece, or Rome — often did not have to pay direct taxes for this very reason, but for obvious reasons I'm simplifying here.) If kings claimed to hold the power of life and death over their subjects by right of conquest, then their subjects' debts were, also, ultimately infinite; and also, at least in that context, their relations to one another, what they owed to one another, was unimportant; all that really existed was their relation to the king. This in turn explains why kings and emperors invariably tried to regulate the powers that masters had over slaves, and creditors over debtors. At the very least they would always insist, if they had the power, that the lives of war prisoners having once been spared, their masters could no longer kill them; that, in fact, only rulers could have arbitrary power over life and death. One's ultimate debt was to the state; it was the only one that was truly unlimited, that could make absolute, cosmic, claims.

The reason I stress this is because this logic is still with us. When we speak of a 'society' (French society, Jamaican society) we are really speaking of people organised by a single nation state. That is the tacit model, anyway. 'Societies' are really states, the logic of states is that of conquest, the logic of conquest is ultimately identical to that of slavery. True, in the hands of state apologists, this

becomes transformed into a notion of a more benevolent 'social debt'. Here there is a little story told, a kind of myth. We are all born with an infinite debt to the society that raised, nurtured, fed and clothed us, to those long dead who invented our language and traditions, to all those who made it possible for us to exist. In ancient times we thought we owed this to the gods (it was repaid in sacrifice — or, sacrifice was really just the payment of interest — ultimately, it was repaid by death). Later the debt was adopted by the state — itself a divine institution — with taxes substituted for sacrifice, and military service for one's debt of life. Money is simply the concrete form of this social debt, the way that it is managed. Keynesians like this sort of logic. So do various strains of socialist, social democrats, even crypto-fascists like Auguste Comte (the first, as far as I am aware, to actually coin the phrase 'social debt'). But the logic also runs through much of our common sense: consider for instance, the phrase, 'to pay one's debt to society', or, 'I felt I owed something to my country', or, 'I wanted to give something back.' Always, in such cases, mutual rights and obligations, mutual commitments — the kind of relations that genuinely free people could make with one another — tend to be subsumed into a conception of 'society' where we are all equal only as absolute debtors before the (now invisible) figure of the King, who stands in for your mother, and by extension, humanity.

What I am suggesting then is that while the claims of the impersonal market, and the claims of 'society', are often juxtaposed — and certainly have had a tendency to jockey back and forth in all sorts of practical ways — they are both ultimately founded on a very similar logic of violence. Neither is this a mere matter of historical origins that can be brushed away as inconsequential: neither states nor markets can exist without the constant threat of force.

One might ask, then, what is the alternative?

Towards a History of Virtual Money

Here I can return to my original point: that money did not originally appear in this cold, metal, impersonal form. It originally appears in the form of a measure, an abstraction, but also as a relation (of debt and obligation) between human beings. It is important to note that historically it is commodity money that has always been most directly linked to violence. As one historian put it, 'bullion is the accessory of war, and not of peaceful trade.'[1]

[1] Geoffrey W. Gardiner, 'The Primacy of Trade Debts in the Development of Money', in Credit and State Theories of Money: The Contributions of A. Mitchell Innes, ed. by Randall Wray, Cheltengham: Elgar, 2004, p.134.

The reason is simple. Commodity money, particularly in the form of gold and silver, is distinguished from credit money most of all by one spectacular feature: it can be stolen. Since an ingot of gold or silver is an object without a pedigree, throughout much of history bullion has served the same role as the contemporary drug dealer's suitcase full of dollar bills, as an object without a history that will be accepted in exchange for other valuables just about anywhere, with no questions asked. As a result, one can see the last 5 thousand years of human history as the history of a kind of alternation. Credit systems seem to arise, and to become dominant, in periods of relative social peace, across networks of trust, whether created by states or, in most periods, transnational institutions, whilst precious metals replace them in periods characterised by widespread plunder. Predatory lending systems certainly exist at every period, but they seem to have had the most damaging effects in periods when money was most easily convertible into cash.

So as a starting point to any attempt to discern the great rhythms that define the current historical moment, let me propose the following breakdown of Eurasian history according to the alternation between periods of virtual and metal money:

I. Age of the First Agrarian Empires (3500–800 BCE)
Dominant money form: virtual credit money

Our best information on the origins of money goes back to ancient Mesopotamia, but there seems no particular reason to believe matters were radically different in Pharaonic Egypt, Bronze Age China, or the Indus Valley. The Mesopotamian economy was dominated by large public institutions (Temples and Palaces) whose bureaucratic administrators effectively created money of account by establishing a fixed equivalent between silver and the staple crop, barley. Debts were calculated in silver, but silver was rarely used in transactions. Instead, payments were made in barley or in anything else that happened to be handy and acceptable. Major debts were recorded on cuneiform tablets kept as sureties by both parties to the transaction.

Markets, certainly, did exist. Prices of certain commodities that were not produced within Temple or Palace holdings, and thus not subject to administered price schedules, would tend to fluctuate according to the vagaries of supply and demand. But most actual acts of everyday buying and selling, particularly those that were not carried out between absolute strangers, appear to have been made on credit. 'Ale women', or local innkeepers, served beer, for example, and often rented rooms; customers ran up a tab; normally, the full sum was dispatched at harvest time. Market vendors presumably acted as they do in small scale markets

in Africa, or Central Asia, today, building up lists of trustworthy clients to whom they could extend credit.

The habit of money at interest also originates in Sumer — it remained unknown, for example, in Egypt. Interest rates, fixed at 20 percent, remained stable for 2 thousand years. (This was not a sign of government control of the market: at this stage, institutions like this were what made markets possible.) This however, led to some serious social problems. In years with bad harvests especially, peasants would start becoming hopelessly indebted to the rich, and would have to surrender their farms and, ultimately, family members, in debt bondage. Gradually, this condition seems to have come to a social crisis — not so much leading to popular uprisings, but to common people abandoning the cities and settling territory entirely and becoming semi-nomadic 'bandits' and raiders. It soon became traditional for each new ruler to wipe the slate clean, cancel all debts, and declare a general amnesty or 'freedom', so that all bonded labourers could return to their families. (It is significant here that the first word for 'freedom' known in any human language, the Sumerian amarga, literally means 'return to mother.') Biblical prophets instituted a similar custom, the Jubilee, whereby after seven years all debts were similarly cancelled. This is the direct ancestor of the New Testament notion of 'redemption'. As economist Michael Hudson has pointed out, it seems one of the misfortunes of world history that the institution of lending money at interest disseminated out of Mesopotamia without, for the most part, being accompanied by its original checks and balances.

II. Axial Age (800 BCE — 600 CE)
Dominant money form: coinage and metal bullion

This was the age that saw the emergence of coinage, as well as the birth, in China, India, and the Middle East, of all major world religions.[2] From the Warring States period in China, to fragmentation in India, and to the carnage and mass enslavement that accompanied the expansion (and later, dissolution) of the Roman Empire, it was a period of spectacular creativity throughout most of the world, but of almost equally spectacular violence.

[2] The phrase the 'Axial Age' was originally coined by Karl Jaspers to describe the relatively brief period between 800 BCE — 200 BCE in which, he believed, just about all the main philosophical traditions we are familiar with today arose simultaneously in China, India, and the Eastern Mediterranean. Here, I am using it in Lewis Mumford's more expansive use of the term as the period that saw the birth of all existing world religions, stretching roughly from the time of Zoroaster to that of Mohammed.

Coinage, which allowed for the actual use of gold and silver as a medium of exchange, also made possible the creation of markets in the now more familiar, impersonal sense of the term. Precious metals were also far more appropriate for an age of generalised warfare, for the obvious reason that they could be stolen. Coinage, certainly, was not invented to facilitate trade (the Phoenicians, consummate traders of the ancient world, were among the last to adopt it). It appears to have been first invented to pay soldiers, probably first of all by rulers of Lydia in Asia Minor to pay their Greek mercenaries. Carthage, another great trading nation, only started minting coins very late, and then explicitly to pay its foreign soldiers.

Throughout antiquity one can continue to speak of what Geoffrey Ingham has dubbed the 'military-coinage complex'. He may have been better to call it a 'military-coinage-slavery complex', since the diffusion of new military technologies (Greek hoplites, Roman legions) was always closely tied to the capture and marketing of slaves, and the other major source of slaves was debt: now that states no longer periodically wiped the slates clean, those not lucky enough to be citizens of the major military city-states — who were generally protected from predatory lenders — were fair game. The credit systems of the Near East did not crumble under commercial competition; they were destroyed by Alexander's armies — armies that required half a ton of silver bullion per day in wages. The mines where the bullion was produced were generally worked by slaves. Military campaigns in turn ensured an endless flow of new slaves. Imperial tax systems, as noted, were largely designed to force their subjects to create markets, so that soldiers (and also of course government officials) would be able to use that bullion to buy anything they wanted. The kind of impersonal markets that once tended to spring up between societies, or at the fringes of military operations, now began to permeate society as a whole.

However tawdry their origins, the creation of new media of exchange — coinage appeared almost simultaneously in Greece, India, and China — appears to have had profound intellectual effects. Some have even gone so far as to argue that Greek philosophy was itself made possible by conceptual innovations introduced by coinage. The most remarkable pattern, though, is the emergence, in almost the exact times and places where one also sees the early spread of coinage, of what were to become modern world religions: prophetic Judaism, Christianity, Buddhism, Jainism, Confucianism, Taoism, and eventually, Islam. While the precise links are yet to be fully explored, in certain ways, these religions appear to have arisen in direct reaction to the logic of the market. To put the matter somewhat crudely: if one relegates a certain social space simply to the selfish acquisition of material things, it is almost inevitable that soon someone else will come to set aside another domain in which to preach that, from the perspective

of ultimate values, material things are unimportant, and selfishness — or even the self — illusory.

III. The Middle Ages (600 CE — 1500 CE)
The return to virtual credit-money

If the Axial Age saw the emergence of complementary ideals of commodity markets and universal world religions, the Middle Ages[3] were the period in which those two institutions began to merge. Religions began to take over the market systems. Everything from international trade to the organisation of local fairs increasingly came to be carried out through social networks defined and regulated by religious authorities. This enabled, in turn, the return throughout Eurasia of various forms of virtual credit-money.

In Europe, where all this took place under the aegis of Christendom, coinage was only sporadically, and unevenly, available. Prices after 800 AD were calculated largely in terms of an old Carolingian currency that no longer existed (it was actually referred to at the time as 'imaginary money'), but ordinary day-to-day buying and selling was carried out mainly through other means. One common expedient, for example, was the use of tally-sticks, notched pieces of wood that were broken in two as records of debt, with half being kept by the creditor, half by the debtor. Such tally-sticks were still in common use in much of England well into the 16th century. Larger transactions were handled through bills of exchange, with the great commercial fairs serving as their clearing-houses. The Church, meanwhile, provided a legal framework, enforcing strict controls on the lending of money at interest and prohibitions on debt bondage.

The real nerve center of the Medieval world economy though was the Indian Ocean, which along with the Central Asia caravan routes, connected the great civilisations of India, China, and the Middle East. Here, trade was conducted through the framework of Islam, which not only provided a legal structure highly conducive to mercantile activities (while absolutely forbidding the lending of money at interest), but allowed for peaceful relations between merchants over a remarkably large part of the globe, allowing the creation of a variety of sophisticated credit instruments. Actually, Western Europe was, as in so many things, a

[3] I am here relegating most what is generally referred to as the 'Dark Ages' in Europe into the earlier period, characterized by predatory militarism and the consequent importance of bullion: the Viking raids, and the famous extraction of danegeld from England, in the 800s, might be seen as one the last manifestations of an age where predatory militarism went hand and hand with hoards of gold and silver bullion.

relative late-comer in this regard: most of the financial innovations that reached Italy and France in the 11th and 12th centuries had been in common use in Egypt or Iraq since the 8th or 9th centuries. The word 'cheque', for example, derives from the Arab sakk, and arrived in English only around 1220 AD.

The case of China is even more complicated: the Middle Ages there began with the rapid spread of Buddhism, which, while it was in no position to enact laws or regulate commerce, did quickly move against local usurers by its invention of the pawn shop — the first pawn shops being based in Buddhist temples as a way of offering poor farmers an alternative to the local usurer. Before long, though, the state reasserted itself, as the state always tends to do in China. But as it did so, it not only regulated interest rates and attempted to abolish debt peonage, it moved away from bullion entirely by inventing paper money. All this was accompanied by the development, again, of a variety of complex financial instruments.

All this is not to say that this period did not see its share of carnage and plunder (particularly during the great nomadic invasions) or that coinage was not, in many times and places, an important medium of exchange. Still, what really characterises the period appears to be a movement in the other direction. Money, during most of the Medieval period, was largely delinked from coercive institutions. Money changers, one might say, were invited back into the temples, where they could be monitored. The result was a flowering of institutions premised on a much higher degree of social trust.

IV. Age of European Empires (1500–1971)

The return of precious metals

With the advent of the great European empires — Iberian, then North Atlantic — the world saw both a reversion to mass enslavement, plunder, and wars of destruction, and the consequent rapid return of gold and silver bullion as the main form of currency. Historical investigation will probably end up demonstrating that the origins of these transformations were more complicated than we ordinarily assume. Some of this was beginning to happen even before the conquest of the New World. One of the main factors of the movement back to bullion, for example, was the emergence of popular movements during the early Ming dynasty, in the 15th and 16th centuries, that ultimately forced the government to abandon not only paper money but any attempt to impose its own currency. This led to the reversion of the vast Chinese market to an uncoined silver standard. Since taxes were also gradually commuted into silver, it soon became the more or less official Chinese policy to try to bring as much silver into the country as possible, so as to keep taxes low and prevent new outbreaks of social unrest. The sudden enormous

demand for silver had effects across the globe. Most of the precious metals looted by the conquistadors and later extracted by the Spanish from the mines of Mexico and Potosi (at almost unimaginable cost in human lives) ended up in China. These global-scale connections that eventually developed across the Atlantic, Pacific, and Indian Oceans have of course been documented in great detail. The crucial point is that the delinking of money from religious institutions, and its relinking with coercive ones (especially the state), was here accompanied by an ideological reversion to 'metallism'.[4]

Credit, in this context, was on the whole an affair of states that were themselves run largely by deficit financing, a form of credit which was, in turn, invented to finance increasingly expensive wars. Internationally the British Empire was steadfast in maintaining the gold standard through the 19th and early 20th centuries, and great political battles were fought in the United States over whether the gold or silver standard should prevail.

This was also, obviously, the period of the rise of capitalism, the industrial revolution, representative democracy, and so on. What I am trying to do here is not to deny their importance, but to provide a framework for seeing such familiar events in a less familiar context. It makes it easier, for instance, to detect the ties between war, capitalism, and slavery. The institution of wage labour, for instance, has historically emerged from within that of slavery (the earliest wage contracts we know of, from Greece to the Malay city states, were actually slave rentals), and it has also tended, historically, to be intimately tied to various forms of debt peonage — as indeed, it remains today. The fact that we have cast such institutions in a language of freedom does not mean that what we now think of as economic freedom does not ultimately rest on a logic that has for most of human history been considered the very essence of slavery.

V. Current Era (1971 onwards)
The empire of debt

The current era might be said to have been initiated on 15 August 1971, when US President Richard Nixon officially suspended the convertibility of the dollar into gold and effectively created the current floating currency regimes. We have returned, at any rate, to an age of virtual money, in which consumer purchases in wealthy countries rarely involve even paper money, and national economies are driven largely by consumer debt. It's in this context that we can talk about the 'financialisation' of capital, whereby speculation in currencies and financial

[4] The myth of barter and commodity theories of money was of course developed in this period.

instruments becomes a domain unto itself, detached from any immediate relation with production or even commerce. This is of course the sector that has entered into crisis today.

What can we say for certain about this new era? So far, very, very little. Thirty or forty years is nothing in terms of the scale we have been dealing with. Clearly, this period has only just begun. Still, the foregoing analysis, however crude, does allow us to begin to make some informed suggestions.

Historically, as we have seen, ages of virtual, credit money have also involved creating some sort of overarching institutions — Mesopotamian sacred kingship, Mosaic jubilees, Sharia or Canon Law — that place some sort of controls on the potentially catastrophic social consequences of debt. Almost invariably, they involve institutions (usually not strictly coincident to the state, usually larger) to protect debtors. So far the movement this time has been the other way around: starting with the '80s we have begun to see the creation of the first effective planetary administrative system, operating through the IMF, World Bank, corporations and other financial institutions, largely in order to protect the interests of creditors. However, this apparatus was very quickly thrown into crisis, first by the very rapid development of global social movements (the alter-globalisation movement), which effectively destroyed the moral authority of institutions like the IMF, and left many of them very close to bankrupt, and now by the current banking crisis and global economic collapse. While the new age of virtual money has only just begun and the long term consequences are as yet entirely unclear, we can already say one or two things. The first is that a movement towards virtual money is not in itself, necessarily, an insidious effect of capitalism. In fact, it might well mean exactly the opposite. For much of human history, systems of virtual money were designed and regulated to ensure that nothing like capitalism could ever emerge to begin with — at least not as it appears in its present form, with most of the world's population placed in a condition that would in many other periods of history be considered tantamount to slavery. The second point is to underline the absolutely crucial role of violence in defining the very terms by which we imagine both 'society' and 'markets' — in fact, many of our most elementary ideas of freedom. A world less entirely pervaded by violence would rapidly begin to develop other institutions. Finally, thinking about debt outside the twin intellectual straightjackets of state and market opens up exciting possibilities. For instance, we can ask: exactly what do free men and women owe each other, what sort of promises and commitments should they make to each other, in a society in which that foundation of violence had finally been yanked away?

Let us hope that everyone will someday be in a position to start asking such questions. At times like this, you never know.

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Debt: The First Five Thousand Years
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David Graeber (d.graeber AT gold.ac.uk) undertook his original research in the relations between former nobles and former slaves in a rural community in Madagascar; it was about magic as a tool of politics, about the nature of power, character, and the meaning of history. He has also worked extensively on value theory, and has recently completed a major research project on social movements dedicated to principles of direct democracy, direct action, and has written widely on the relation (real and potential) of anthropology and anarchism. He is currently also working on a project about the history of debt.
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