Debt: The First 5000 Years

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Ch 1 - The Experience of Moral Confusion

"Surely one has to pay one's debts." This statement starts the journey to a new way of looking at how we organize, and have organized, our societies. The remarkable thing about the statement is that, according to standard economic theory, it isn't true. A lender has to accept a certain degree of risk. If it were true (i.e. if all loans were retrievable) then what reason would lenders have not to make a stupid loan? The reason the statement, "Surely one has to pay one's debts" is so powerful is that it is a moral statement, not an economic one.

The very fact that we don't know what debt is, the very flexibility of the concept, is the basis of its power. History shows there is no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt, i.e. it is the debtor who is doing something wrong.

For the last 5000 years popular insurrections have begun the same way: with the ritual destruction of the debt records, then landholding records and tax assessments.

This book is a history of debt, 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 and what it means to ask that question. The author is an anthropologist, who is using history to describe a view of the moral basis of economic life and how the principle of exchange emerged largely as an effect of violence.

Ch 2 - The Myth of Barter

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? The answer: *Money*. The difference between a debt and an obligation is that a debt can be precisely quantified. Money and debt appear in human history at exactly the same time.

Economic theory assumes a division between different spheres of human behavior that simply do not exist. The marketplace where we work is not actually separated from the place where we consume. A society based on barter requires cooperation between peoples who would otherwise be enemies and their interaction must be constrained by force (law), thereby negating the barter concept entirely. Barter being defined as what you do with those to whom you are not bound by ties of hospitality, kinship, or much of anything else.

There is reason to believe that the concept of money preceded the concept of barter and that barter becomes popular only when a group of people familiar with money doesn't have much of it around, i.e. the collapse of national economies. However, the more frequent solution has been to adopt some sort of credit system.

Our standard account of monetary history is precisely backwards. We began with a system of credit, then the concept of money evolved, and finally barter emerged as a way to trade. Barter, in fact, appears to be an accidental byproduct of the use of coinage or paper money.

Ch 3 - Primordial Debts

In spite of evidence to the contrary, the Myth of Barter cannot go away, because it is central to the entire discourse of economics. Adam Smith, in The Wealth of Nations, attempted to establish the newfound discipline of economics as a science; however, it is only with government policy and policing that the current view of the market is even possible. With the rise of the market the concept of pegging paper money to precious metals became the mainstream economic view and alternative theories of money as credit were relegated to the margins.

State and Credit theories of Money: Money is not a commodity, but an accounting tool used to measure debt. In a very real sense money is an agreed upon IOU. When this IOU is an accepted method of paying taxes it becomes a very stable arrangement. Taxes were instituted to feed armies and tie the populace to the ruler. These taxes brought into existence markets - not the other way around. History thus shows that governments brought markets into being, not that markets were intrinsic and natural structures of human organization. Stateless societies tend also to be without markets.

In Search of a Myth: Anthropologists have been complaining about the Myth of Barter for almost a century. Economists say they are still telling the same story, despite all the evidence against it, because anthropologists have not come up with a better one. However, there is no reason to think there is any compelling story for the origins of money. Money was no more "invented" than was music or mathematics. Money isn't a thing; it's a way of comparing things mathematically. The moment we try to get any more specific, we discover any number of different habits and practices that have converged in the stuff we now call "money."

Whatever its earliest origins, for the last four thousand years money has been effectively a creature of the state - not the market. The state does not necessarily create money - as credit can be brought into existence by private contractual agreements - but the state does enforce the agreement and dictates the legal terms.

The real question is how taxes were justified before there was a market. Nowadays, we say governments provide services and taxes are the way they pay for these services. However, governments were not originally set up to provide services and a "primordial debt theory" has evolved to explain this. The core of the argument is that any attempt to separate monetary policy from social policy is ultimately wrong. Governments use taxes to create money - they can do so because they are the guardians of the debt that all citizens have to one another - and this debt is the very essence of society itself. It has existed long before money and markets, and they are themselves simply ways of chopping pieces of this debt up.

The concept of primordial debt evolved around the time of the French Revolution, i.e. alongside the idea of the modern nation-state. It was at this time that the concept of society was connected with the concept of the state. The original debt was explained as that which man owed to his god for his very existence and, as societies grew, this debt evolved into a way to exchange social needs in ever more complex social structures. Projecting backward in time to previous societies only illustrates the mythic qualities of the primordial debt theory. This myth has been used to justify the debt each citizen owes to his government. 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 are called to pay with our lives to defend that Nation. Taken to extremes, this theory creates a debt responsibility from us to all others who have lived before us and, as such, the primordial debt theory is simply a myth invented to explain our current world.

We don't know when and how interest-bearing loans originated, since they appear to predate writing, but most likely they came from Temple administrators as a way of financing the caravan trade in Mesopotamia. Relatively quickly, the concept of debtor's prison grew up and the idea of 'forgiving loans' was created to maintain social stability.

The trap of the twentieth century is that we start with the idea of the market, where we don't owe each other anything, and contrast it with the idea of the state, where we all begin with a debt we can never truly pay. This, however, is a false dichotomy, because states create markets and markets require states to exist. Neither could continue without the other in anything like the form we have today.

Ch 4 - Cruelty and Redemption

There is an unresolved debate between those who see money as a commodity and those who see it as an IOU - it is both. It is a medium of exchange in a local area and an IOU by the issuer that it can be redeemed. If we conceive of human thought as being primarily a matter of commercial calculation, we will naturally conclude that buying and selling is the basis of human society.

Friedrich Nietzsche's description of Christianity - 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 rings very true. It is the reason Christ is described as the "redeemer" - redemption meaning to buy something back, or to recover something that had been given up in security for a loan. All the major religions - 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 Babylonian concept of "cleaning the slate" became the Jewish Law of Jubilee: a law that stipulated that all debts would be automatically canceled "in the Sabbath year", i.e. every seven years. This was to prevent all the wealth from flowing to the rich, creating slaves out of the poor, and resulting in an unstable society. For Christians, the second coming is the final Jubilee.

The cruelty comes between the times of Jubilee, when, historically, entire accounting records were destroyed. Before times of release people were forced to sell their children into slavery on account of debts incurred. Most of our contemporary language of social justice, our way of speaking of human bondage and emancipation, continues to echo ancient arguments about debt.

Why is it, over history, debtors' protests seemed to carry such greater moral weight than did the caste system or the institution of slavery or untouchables? One reason was that debt crises destroyed the free peasantry, and it was free peasants who were drafted into ancient armies. Additionally, to be a slave or lower caste is to be intrinsically inferior. In the case of debt, we are dealing with two individuals who begin as equal parties to a contract. While seizing people and property can be justified in legal terms, the social impact tears the fabric keeping humans connected and must be periodically cleansed.

Ch 5 - A Brief Treatise on the Moral Grounds of Economic Relations

To tell the history of debt is to reconstruct how the language of the marketplace has come to pervade every aspect of human life - even to provide the terminology for the moral and religious voices ostensibly raised against it. Even religions first describe all morality as debt, but then demonstrate that it must be grounded in something else.

But what? Religious traditions prefer vast, cosmological answers, but another approach is to examine the small everyday details of social existence, i.e. the way we treat our friends, enemies, and children - often with gestures so tiny that we never stop to think about them at all. Anthropology has shown how different are the ways humans organize themselves, but it also reveals some remarkable commonalities - fundamental moral principles that appear to exist everywhere, and that will always tend to be invoked, wherever people transfer objects back and forth or argue about what other people owe them. One of the reasons human life is so complicated is because many of these principles contradict one another. The moral logic of exchange, and hence of debt, is only one of these principles.

To understand what debt is it will be necessary to understand how it is different from other sorts of obligation that human beings might have to one another - which means mapping out what those other sorts of obligations actually are. We generally assume that all human relations are based on some variation of reciprocity - a term with commercial connotations. However, it is not difficult to see those relationships that do not seem to fit this idea - mother and child being the easiest.

There seem to be three main moral principles on which economic relations can be founded:

- *Communism:* any human relationship that operates on the principles of "from each according to their abilities, to each according to their needs." This, in fact, is the situation described as 'The Garden of Eden' and to which the Bible says we yearn to return.

  If you really want to get something done, the most efficient way to go about it is to allocate tasks by ability and give people whatever they need to do them. In the immediate wake of great disasters people tend to revert to a rough-and-ready communism, where, however briefly, hierarchies and markets become luxuries no one can afford.

  Conversation is a domain 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. If a child has fallen onto the subway tracks, we assume that anyone who is capable of helping her will do so. This is what the author calls "baseline communism": the understanding that, unless people consider themselves enemies, if the need is considered great enough, or the cost reasonable, the principle of "from each according to their abilities, to each according to their needs" will be assumed to apply. Different communities can apply very different standards.

  The obligation to share whatever is considered a basic necessity tends to become the basis of both everyday morality and pleasure in a society whose members see themselves as equals. The surest way to know one is in the presence of communistic relations is that not only are no accounts taken, but it would be considered offensive to consider doing so.

  One always behaves in a spirit of solidarity more with some people than others, and certain institutions are specifically based on principles of solidarity and mutual aid. This same logic can be extended within groups and becomes a layer build upon "baseline communism".

- *Exchange:* a back-and-forth process involving two sides in which each side gives as good as it gets. A constant process of interaction tending toward equivalence. There is a sense that both sides are keeping accounts and either party can call an end to the exchange at any time.

  What marks commercial exchange is that it is "impersonal", even if a very personal process precedes the transaction. Personal exchange allows us to cancel out our debts. In some societies exchange games are formalized, but it is important to stress that such games only develop between people or groups who perceive themselves to be more or less equivalent in status.

- *Hierarchy:* relations between two parties in which one is considered superior to the other tends to work by logic of precedent. At one extreme would be theft or plunder and on the other selfless charity.

  Any gift to a superior, especially if repeated three or four times, may become a precedent and added to the web of custom. Often such arrangements can turn into logic of caste. The logic of identity is, always and everywhere, entangled in the logic of hierarchy. Ideologies of caste or race are just extreme examples.

These three modalities are not different types of society, but moral principles that always coexist everywhere. We are all communists with our closest friends, and feudal lords when dealing with small children.

True reciprocity is not a major part of any of the three moral principles. However, reciprocity is our main way of imagining justice and this is what we fall back upon when we are thinking in the abstract.

The term to describe an agreement between equals, where one gives/loans something to another and creates a situation of inequality until the thing or its equal is returned, is called debt. Debt is essentially what happens between the time something changes hands and the time equality is restored and both parties can walk away from each other. Since the creditor and debtor are equals; if the debtor cannot repay the debt, it must be the fault of the debtor. This socially accepted viewpoint is the basis for much of our legal system.

However, not all human interactions are forms of exchange – only some of them are. This fact is conveniently ignored when discussing economics.

Ch 6 - Games with Sex and Death

The vast majority of the human race, who are not adult males, do not define their day-to-day existence as a matter of swapping things. When economics refuses to see this fact we get a sanitized view of the way actual business is conducted.

Early societies used what we call "primitive money", however they didn't use it as a crude version of currencies in use today. This "social currency" was used to create, maintain, and otherwise organize relations between people, not to obtain goods, in early human economies. Commercial economies only came about much later, when the concept of a market came into existence. The human economies created obligations, but how did these obligations turn into debts in commercial economies? The author attempts to describe this in the next two chapters.

Money as Inadequate Substitute: Philippe Rospabe's argument is that "primitive money" was not originally a way to pay debts, but of recognizing the existence of debts that cannot possibly be paid. In most human economies, money is first and foremost used to arrange marriages. According to Rospabe, the gift is an acknowledgment that one is asking for something so uniquely valuable that payment of any sort would be impossible. This same process can be seen as a way to halt what otherwise would be blood feuds over a death.

Blood Debts (Lele – an African people) This leads to the problem of: How does a token of recognition that one cannot pay a debt turn into a form of payment by which a debt can be extinguished? It was only when the concept of force came into the social equation that a blood debt could be computed in economic terms. If an individual by himself was unable to get satisfaction from his opponents, he would sell his claim to his village and they would enforce the claim for themselves. It was at this point that a commercial equation for human life came into being. These debts usually involved women because only women could have children – who then would also be part of the debt.

In human economies money almost always arises first from objects that are used primarily as adornment of the person, i.e. shells, beads, feathers. Generally, it is only when governments, and then markets, enter the picture that we begin to see currencies like barley, cheese, tobacco, or salt.

The Slave Trade: The Atlantic Slave Trade was a gigantic network of credit arrangements. Slave raiders were not likely to be good credit risks, so ship captains would demand "pawns", or members of the raider's extended family as security for slaves to be delivered. This economic exchange of lives for perceived debt has left Africa with a reputation as an irredeemably violent, savage place. However, this same process was occurring around the world; even to the land of Bali.

Reflections on Violence: In a human economy, each person is unique, and of incomparable value, because each is a unique nexus of relations with others. How does it then become possible to treat people as if they are identical? To make a human being an object of exchange means ripping them from their context – a violent act.

The arc of the slave trade started first with unleashing criminal violence in an unlimited market, then an organization steps in to restore a certain measure of order – though one which leaves all the most profitable aspects of the earlier chaos intact. The violence is preserved within the structure of the law and a strict code of honor which becomes, above all, a matter of paying one's debts.

Owing to its historical role, slavery has shaped our basic assumptions and institutions in ways we are no longer aware of. If we have become a debt society, it is because the legacy of war, conquest, and slavery has never completely gone away. It's still there, lodged in our most intimate conceptions of honor, property, and even freedom.

Ch 7 - Honor and Degradation, on the Foundations of Contemporary Civilization

In the last chapter we saw a glimpse of how human economies, with their social currencies, might be transformed into something else through sheer physical violence. The slave trade was rapidly imposed from the outside, but how would societies evolve internally over a longer period of time. On the one side there is the concept of honor, with its twin being degradation – a concept most prized by men who live by violence. On the other side there is the concept of debt and it's relation to the concepts of honor and degradation. Reconstructing our history reveals how much our basic concepts of freedom and morality took shape within the concepts of honor and debt.

Honor is, by definition, something that exists in the eyes of others. To obtain it one must adopt the rules and standards of the society within which you exist. This is, perhaps, one of the most profoundly violent aspects of slavery.

Honor is Surplus Dignity: Honor, at its simplest, is that excess dignity that must be defended with the knife or sword. Wherever honor is at issue, it comes with a sense that dignity can be lost, and therefore must be constantly defended.

Slavery is the ultimate form of being ripped from one's context. One becomes a slave in situations where one would otherwise have died, i.e. a slave is presumed to be dead.

But what does all this have to do with the origins of money? Some of the most genuinely archaic forms of money we know about appear to have been used precisely as measures of honor and degradation: that is, the value of money was the value of the power to turn others into money, i.e. slaves.

Early Medieval Ireland (Honor Price): Ireland has no mineral wealth, therefore people and cows became the major denominations of the currency. Much of what we know about the economy of early Medieval Ireland comes from legal sources - and these indicate a very human economy. Money could be loaned, but it was mainly used to pay fines, not for commerce. The law codes were meticulously elaborated and graded by rank. The penalties usually had as much to do with the status of the victim as with the nature of the injury. The key to the system was a notion of honor. There was wergeld, the actual price of a man or woman's life and there was additionally an honor price for the specific person. The question is: What happens to such an economy when people do begin to use the same money used to measure dignity to buy eggs and haircuts?

Mesopotamia (The Origins of Patriarchy): The rule of fathers is assumed to be primordial, but our translations of the earliest Sumerian texts indicate this is not the case. From 3000 to 2500 BC, women are everywhere, from rulers to doctors, merchants, and scribes. By the end of the Bronze Age, around 1200 BC, we begin to see women sequestered away in harems and subjected to obligatory veiling. This trend can also be found in India and China. It is at this time we see the growing scale and social importance of war, and the increasing centralization of the state that accompanies this. Historically conquest leads to taxes and taxes tend to be ways to create markets, which are convenient for soldiers and administrators. The explosion of debt threatened to turn all human relations – and by extension, women's bodies – into potential commodities. In reaction, the male winners went to greater and greater lengths to insure their women could not be bought or sold – isolating them from the greater society.

It is common anthropological wisdom that bridewealth tends to be typical where population is relatively thin and land plentiful. Where population is dense and land at a premium, one tends to find dowry – the bride's father paying for her upkeep. For the wealthy, this remained largely a matter of principle, but marriage became more and more to resemble a simple cash transaction for the poor – or most people. Once people became property – even though a husband couldn't sell his wife – she became part of his assets and subject to seizure for debt owed. Honor and credit now became, effectively, the same thing for a poor man.

Patriarchy grew up among poor farmers and their increasing dependence on loans in order to survive periods of famine, which led to debt slavery. Among the wealthy the virginity of respectable daughters became a financial asset for the family. The veil became the way to distinguish between respectable and non-respectable women.

Ancient Greece (Honor and Debt): The heroic warriors of the Homeric epics are disdainful of trade and, while money existed, it was not used to buy anything important. However, commercial markets began to develop with Greek coinage being used to pay soldiers and fines. Very quickly the place of public debate in Greek cities doubled as a marketplace. With this change, debt crisis's soon followed where the poor, together with their wives and children, were enslaved to the rich. Rather than to institutionalize periodic amnesties, Greek cities tended to adopt legislation limiting or abolishing debt peonage altogether and shipping off the children of the poor to military colonies overseas.

The advent of money throughout Greece introduced a democratization of desire – everyone wanted money. What we also see is the erosion both of older forms of hierarchy and of older forms of mutual aid, with communistic relations increasingly being confined to the interior of the household. Transforming patronage into debt relations changed all relations. On the one hand, a loan implies no ongoing responsibilities on the part of the creditor, and on the other, a loan does assume a formal, legal equality between contractor and contractee. With the appearance of money it also became unclear what was a gift, and what a loan. Gradually, without anyone completely understanding the full implications of what was happening, what had been the essence of moral relations turned into the means for every sort of dishonest stratagem.

Ancient Rome (Property and Freedom): In Roman law, property is a relation between a person and a thing, characterized by absolute power of that person over that thing. This concept doesn't make sense unless you start with the assumption that you are defining the relation between a person and a slave (Romans defined slaves as things). The principle of absolute private property starts there and the logic is expanded to include all others things as well. Early Roman law allowed creditors to execute insolvent debtors. The early history of Rome was one of continual political struggle between creditors and debtors, until the Roman elite eventually figured out the principle that a free peasantry means a more effective army, and conquering armies can provide war captives who can do anything debt bondsmen used to do. Debt bondage reduced family relations to relations of property; social reforms retained the new power of fathers, but protected them from debt. Slavery was seen as a misfortune that could happen to anyone.

The right of a person to do whatever he wants to his property, including his person, has continued to be argued, both from political and practical views and constitutes much of the discussion regarding debt today.

Conclusions: We seem to be trapped between imagining society in the Adam Smith mode, as a collection of individuals whose only significant relations are with their own possessions, happily bartering one thing for another for the sake of mutual convenience, with debt almost entirely abolished from the picture, and a vision in which debt is everything, the very substance of all human relations – which of course leaves everyone with the uncomfortable sense that human relations are somehow an intrinsically tawdry business, that our very responsibilities to one another are already somehow necessarily based in sin and crime.

Most of our most precious rights and freedoms are a series of exceptions to an overall moral and legal framework that suggests we shouldn't really have them in the first place. Formal slavery has been eliminated, but the idea that you can alienate your liberty, at least temporarily, endures – see any 9-to -5 job.

Ch 8 - Credit versus Bullion, And the Cycles of History

If our political and legal ideas really are founded on the logic of slavery, then how did we ever eliminate it? Remarkably, slavery has been eliminated many times in human history. In Europe the institution largely vanished in the centuries following the collapse of the Roman Empire. About this time we find almost exactly the same thing happening in India and China. What all this suggests is that moments of historical opportunity follow a distinct, even a cyclical pattern that is far more coordinated across geographical space than we would ever have imagined. It is only by understanding this that we can have a sense of the historical opportunities that exist in the present.

We will attempt to make these cycles visible by reexamining the history of money, debt, and credit. In the case of money, one event stands out: the invention of coinage. Coinage appears to have arisen independently in three different places: on the Great Plain of northern China, in the Ganges River valley of northeast India, and in the lands surrounding the Aegean Sea, between roughly 600 and 500 BC. The practice of using coinage quickly spread, but reversed itself and almost disappeared around 600 AD, at the same time slavery was disappearing. Everywhere cash dried up and there was a movement back to credit once again. Why?

Bullion predominates, above all, in periods of generalized violence, or war. Gold and silver coins are distinguished from credit arrangements by one spectacular feature: they can be stolen. Credit systems, however, require social trust between the individuals making the transaction – an itinerant soldier is the definition of a bad credit risk. While predatory lending goes on in every period of human history, the resulting debt crises appear to have the most damaging effects at times when money is most easily convertible into cash.

The remainder of this chapter deals with the Age of the First Agrarian Empires, dominated by virtual credit money.

Mesopotamia (3500 – 800 BC)

The practice of charging interest is significant because it implies a fundamental lack of trust; as opposed to taking a share of the profits. The connection between borrowing and lying about profits is now set in place. It is during this time that periodic amnesties cancelling not only all outstanding loans, but all forms of debt servitude, excluding commercial loans, was begun to keep the farmers from joining the nomadic pastoralists and overrunning the cities.

Egypt (2650 – 715 BC)

For most of its history Egypt managed to avoid the development of interest-bearing debt entirely. It was an extraordinarily rich, but also a self-contained society, far more centralized than Mesopotamia. Debt really was a matter of "guilt" and treated largely as a criminal matter. It is only during the later part of Egypt's glories that interest becomes a factor and decrees abolishing debt bondage and annulling outstanding liabilities were instituted.

China (2200 – 771 BC)

There is less information on early China, but it appears social currencies of various sorts were employed in the countryside and converted to commercial purposes in dealing between strangers. We don't know when the practice of lending at interest first reached China, but there are hints of children being taken away as debt sureties and rulers began to withhold portions of the harvest as insurance against famine.

Ch 9 - The Axial Age (800 BC - 600 AD)

The Axial Age is that period that saw the birth of not only all the world's major philosophical tendencies, but all of today's major world religions: Zoroastrianism, Prophetic Judaism, Buddhism, Jainism, Hinduism, Confucianism, Taoism, Christianity, and Islam. The early part of the Axial Age was also the period when coinage was invented and major sages – Pythagoras, Confucius and the Buddha – lived.

The wealthy were in control of most of the precious metals later used as coins and the Axial Age was a period of generalized warfare. It is in the nature of war that precious things are plundered. It is during this time that armies came to be made up of mercenaries and these men needed to be paid, as well as fed.

The Mediterranean

In each city, history begins with a series of debt crises and coinage seems to have evolved to deal with these early crises. The coinage assisted in creating a class of free farmers whose children would be free to spend much of their time training for war. This in turn, allowed for larger armies to pillage and gain more precious metals and slaves.

The entire Roman Empire, at its height, could be understood as a vast machine for the extraction of precious metals and their coining and distribution to the military – combined with taxation policies designed to encourage conquered populations to adopt coins in their everyday transactions.

In both Greece and Rome attempts to solve the debt crisis through military expansion were always just ways of fending off the problem – and they only worked until expansion stopped. With the end of expansion the general populace became debt peons and there were no more free farmers able to produce sons to fight.

India

The Indian subcontinent was populated by a series of kingdoms and republics, with the kingdoms developing a trained, professional army, open to young men of a wide variety of backgrounds. Here too, coins and markets sprung up above all to feed the machinery of war. Greek sources report that one such kingdom was able to field a force of 200,000 infantry, 20,000 horses, and 4,000 elephants; enough to cause Alexander's men to mutiny rather than to face them. As the armies grew, so too did slavery and, of course, the use of coinage.

Buddhist attitudes were always suspicious of precious metals, but had a liberal attitude toward credit arrangements. As they gained sway in India, armies, slavery, and use of coins declined. However, credit evolved into increasingly sophisticated forms.

China

The period from 475 – 221 BC is referred to as the "Warring States period" and marked by armies, conflict, slavery, coinage, and the golden age of Chinese philosophy. China never minted gold or silver coins, but merchants used precious metals in the form of bullion. However, coins in actual circulation were basically small change, i.e. cast bronze disks, with a hole in the middle to string them together. Chinese armies were enormous, but not nearly as professional or well paid as those of kingdoms farther west – rulers were careful to make sure the army never became an independent power base.

Unlike religions farther west, the new religious and philosophical movements in China were, from their very beginnings, also social movements.

Materialism I: The Pursuit of Profit

The Axial Age was the first time in human history when familiarity with the written word was no longer limited to priests, administrators, and merchants, but had become necessary to full participation in civic life. Without mass literacy, neither the emergence of mass intellectual movements, nor the spread of Axial Age ideas would have been possible.

The kind of markets that were emerging were impersonal, born of war, and it was possible to treat even neighbors as if they were strangers. The result was a new way of thinking about human motivation, a radical simplification of motives that made it possible to begin speaking of concepts like "profit" and "advantage". This picture of humanity begins to appear, with startling consistency, across Eurasia, whenever we also see coinage and philosophy appear.

The striking feature of literature from this period is its resolute materialism. Other intellectuals – Mo Di and Confucius – were attempts to provide a mirror image to the prevailing market logic.

Materialism II: Substance

In China philosophy began with debates about ethics and later turned to speculations about the nature of the cosmos. In both Greece and India, cosmological speculation came first.

- Markets appear to have first emerged as a side effect of government administrative systems. Over time the logic of the market became entangled in and finally subsumed by military affairs.
- Everywhere we see the military-coinage-slavery complex emerge, along with materialist philosophies.
- Other philosophies react to this by exploring the ideas of humanity and the soul. These philosophers made common cause with social movements that were first and foremost peace movements.
- Rulers attitudes changed from tolerance of these new concepts to acceptance as their ability to expand and conquer came to an end and they were faced with debt crises and civil chaos.
- The ultimate effect was an ideal division of spheres of human activity that endures to this day: on one hand the market and on the other religion. The concept of charity could only arise in an environment where materialism was dominant.

As these religious movements took hold wars became less brutal and frequent, slavery faded as an institution, and religions authorities began to address the social dislocations introduced by debt.

Ch 10 - The Middle Ages (600 AD - 1450 AD)

If the Axial Age saw the emergence of complementary ideals of commodity markets and universal world religions, the Middle Ages were the period in which those two institutions began to merge. One result was a movement to control or forbid predatory lending and another was a return, across Eurasia, to various forms of virtual credit money.

Medieval India (Flight into Hierarchy)

The Mauryans represented a high water mark of empire and the next 500 years saw a succession of ever weaker kingdoms that were strongly supportive of Buddhism. Military means to extract resources from the peasants declined and credit became the primary means of exchange.

Local Brahmins were able to reshape the society by seizing control of the administration of law and forbidding the lower classes pursuit of learning. The result was an increasingly complex local patronage system in the countryside where the refugees provided services for the land owning castes, who, in turn, protected local communities from actual royal representatives.

The Laws of Manu carefully classify slaves into seven types depending on how they were reduced to slavery and explain the conditions under which each might be emancipated. Debt plays a large part in this and the codes also stipulate the maximum interest to be charged each caste of people; Brahmin's the least and Sudra (lowest caste) the most. India has become notorious as a country in which a very large part of the working population is laboring in effective debt peonage to a landlord or other creditor. However, by the time Moslems drove Buddhism out of India, overt slavery had largely vanished from the countryside.

The Indian system defined castes to be unequal and therefore no real anger was arose when the castes were treated unequally. However, the British attempted to superimpose the debt peonage system on top of the caste system and had a great deal of resistance. The reason is that to have a debt peonage system you first have to tell people they are equal, then humiliate and degrade them through charges of interest. This invariably results in riots and insurrection.

China: Buddhism and the Economy of Infinite Debt

China was the one place where the attempt to yoke empire and religion together was a complete success; while the rest of the world saw the decline of empire, armies, and cash economy, and the corresponding rise of religious authorities independent of the state, who win much of their popular legitimacy through their ability to regulate emerging credit systems,

The two great threats to the authorities were always the same: the nomadic peoples to the north and popular unrest and rebellion. Chinese statecraft ultimately came down to funneling enough resources to the cities to feed the urban population and keep the nomads at bay, without causing the rural population to rise up in arms. The official Confucian ideology of patriarchal authority, equal opportunity, promotion of agriculture, light taxes, and careful government control of merchants seemed designed to appeal to rural patriarchs.

We are used to assuming that capitalism and markets are the same thing, but markets are way of exchanging goods through the medium of money, while capitalism is the art of using money to get more money. Since the easiest way of making money is by establishing some kind of monopoly, capitalists invariably try to ally themselves with political authorities to limit the freedom of the market. Chinese rulers systematically refused to team up with would-be Chinese capitalists because they viewed them as destructive parasites who could only be used for the public good if tightly controlled, like soldiers. With this system, China maintained the highest standard of living in the world for much of its history and was surpassed by England only around 1820, well past the time of the Industrial Revolution.

Chinese Buddhism adopted the notion of "karmic debt" which introduced the notion of an endless burden of debt that could never truly be paid back. This, in turn, evolved into actions that incurred debt and others that absolved it. When integrated into the marketplace this resulted in precious metals accumulating in the Buddhist monasteries to the point that Chinese rulers periodically razed the monasteries and freed the temple serfs from debt bondage, in order to obtain enough metal to maintain coinage systems.

A religion of merchants that then took popular roots, Chinese Buddhism was a genuine theology of debt, even perhaps a practice of absolute self-sacrifice, of abandoning everything, including one's life, that ultimately led to collectively managed finance capital. The reason the result seems so weird is that it is again an attempt to apply the logic of exchange to questions of Eternity.

It was only China that developed paper money in the Middle Ages largely because only in China was there a government large and powerful enough, but also sufficiently suspicious of its mercantile classes, to feel it had to take charge of such operations.

The Near West: Islam (Capital as Credit)

The prevailing Islamic attitude toward law, government, and economic matters was the exact opposite of that prevalent in China. Confucians were suspicious of governance through strict codes of law, preferring to rely on the inherent sense of justice of the cultivated scholar, assumed to also be a government official. Medieval Islam enthusiastically embraced law, which was seen as a religious institution derived from the Prophet, but tended to view government as an unfortunate necessity, an institution that the truly pious would do better to avoid.

For this reason the Islamic world developed the first free market, almost totally independent from the government. The merchant became a revered person, but the concept of making money for money's sake – interest – was totally prohibited. Money was the way different products could be compared, but not desirable for its intrinsic value. Commerce was conducted because Islamic jurists were careful to allow for certain service fees, and other considerations – notably, allowing goods bought on credit to be priced slightly higher than those bought for cash – that ensured that bankers and traders still had an incentive to provide credit services. These incentives were never enough to allow banking to become a full-time occupation. Networks of trust evolved based on the reputation of the people involved. There was also a particular hostility to anything that smacked of price-fixing.

If the Islamic practice bears a striking resemblance to Adam Smith's "invisible hand", it is because many of Smith's ideas trace back to Medieval Persia. However, the differences are very instructive. Where Smith thought the division of labor was an outgrowth of our "natural propensity to truck and barter" in pursuit of individual advantage, the Islamic ideal was that it was an extension of mutual aid among people with different interests and abilities. i.e. money for its own sake was not permitted.

The Far West: Christendom (Commerce, Lending, and War)

Actual gold and silver was increasingly laid up in sacred places; as centralized states disappeared, the regulation of markets was increasingly in the hands of the Church. At first Catholic attitudes toward usury were just as harsh as Muslim ones, and attitudes toward merchants considerably harsher. Charity, however, is a way of maintaining hierarchy and implies that the rich don't owe anything to the poor. While the Church opposed usury, it had little to say about relations of feudal dependency, where the rich man provides charity and the poor suppliant shows his gratitude in other ways. Former debt peons were gradually transformed into serfs or vassals.

For Jews, both the Torah and the Talmud stand opposed to loans on interest, with exceptions being made when dealing with Gentiles – particularly as European Jews were excluded from almost any other line of work. English kings took advantage of this situation, both to tax the Jews and blame them for problems in the rural countryside.

As the free peasantry grew, there was a corresponding rise in rural usury, forcing the Church to address the problem. In comparison with the Muslim world, what jumps out are links of finance, trade, and violence. Whereas Persian and Arab thinkers assumed that the market emerged as an extension of mutual aid, Christians never completely overcame the suspicion that commerce was really and extension of usury, a form of fraud only truly legitimate when directed against one's mortal enemies.

What, Then, Were the Middle Ages?

The introduction of financial abstraction was not a sign that Europe was leaving the Middle Ages, but that it was finally, belatedly, entering it. For example, bills of exchange, already in use in the East by 700 – 800 AD, only reached Europe several centuries later. The independent university began in Europe a number of centuries after they had been established in the rest of Eurasia.

The Middle Ages were, above all else, the age of transcendence. Slavery declined or disappeared, as did the overall level of violence. As trade picked up, so did the pace of technological innovation; greater peace brought greater possibilities not only for the movement of silks and spices, but also of people and ideas. The Far West was an unusually violent place by world standards and the Catholic Church was extraordinarily intolerant.

The striking thing is that the Confucian condemnation of the merchant, and the Islamic celebration of the merchant, ultimately led to the same thing: prosperous societies with flourishing markets, but where the elements never came together to create the great merchant banks and industrial firms that were to become the hallmark of modern capitalism.

Legally, our notion of the corporation is very much a product of the European High Middle Ages; established in canon law by Pope Innocent IV in 1250 AD, and first applied to monasteries, universities, churches, municipalities, and guilds. It was not set up to be a profit-seeking enterprise, but to reduce risk.

Ch 11- Age of the Great Capitalist Empires (1450 - 1971)

The era begins with a turn away from virtual currencies and credit economies and back to gold and silver. The flow of bullion from the Americas sped the process immensely. The return to bullion was accompanied by the return to a host of other conditions that had been kept at bay: vast empires and professional armies, massive predatory warfare, untrammeled usury and debt peonage, materialist philosophies, a new burst of scientific and philosophical creativity, and the return of chattel slavery.

The 1400s are a peculiar period in European history, Because of the Black Death, whole cities went bankrupt, and the countryside was overrun with endemic warfare. Because the bubonic plague killed off about one-third of the workforce, wages for the remainder increased dramatically.

The 1500s were marked by massive inflation, where real wages fell to perhaps 40% of what they had been. The common theory is that the gold and silver from the New World flooded the market and the price of precious metals collapsed. This explanation, however, doesn't take into account that most of the gold ended up in temples in India and the majority of the silver bullion was shipped off to China.

In 1368 the Mongols were overthrown and the Ming dynasty came to power in China with a romantic vision of self-sufficient agrarian communities. The Mongol tax system collapsed and taxes on crops became so high that indebted farmers began to flee their ancestral lands. Many turned prospector and there was a minor silver rush. Uncoined silver ingots, instead of official paper money and strings of bronze coins, soon became the real money of the off-the-books informal economy. The government was unsuccessful in trying to suppress the informal economy and stopped issuing paper money, legalized the mines, and allowed silver bullion to become the recognized currency for large transactions. This allowed the government to gradually abandon the system of labor exactions and substitute a uniform tax system. payable in silver. Effectively, the Chinese government had gone back to its old policy of encouraging markets and merely intervening to prevent any undue concentrations of capital.

This proved spectacularly successful and Chinese markets boomed. The problem was that the new policy meant that the regime had to ensure an abundant supply of silver in the country, so as to keep its price low and minimize popular unrest. Chinese and Japanese silver mines soon were exhausted and the Chinese turned to the West. Europe had long been exporting gold and silver to the East: the problem was that Europe had never produced much of anything that Asians wanted to buy, so it was forced to pay in specie.

By this time the European ships had landed in the New World, discovered huge new sources of precious metals, and were ruthlessly extracting as much as possible. None of this would have been possible, except for the practically unlimited Asian demand for precious metals.

If this is so then why did the new global economy cause the collapse of living standards in Europe? Despite the massive influx of metal from the Americas, most families were so low on cash that they were reduced to melting down family silver to pay their taxes. Everyday business continued to be transacted much as it had in the Middle Ages, by means of various forms of virtual credit money. What really caused the inflation is that those who ended up in control of the bullion – governments, bankers, large-scale merchants – used that control to insist that gold and silver were money and they introduced new forms of credit-money for their own use, while slowly undermining and destroying the local system of trust that had allowed small-scale communities to operate largely without the use of metal currency. This new regime of bullion money could only be imposed through almost unparalleled violence. Rebellions were crushed and people exported to the colonies as indentured laborers and drafted into colonial armies or navies. Almost all of this was carried out through a manipulation of debt and the very nature of debt became, once again, one of the principal bones of contention.

Part I: Greed, Terror, Indignation, Debt

To take what might seem an "objective," macro-economic approach to the origins of the world economy would be to treat the behavior of early European explorers, merchants, and conquerors as if they were simply rational responses to opportunities. In fact, history makes it quite clear that this is not the case – any number of civilizations have probably been in a position to wreak havoc on the scale that the European powers did in the 16^{th} and 17^{th} centuries (Ming China itself was an obvious candidate), but almost none actually did so.

What the concept of enduring debt drives men to helps explain why the Church had been so uncompromising in its attitude toward usury. It was not just a philosophical question; it was a matter of moral rivalry. Money always has the potential to become a moral imperative unto itself. At the extreme, even human relations become a matter of cost-benefit calculation – certainly this is the way the conquistadors viewed the worlds that they set out to conquer.

It is the peculiar feature of modern capitalism to create social arrangements that essentially force us to think this way. The structure of the corporation is a telling case in point – and it is no coincidence that the first major joint-stock corporations in the world were the English and Dutch East India companies, ones that pursued that very same combination of exploration, conquest, and extraction as did the conquistadors. It is a structure designed to eliminate all moral imperatives but profit.

In the Axial Age, money was a tool of empire, while, under the newly emerging capitalist order, the logic of money was granted autonomy. As we have seen in the case of Medieval Islam, under genuine free-market conditions – in which the state is not involved in regulating the markets in any significant way, even in enforcing commercial contracts – purely competitive markets will not develop, and loans at interest will become effectively impossible to collect. It was only the Islamic prohibition against usury that made it possible for them to create an economic system that stood so far apart from the state.

Part II: The World of Credit and the World of Interest

Credit was almost always used with members of one's own community, while cash was resorted to only for untrustworthy souls, for paying rents, or taxes. The landed gentry and wealthy merchants would often use cash with one another and gold and silver were used by the government to purchase arms and pay off soldiers.

Over time, this led to an increasing disjuncture of moral universes. For most, debt remained the very fabric of sociability. But those who spent their working lives within the walls of government and great commercial houses gradually began to develop the idea that cash exchange was normal and it was debt that came to be seen as tinged with criminality.

The story of the origins of capitalism is not the story of the gradual destruction of traditional communities by the impersonal power of the market. It is the story of how an economy of credit was converted into an economy of interest; of the gradual transformation of moral networks by the intrusion of the impersonal power of the state. By the 18th century the very notion of personal credit had acquired a bad name, with both lenders and borrowers considered equally suspect and the use of coins had come to seem moral in-and-of itself.

Part III: Impersonal Credit-money

Once credit became unlatched from real relations of trust between individuals (whether merchants or villagers), it became apparent that money could be produced simply by saying it was there; but, when this is done in the amoral world of a competitive marketplace, it would almost inevitably lead to scams and confidence games of every sort.

Medieval moralists had a fundamental problem with the market: greed. Market motives were held to be inherently corrupt. The moment that greed was validated, and unlimited profit was considered a perfectly viable end in itself, this political, magical element became a genuine problem, because it meant that even those actors – the brokers, stock-jobbers, traders – who effectively made the system run had no convincing loyalty to anything, even to the system itself.

Part IV: So What is Capitalism, Anyway?

It would seem that almost all elements of financial apparatus that we've come to associate with capitalism – central banks, bond markets, short-selling, brokerage houses, speculative bubbles, securization, annuities – came into being not only before the science of economics, but also before the rise of factories, and wage labor itself. Opponents see capitalism as a system where those who own capital command the labor of those who do not; while proponents see it as the freedom of the marketplace, allowing those with vision to pull resources together to bring those visions into being. Just about everyone agrees, however, that capitalism is a system that demands constant, endless growth.

It is the secret scandal of capitalism that at no point has it been organized primarily around free labor. The conquest of the Americas began with mass enslavement, and then gradually settled into various forms of debt peonage. This is a scandal because it plays havoc with our most cherished assumptions about what capitalism really is – particularly that it has something to do with freedom. For the capitalist, this means the freedom of the marketplace. For most workers it means free labor. The dominant image in the history of capitalism is the English workingman toiling in the factories of the industrial revolution, and this image can be traced forward to Silicon Valley. All those millions of slaves and serfs and coolies and debt peons disappear, or like sweatshops, this is assumed to be a stage that industrializing nations had to pass through.

There is, and always has been, a curious affinity between wage labor and slavery. In principle, there was always a feeling that both the buying of slaves and the hiring of laborers should really not be on credit, but should employ cash. The problem was that for most of the history of British capitalism, the cash simply didn't exist. This is how the "truck system" developed, where factory owners would often pay workers with tickets or vouchers good only in local shops, which owners either owned or had an arrangement with the proprietor. Also, owing to the hard-money policies of the British government, who were always concerned to ensure that their paper money didn't float away in another speculative bubble, in the early days of industrial capitalism there was not enough specie available and owners frequently had to wait for the money to show up to pay their workers. This greatly enlarged the pawn shop trade and added another layer to debt peonage.

To understand the history of capitalism we have to begin by realizing that the picture we have in our heads, of workers who dutifully punch the clock at 8:00 AM and receive regular remuneration every Friday, on the basis of a temporary contract that either party is free to break off at any time, began as a utopian vision, was only gradually put into effect even in England and North America, and has never, at any point, been the main way of organizing production for the market, ever, anywhere.

Adam Smith created a vision of an imaginary world almost entirely free of debt and credit, and therefore, free of guilt and sin; a world where men and women were free to simply calculate their interests in full knowledge that everything had been prearranged by God to ensure that it will serve the greater good. The problem with such models is that, once created, we have a tendency to treat them as objective realities; whether they be Adam Smith or his opposite Karl Marx.

The period from 1825 to 1975 was a brief but determined effort to turn that vision into something like reality. Coins and paper money were produced in sufficient quantities that even ordinary people could conduct their daily lives without appeal to tickets, tokens, or credit. Wages started to be paid on time. New sorts of shops appeared where everyone paid cash or, as time went on, by means of impersonal forms of credit like installment plans. As a result, the old puritanical notion that debt was sin and degradation began to take a profound hold on those who considered themselves the working classes.

Part IV: Apocalypse

The national debt is money borrowed from future generations. Still, the effects have always been strangely double-edged. On the one hand, deficit financing is a way of putting even more military power in the hands of princes, generals, and politicians; on the other, it suggests that government owes something to those it governs. Insofar as our money is ultimately an extension of the public debt, then whenever we buy something we are trading in promises the government will give us sometime in the future, even if we don't know exactly what it is.

On one hand, capitalism's exponents feel obligated to present it as eternal, because they insist that it is the only possible viable economic system. On the other hand, it seems that the moment a significant portion of the population begins to actually believe this, and particularly, starts treating credit institutions as if they really will be around forever, everything goes haywire.

Presented with the prospect of its own eternity, capitalism – or anyway, financial capitalism – simply explodes. If there's no end to financial capitalism, there's absolutely no reason not to generate credit – that is, future money – infinitely. The effect of this is to create a series of increasingly reckless bubbles that bring the entire apparatus crashing down.

Ch 12 - Yet to Be Determined (1971 -)

In 1971 Richard Nixon announced that foreign-held U.S. dollars would no longer be convertible into gold – stripping away the last vestige of the international gold standard. The immediate effect of Nixon's unpegging the dollar was to cause the price of gold to skyrocket. The result was a massive net transfer of wealth from poor countries – who kept their reserves in dollars – to rich countries – who kept their reserves in gold. Once the global system of credit money was entirely unpegged from gold, the world entered a new phase of financial history – one that nobody completely understands.

The United States has always been dominated by a certain market populism; thus the ability of banks to "create money out of nothing" – and even more, to prevent anyone else from doing so – has always been the bugaboo of market populists, since it directly contradicts the idea that markets are a simple expression of democratic equality. Since Nixon's floating of the dollar, it has become evident that it's only the wizard behind the screen who seems to be maintaining the viability of the whole arrangement. Under the free-market orthodoxy that followed, we have all been asked to accept that "the market" is a self-regulating system, with the rising and falling of prices akin to a force of nature, and simultaneously to ignore the fact that it is simply assumed that markets rise and fall mainly in anticipation of, or reaction to, decisions regarding interest rates by the chairman of the Federal Reserve.

Modern money is based on government debt, and governments borrow money in order to finance wars. The creation of central banks represented a permanent institutionalization of that marriage between the interests of warriors and financiers that had begun to emerge in Renaissance Italy, and that eventually became the foundation of financial capitalism. Nixon floated the dollar in order to pay for the cost of a war. This made U.S. currency into pure "fiat money" – that was intrinsically worthless and treated as money only because the U.S. government insisted that it should be. In that case, one could argue that U.S. military power was now the only thing backing up the currency.

Because of U.S. trade deficits, huge numbers of dollars circulate outside the country; and one effect of the floating of the dollars was that foreign central banks have little they can do with these dollars except to use them to buy U.S. treasury bonds. Its national debt has become a promise to both its own people and the nations of the world, that everyone knows will not be kept. At the same time, U.S. policy was to insist that those countries relying on U.S. treasury bonds as their reserve currency behaved in exactly the opposite way as they did; i.e. observing tight money policies and scrupulously repaying their debts.

The return to virtual money has not led to a return to relations of honor and trust; quite the contrary. Credit cards became available in the late 60s, debit cards in the 70s, and the current, largely cashless economy only came into being in the 90s. All these new credit arrangements were mediated not by interpersonal relations of trust, but by profit-seeking corporations, and one of the earliest and greatest political victories of the U.S. credit-card industry was the elimination of all legal restrictions on what they could charge as interest.

If history holds true, an age of virtual money should mean a movement away from war, empire-building, slavery, and debt peonage, and toward the creation of some sort of overarching institutions, global in scale, to protect debtors. What we have seen so far is the opposite. Still, we are speaking of a mere forty years, and "debt imperialism" has already come under considerable strain. IMF policies have been met by fiscal rebellion in both East Asia and Latin America and the IMF is being effectively boycotted. With increasing debt, the U.S. has had to turn to China, its chief remaining military rival, to finance wars to bring these countries in line and this has made further military expansion impossible.

With the financial crash of 2008, private U.S. banks have abandoned any pretense that we are dealing with a market economy, shifting all available assets into the coffers of the Federal Reserve itself, which purchased U.S. Treasuries. At this point, some U.S. creditors clearly feel they are finally in a position to demand that their own political agendas be taken into account.

The unique thing about the Chinese empire is that it has, since the Han dynasty at least, adopted a peculiar sort of tribute system whereby, in exchange for recognition of the Chinese emperor as world-sovereign, they have been willing to shower their client states with gifts far greater than they receive in return. This proved to be a wise policy for a wealthy empire surrounded by much smaller but potential troublesome kingdoms. The U.S. government, during the Cold War, adopted the same policy for those very states – Korea, Japan, Taiwan, etc. Taken in this light, the investment, by China, in the U.S. economy takes on an entirely different meaning. Over time the Chinese will be able blunt the United States' ability to act against China's interests.

The reality is that money has no essence; therefore, its nature has always been, and presumably always will be, a matter of political contention. One can see the great crash of 2008 in the same light – as the outcome of years of political tussles between creditors and debtors, rich and poor. On a certain level, it was exactly what it seemed to be: a scam, an incredibly sophisticated Ponzi scheme designed to collapse in the full knowledge that the perpetrators would be able to force the victims to bail them out. On another level it could be seen as the culmination of a battle over the very definition of money and credit.

After World War II, the white working class of the North Atlantic countries were offered a deal. If they agreed to set aside any fantasies of fundamentally changing the nature of the system, then they would be allowed to keep their unions, enjoy a wide variety of social benefits (pensions, vacations, health care…), and, through a generously funded and ever-expanding public educational institution, know that their children had a reasonable chance of leaving the working class entirely. One key element in all this was a tacit guarantee that increases in worker' productivity would be met by increases in wages. As time went on, more and more of the world wanted in on this bargain. Sometime in the 70s the world capitalist economy reached a breaking point and this bargain could no longer be kept. Capitalism, as a system, simply cannot extend such a deal to everyone. Quite possibly it wouldn't even remain viable if all its workers were free wage laborers. By the late 70s, the existing order was clearly in a state of collapse, plagued simultaneously by financial chaos, food riots, oil shock, widespread doomsday prophecies of the end of growth and an ecological crisis – all of which proved to be ways of putting the populace on notice that all deals were off.

The moment we start framing the story this way, it's easy to see that the next thirty years follows nearly the same pattern. Except that the deal, the settlement, had changed. Everyone could now have political rights, but political rights were to become economically meaningless. The link between productivity and wages was chopped to bits. This was accompanied, at first, by a return to "monetarism" – careful control of the money supply. People were encouraged to become their own capitalists (401K plans) and aspire to owning their own homes. By the 90s there were endless mortgage-refinancing schemes that treated houses like ATMs, though it turns out it was really more like credit cards.

It has become a regular feature of both large corporations and small businesses, faced with debt, to almost automatically simply see what happens if they do not pay – complying only if reminded, goaded, or presented with some sort of legal writ. In other words, the principle of honor has thus been almost completely removed from the marketplace. As a result the whole subject of debt becomes surrounded by a halo of religion. It is no coincidence that the new phase of American debt imperialism has also been accompanied by the rise of the evangelical right, who – in defiance of almost all previously existing Christian theology – have enthusiastically embraced the doctrine of "supply-side-economics."

All these moral dramas start from the assumption that personal debt is ultimately a matter of self-indulgence, a sin against one's loved ones – and therefore, redemption must necessarily be a matter of purging and restoration of ascetic self-denial. What's being shunted out of sight here is the fact that everyone is now in debt and that very little of this debt was accrued by those determined to find money to *"bet on the horses"*. One must go into debt to achieve a life that goes in any way beyond sheer survival.

In the wake of the subprime collapse, the U.S. government was forced to decide who really gets to make money out of nothing: the financiers, or ordinary citizens - the results were predictable. Mortgage holders were left to the tender mercies of the courts, under a bankruptcy law that Congress had, a year before, made far more exacting against debtors. Nothing was altered. All major decisions were postponed.

There is good reason to believe that, in a generation or so, capitalism will no longer exist – most obviously, as ecologists keep reminding us, because it's impossible to maintain an engine of perpetual growth forever on a finite planet. Yet faced with the prospect of capitalism actually ending, the most common reaction is simply fear. We cling to what exists because we can no longer imagine an alternative that wouldn't be even worse.

Conclusion: Perhaps the World Really Does Owe You a Living

The author ends with a proposal that the world is long overdue for some kind of Biblical-style Jubilee: one that would affect both international debt and consumer debt. Since Hammurabi, great imperial states have invariably resisted this kind of politics; preferring instead to throw some of the spoils of empire to their poorer citizens, but never challenge the sacred principle that we must all pay our debts. At this point, however, the principle has been exposed as a flagrant lie.