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about stuff again. And there was a brief moment, right after 2008, when people said 'oh, everything we thought we knew was wrong'. I mean, the *Economist* was running headlines asking whether capitalism had been a good idea. It didn't last long, though. There was a big 'oops!' feeling, and then people starting saying that maybe we can reinstate the old system more or less how it was before. That's the stage we're in at the moment. Every year that goes by brings us closer to the time that it will happen again, and everyone pretty much knows this. So credit has come crumbling. That's why I thought this was a timely moment for this book, because we need to have a serious conversation about debt. If things unfold the way they have done in the past, we will end up going in the complete opposite direction from the way in which things have been going for the past 40 years – away from new-fangled forms of slavery and debt peonage; away from endless creation of magical credit bubbles that then burst; and away from this idea that debt is a sacred obligation that immediately outranks any other promise you can make. But we still have these ideas in our heads – there's a psychology there that's going to be difficult to overcome.

with no connection to production or trade, and people becoming effectively enserfed.

In America, for instance, pretty much everybody is in debt. The great social evil in antiquity, the thing that Sharia law and medieval canon law were trying to ensure never happened again, was the scenario in which a family gets so deep in debt that they are forced to sell themselves, or sell their children, into slavery. What do you have here today? You have a population all of whom are in debt, and who are essentially renting themselves to employers to do jobs that they almost certainly wouldn't want to do otherwise, to be able to pay those debts. If Aristotle were magically transported to the U.S. he would conclude that most of the American population is enslaved, because for him the distinction between selling yourself and renting yourself is at best a legalism. This, again, is why I say that our definitions of freedom are bizarre – we've managed to take a situation which most people in the ancient world would have recognised as a form of slavery and turned it into the definition of freedom (your ability to contract debts, your ability to sell your labour on the market, and so on). In the process we have created the very thing that all that old legislation and all of those old political practices were designed to avoid.

However, it's also true that we're talking about 1971 to the present, which is 40 years. Out of a 500 year economic cycle, that's not a lot. It's the very beginning, and it's also clear that the system I've been describing hasn't worked out too well. The IMF has been kicked out of one country after another, it's essentially *persona non grata* in East Asia, it's been kicked out of Latin America, just a few weeks ago it was kicked out of Egypt. Really they just have Africa and Europe left as their stomping ground, and there's a major reaction to their prescriptions in Europe right now.

In 2008 the whole elaborate make-believe magical credit world hit a brick wall, and they didn't solve the problem. One of the reasons I wrote this book was that in the wake of the crisis I thought that there was an opportunity for us to sit down and start talking

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that money is essentially an I.O.U., a social relation. And if money is just a series of promises and commitments between people, clearly those things can be rearranged, if needed.

The shift to credit tends to prompt two questions: 1) what's to stop people just going crazy with it and creating new forms of money with reckless abandon? 2) What is to stop people from thereby falling into debt traps and becoming enslaved? The usual solution is to create some kind of control, which is why you had periodic debt cancellations in Mesopotamia; jubilees, bans on usury, and various other mechanisms that appeared in the Middle Ages; and so on. This makes sense, because if money is just a social construct, and is recognised as such, then people will be more open to changing the rules that govern it. And in fact in the Middle Ages this was completely recognised. Aristotle's position that money is an agreement we make with each other, which was very much a minority view in antiquity, got widely adopted in Europe. If it's an agreement, we can renegotiate it at any time, and people did. They would cry out and cry down the value of money, and shift it around all the time.

So the question becomes: why didn't that happen this time? Why have they not, since 1971, set up these overarching institutions to protect debtors, which is what they've always done in the past? Why did they not create controls so that money couldn't just be created with reckless abandon by those in power as a way of enslaving everybody else? In fact, what's happened is exactly the *opposite* of that. They've created overarching institutions, like the IMF, to protect *creditors*. That essentially is what the IMF is: it is part of a huge financial global bureaucracy developed gradually over the past 30–50 years, dedicated to the principle that no-one is ever allowed to default on a loan. Which is crazy – even according to standard economic theory the profits from a loan are supposed to be a reward for taking a risk. This leads to insane speculative bubbles, a situation in which 90–95 percent of all money is actually speculative the U.S. print money, it can print money that is used, essentially, as gold. So we can write cheques that not only will people not cash, but that will be treated by others as if they were gold, and stored in their vaults. That's an insane advantage. What people are thinking when they talking about trying to undermine that, God only knows.

So for example, everybody always says that the U.S. owes China all this money. No we don't – or at least, not in the sense that the U.S. will ever have to pay it. Foreign holders of T-bonds just roll them over every five or ten years, the bonds mature and they use them to buy new ones. Japan does the same thing. Now, as I say, central banks tend to use treasury bonds as their reserve currency, but certain countries buy much more than their share. China's got into that game recently, which is complicated and interesting, but if you look historically, there is a pattern: during the Cold War it was mostly West Germany that bought huge amounts. Nowadays, South Korea and Japan are big ones – Japan actually owns almost as many American treasury bonds as China – as are the Gulf states. What do all these countries have in common? U.S. military bases. So: U.S. debt is largely based on maintaining military spending; the military is sitting on these countries that then finance that debt by making these loans that they know will never be repaid. You can call that 'protection money' in either sense of the term, depending on your point of view. In a way it's a mix of both, because they are getting physically protected, but it's also a shakedown. China, meanwhile, seems to be playing a complicated game, essentially selling the U.S. loads of cheap consumer goods on credit that they know will never get fully paid back; but if nothing else, there seems a tacit agreement that as long as they do that, the US will look the other way on technology transfers, patent violations, and so forth.

According to the schema set out in your book, since 1971 we've seen a shift back away from bullion towards credit.

Yes. And I argue that in periods dominated by credit money – there is no period exclusively of either – people come to recognise

Part 1

David Graeber is a Reader of Anthropology at Goldsmith's, London, and a left-wing political activist. His most recent book, *Debt: The First 5000 Years*, has just been published in the UK. It looks at the evolution of debt as both a moral and an economic concept, drawing on anthropological evidence from a wide range of societies, both contemporary and historical.

I met up with David to discuss some of the arguments in the book. In the first of a two-part interview, he examines how the language of morality became the language of debt, and how our basic moral and legal concepts have been profoundly shaped by a history of war and slavery.

In a recent column criticising right-wing Republicans for being cavalier about possibility of default, David Brooks made the following comment:

> *"The members of this movement [i.e. Tea Party Republicans] have no sense of moral decency. A nation makes a sacred pledge to pay the money back when it borrows money. But the members of this movement talk blandly of default and are willing to stain their nation's honor."*

This intertwining of the language of debt with that of morality is a main theme of your book. Could you talk a bit about its history?

The idea that 'honour' and 'credit' are the same thing occurs in situations in which people are trading with each other directly. If there is some kind of market, and debts are denominated in money, but you can't haul someone off to jail or break their legs if they don't meet their obligations, then to operate successfully as a business your honour is your greatest resource. In medieval Arabic law – Sharia law – credit was capital: your personal honour was a form of capital, and was legally recognised as such. So Brooks's comments aren't *as* crazy as all that, because states actually can't force each other to pay.

But there is an irony in thinking of a promise made by a state to pay a debt as something absolutely sacred. After all, a debt is just a promise, and politicians make all sorts of different promises. They break most of them. So why are *these* promises the only ones that they can't break? It is considered completely normal for someone like Nick Clegg to say, 'well of course we promised not to raise school fees. But that's unrealistic.' 'Unrealistic' here means 'obviously there's no possibility of breaking my promises to bankers, even those linked to banks we bailed out and in some cases effectively own'. It's striking that no-one ever points that out. Why is a promise made by a politician to the people who elected him considered made to be broken – it isn't "sacred" in any way – whereas a promise the same politician makes to a financier is considered the "honour of our nation"? Why isn't the "honour of our nation" in any way entailed in keeping our promises to people to provide healthcare and education? And why does everyone just seem to accept that, that this is just "reality"?

And why do you think that is?

Because the latter promises are not typically framed in the language of 'debt'. The language of debt is not an economic one; it's a language of morality. It has been used for thousands of years by people in situations of vast inequalities of power. If you have a situation of complete inequality, particularly violent inequality – if you've conquered someone, or if you're a *Mafioso* extracting protection money – then framing the relationship in terms of debt makes it seem as though the extractors are magnanimous and the victims are to blame. "Well, you owe me, but I'll be a nice guy and let you off the hook this month…" Before long the victims come to seem almost generically morally at fault by the very terms of their existence. And that logic sticks in people's minds – it's incredibly effective. Not universally effective, because it's also true that the vast majority of revolts, insurrections, populist conspiracies and re-

So I would say that the only real danger of running extreme deficits would be that eventually you'd have a loss of faith on the part of the international community. The deficit, which was caused primarily by increased military spending and the 2008 economic crisis, was funded largely by selling treasury bonds abroad. Treasury bonds have come since 1971 to substitute for gold as the basic reserve for people who don't have huge vaults like we do (that is, U.S. treasury bonds now function as the standard unit of account for debt). There is some danger that eventually, if the U.S. runs a huge deficit over a sustained period of time, somebody might decide that maybe treasury bonds are no longer the safest investment choice – though it is not clear what the alternative might be. There has been some murmuring along these lines – Russia has been muttering about it, and China occasionally makes noises about possibly diversifying, but they don't do anything about it. The irony of course is that the only thing that could really speed this long-term process up is exactly what the Republican Party has been doing: threatening to default, which they claimed we might have to do because of the debt. This is precisely backwards.

So a country can't go 'broke', really?

Certainly not a country with a giant army. Argentina can go broke. If you look at countries that actually go broke, they are countries that lack the power of seigniorage. Now, 'seigniorage' is another of those great words that economists use so you don't know what they're actually saying. It essentially refers to the economic advantage you get from having the political power to decide what money is. If you look at countries that have real, genuine debt crises – Argentina, Ireland, Greece – they don't have their own currency (Argentina's was pegged to the dollar). If you're using somebody else's currency, you can get in big trouble. Countries that do control their own currency, on the other hand, have a range of options available to them. They can always just print money – that might have bad economic effects, but it is one way to escape a debt trap. The U.S.'s position is even better than that, because not only can in military spending (in the U.S. almost exactly). The debt is then monetised in the form of bank notes, and that's what we use as money: money owed by the government in exchange for maintaining a security apparatus and a military, which of course can then further enforce the fact that this debt can be considered money, which creates a rather interesting circularity.

The U.S., to be clear, has always had a debt, since 1776. The original Revolutionary War debt has never been repaid, and couldn't be. The only person who made a serious effort to retire the debt was President Andrew Jackson. In order to do that he also had to get rid of the Bank of the United States, which was the equivalent of the Federal Reserve. As a result, basically, local banks had to take up the task of providing all the credit in the U.S. That caused incredible speculative bubbles, because there was no real control over how they would do that (one advantage of having a central bank is that you can keep an eye on it and make sure it doesn't engage in completely inflationary policies). This led to the Panic of 1837 and a giant economic collapse. No one has tried to do it since.

So what is the economic basis for the concern about the size of the debt?

The only economic basis is that, especially if we had high employment rates (which the US doesn't), deficit spending could eventually lead to inflation. But at the moment that's what we *want* – the last housing bubble crashed and they've been trying desperately to blow on a popped balloon ever since. That is basically what federal policy is – the Federal Reserve is in fact printing money like crazy (they call it 'quantitative easing' so you don't quite know what's happening). So the idea that we face a danger of inflation exactly reverses the problem.

If, on the other hand, the government retired the debt, the problem would be that once again local banks would have to create all the credit, which is exactly what they're not doing at the moment (there is a 'credit crunch'). So that would be particularly catastrophic at the moment.

bellions in world history have been about debts. When it backfires, it blows up in a big way. But nonetheless, that's what people almost invariably do when they're imposing a situation of complete inequality.

The irony of course is that when dealing with *each other*, rich and powerful people know that debts aren't "sacred", and they rearrange things all the time. They are often incredibly forgiving and generous when dealing with each other. The idea of the sacredness of debt is chiefly applied when we are talking about different sorts of people. Just as rich people will come to the aid of other rich people, so poor people also will bail each other out – they'll make 'loans' that are really gifts, and so on. But when you're dealing with debts owed by people without power to people with power, suddenly the debt becomes sacred and you can't even question it.

The concept of credit-worthiness, the perception that you will be good for your money, is perhaps a good explanation for why, when powerful institutions or people owe money to other powerful institutions or people, they are so reluctant to default. Hence the weight given to the judgements of ratings agencies like Moody's and S&P.

It's interesting to trace it backwards, because the predecessors of the ratings agencies are essentially the institutions by which the financial capitalist classes first won their autonomy from the European princes who used to be able to push them around and routinely expropriate them. First they had to find independent power bases like the Hanseatic League and the Italian city states, where they had their own courts and armies. Then they formed a common front. I believe it was Philip II who first came up against this: he tried the old medieval expedient of simply defaulting on one of his loans when he was in the middle of a military campaign, and all of the major bankers in Europe told him, 'you're not getting credit from any of us unless you cut that out'. That was a key moment, that sudden unity of these people who were supposedly all competing with each other. Well, they were competing with each other, but in the face of an external power, they formed a common front. And that's essentially what credit ratings agencies are: they are a form of political power exercised by certain extremely powerful social classes.

What's the main argument of your book?

There's a series of them. One is just what we've been discussing. What is a debt? A debt is a promise that has been perverted by mathematics and violence, and the book examines the history of how that happens. History has done this strange thing to us: we associate things like war and slavery with the ancient world and imagine that they have no contemporary relevance to our lives. But in fact that history of violence has completely transformed the way we think, so that our commonsense political and economic logic has been completely reshaped. All of these things have been shaped much more by violence and military operations than we'd ever imagine, to the point where I think we're going to have to start thinking in dramatically new terms to even come up with a realistic idea of what a free society would be like. If "freedom" is the ability to make real promises, then, what sort of promises would free women and men make to one another? How would they be kept? We hardly know what it would even mean to start asking these questions, but in order to find out, we need to clear away a lot of the conceptual legacy of millennia of war, slavery, and debt, that keeps us from being able to find out. That's not the explicit message of the book, but it's one of the things I was really trying to convey.

Let's look at the historical development of our conceptions of "liberty", then.

That was something I had been vaguely aware of, but I hadn't realised, until I began researching, just how flagrant it was. In most human languages, the word for 'freedom' means 'the opposite of slavery'. Moses Finley pointed out a long time ago that it's not a coincidence that doctrines of political liberty tend to emerge from places where they have the most extreme forms of chattel slavery, whether it's ancient Athens or colonial Virginia, where Thomas

of paper money was always seen as ultimately representing gold. Now, the interesting thing about those systems – and this is something about the nature of capitalism that I think, much though I respect the Marxist tradition, has been sort of left out– is the fact that the kind of money that capitalists were using with each other was different to the kind of money used by ordinary people. There was this sort of moral idea that people shouldn't be using credit, that they should be using coins – Adam Smith tried to eliminate credit as much as possible from his vision of the world – which corresponded to a general middle class idea that it wasn't a good thing that everyone should owe each other money. It was physically very difficult to produce enough coins to ensure that people would be able to just go to the shop and buy everything they needed with them, though it was eventually pulled off by the nineteenth century. But the same capitalists who felt that people shouldn't be in each debt to each other, when they made transactions among themselves, generally used as what is sometimes called "high powered" money, which was mostly monetised government war debt.

The classic example of that is the Bank of England, which was essentially based on a £1.2 million loan made by a consortium of British merchants to King William II. The King, who was fighting a war with France, asked for an emergency loan, in exchange for which he gave the merchants the right to take the money he now owed them and loan it to other people in the form of paper money (bank notes). That's what British currency is. They also got to call themselves the 'Bank of England' and they had a monopoly on the right to do this. And indeed if you look at a £10 note today, there's still a picture of the queen, and above her it still says, in small letters, "I promise to pay the bearer on demand the sum of". It's a promise, an I.O.U. from the Queen.

This is why all this discussion of the debt as such a terrible problem has nothing to do with the way economies actually work. The way economies actually work means that the government *has* to maintain a debt, and that debt is generally speaking based mainly

Through much of world history, when faced with an insoluble situation, people are much less likely to revolt than to figure out a way to just leave.

James Scott makes a lot of this.

Precisely – "exodus". That's a perfect example from the Middle East itself. So exodus was widely practiced. Of course it was much harder after irrigation and agriculture had been developed, because it's difficult to abandon canals and so on that you've spent twenty years building. But when people were truly desperate, as when their daughters or sons were about to be taken off to serve as prostitutes, the common response was to run off and join the local band of nomads – people who practiced occasional agriculture on the fringes, but who remained mobile enough to evade capture. In this way the numbers of nomads would swell, which is one of the reasons why kings had to declare periodic debt cancellations: they were afraid of losing their population, and indeed of being overwhelmed by nomads and bandits. People would run off and join nomadic bands after fleeing in the manner described above, until eventually they swept back into the cities as conquerors. That's how you got the Semitic people taking over – they were aided by half the proletariat from the towns they were conquering.

So in a sense, Middle Eastern patriarchal reaction starts as a sort of social movement, or rebellion, against the wealthy and the most graphic abuses of wealth at the time – debt slavery, and wives and daughters being sold into prostitution to service debts. Of course the form that rebellion took had terrible, ambivalent and reactionary effects. But I think we need to recognise the fact that not all resistance is libratory of everyone.

To jump ahead a bit, what was the origin of the national debt?

That's interesting, because this period of roughly 1450-1971is a period dominated by bullion insofar as people think that money essentially *is* bullion – gold is a commodity used to measure other commodities – but it's also a period where you have modern paper money. This might appear to be a paradox, but of course the value

Jefferson came from. But this is true on a much more profound level than I had ever imagined. In most societies a slave is essentially like the living dead: as a social person they've been killed. The idea is that they are someone who was captured in battle, their captive decided not to kill them (which he would have had every right to do), so essentially their previous life is gone and all they have left is a relation of total subordination to the person who was within his rights to kill them.

And they're ripped from their social context.

Yes. So if you're a Roman taken prisoner of war and held as a slave elsewhere, and then you come home again, you have to remarry your wife, you have to enter into all contractual relations over again, because you were effectively dead.

This helps to explain something really strange about our property law, which is derived from Roman law and has created terrible problems for jurists starting in the eleventh century. Our definition of property is that property is a relation between a person and a thing, whereby that person has absolute power over that thing. This definition doesn't make sense. For example, if you're on a desert island, you might have a deeply personal relationship with a tree on that island. You might well be talking to it every day. But do you 'own' it? Well, it's kind of an irrelevant question unless someone else is there. In fact, property rights are relations, or arrangements, between *people*, *about* things.

Our notion of freedom is similarly problematic. 'Freedom' is the natural power, according to Roman law, to do absolutely anything you like – except for those things you can't do, either because of the law or because somebody's going to stop you. This is like saying that 'the sun is square except insofar as it is round'. And people immediately pointed this out: by this definition, *everyone* is 'free'. Slaves are 'free' – after all, they can do anything they want except for those things they can't do. So why did they develop this absurd definition?

The reason is that what Roman magistrates were imagining *was* in fact a relationship between two people of total power, which therefore renders one of them a 'thing'. That's what slavery is all about. So you had this subtle shift in the meaning of freedom. Originally freedom meant 'not being a slave', and so referred to people who had social relations. In fact the word '*free*' in English traces back to the same root as '*friend*' – free people are, as noted before, people who can make commitments and promises to others, which of course slaves cannot do. But then the definition shifts, so that it now refers to the power of the slave-owner. A 'free' person becomes a person who has people they can do anything they want to, or who approaches the world as a set of properties in the same way – someone who has a personal private domain, within which they can do whatever they like. This definition has the advantage of not suggesting that freedom is unlimited except insofar as it is circumscribed. But it brings all these deeply perverse and contradictory notions into it: that freedom is not a product of social relations, but is in fact the negation of social relations. That has had a deeply insidious effect on how we look at the world.

I was interested in the passage in the book where you discuss "dualism" as an attempt to cobble together a philosophical account that could make sense of this odd Roman conception of property rights.

Yes, indeed. Because another one of the paradoxes becomes conceptual: in natural rights theory, as in Roman property law, freedom is your ability to do anything you like within your domain of private ownership. Well, if 'freedom' is essentially property rights, and if the entire world is seen in terms of property rights, then your first and most elementary property is your own body, your own person. C. B. MacPherson pointed this out long ago: all notions of natural rights and liberties begin with your own private property rights over yourself, your right to forbid others (even governments) to "trespass" upon your person, your house, your possessions. But if human rights are founded on your property rights over yourself, and property rights are modelled on slavery, that means you are

a few. Within 1000–1500 years, somehow or another, women are systematically excluded from public life, and suddenly you've got this intense concern about premarital virginity (it's not even clear that they had a concept of that in early Sumerian times). How did all this happen?

The traditional line suggests that maybe the Sumerians were 'mellow' while the Semitic people were these pastoral nomadic types with severe patriarchal traditions, and gradually these nomads seeped in from the steppes and overwhelmed the cities with wave after wave of conquest. And it is true that the language spoken along the Tigris and Euphrates successively shifted from Sumerian to Semitic, Akkadian, Amorite, Aramaic, then finally, Arabic, which you could say was the last Semitic language to take over the region. But there is a problem with this explanation. In most other respects, the evidence suggests that these conquering Semitic peoples adopted the mores of the people they found living in the cities. So why not in this case? The picture doesn't really make sense – it's almost a substitute for a real explanation.

What I found more plausible is that it had to do with debt crises. You had this situation where women, especially poor women, became commoditised. Some of that has to do with the history of prostitution. It is much contested whether there really was a thing called 'sacred prostitution' in the ancient world – some people say the whole thing is a myth, but there seems to be some fairly clear evidence that ritual sexual behaviour which involved exchange of something did take place. In any case, the details aren't so important. Whether or not there were sacred prostitutes in temples, it quickly became the case that temples were surrounded by red light districts with actual bordellos in the modern sense of the term. Who was in them? Mostly people who got carried away because of late debt payments, often those of their parents. So you had parents in this agonising situation in which their daughter was about to be taken away to serve as a prostitute because they couldn't pay their loans. One of the more common responses was to run away.

But there is a difference, because the Sharia notion of the market as based fundamentally on mutual aid and trust did not transfer straightforwardly to the European context. To illustrate, contrast the Indian Ocean and the Mediterranean. The Indian Ocean became a Muslim lake in the Middle Ages, and there was an understanding that, while on land you could kill each other, on the ocean everyone had to be friends. The ocean is the domain of merchants who will go to the religious courts to enforce contracts, and with contracts, everything's a handshake deal. On the Mediterranean, by contrast, whether Venetian galleys were traders, pirates or crusaders really depended on the balance of forces of the moment. Every ship was equipped both for trade and for war, and one was considered an extension of the other. So in Europe you had this much more aggressive idea of trade as an extension of competitive relations with people who you would just as soon kill, were it not disadvantageous to try to do so at a particular moment. Well in that context the idea of the 'free market' becomes completely different. And in that context you create an idea of a market that should exist outside of the state, but actually couldn't.

I'll come back to credit vs. bullion cycles in a bit. But you mentioned prostitution above, and one of the interesting arguments in your book concerns the origins of patriarchy in the context of moral crises surrounding debt and the introduction of commerce. Could you elaborate?

Yes. I should make clear that I'm not talking about male dominance *per se*, for which we would have to cast a wider net, but rather about the specific phenomenon of Middle Eastern patriarchy in which women are locked away, or veiled, or otherwise sequestered from public life. That is not something which goes back to the earliest times. In fact the evidence is that in the*very* earliest times, it was *least* like that. If you look at the early Sumerian records, the situation looks kind of like now – it's not equal, but you know, a third of doctors are women, or a third of administrators, or even among heads of state, you've got

both master and slave at the same time. Well, how does that work? It obviously doesn't make any sense. That, it seems to me, is why we are so determined to create a division between the mind and the body, because it offers a way of imagining our mind as the 'master' and our body as the 'slave'. This idea is a response to the way we chose to define 'freedom' in law.

The other paradox of course is that freedom itself is seen as something one 'has' – as a form of property. So freedom both is the ability to own things, and is also something you own. How does that work, and why would anyone want to formulate freedom as the right to own your freedom? It sounds like an infinite regression. Medieval law, for example, and any commonsense approach, would assume that my right is somebody else's obligation, and vice versa. So if I have the right to trial by jury, that means you have the obligation to do jury duty. This makes sense in practice. Why do we instead imagine our rights as property? And especially our freedom as property?

If you trace it back, the people who really push that line consistently are not those who wanted to increase human liberty, but those who wanted to *limit* it – the people who believed in the absolutist state, for example. (Hobbes is the classic example.) Because if freedom is the ability to own your freedom, well, something you own, you can sell, you can rent, you can give away. It's alienable. Similarly people who wanted to defend slavery were very much into natural rights theory.

The *Declaration of Independence*, written by Thomas Jefferson, a great libertarian slave-owner, begins by apparently subverting the very idea that something like slavery could be possible, declaring – and he got in trouble for this – that 'we are endowed with certain inalienable rights'. This means that we own these things, but we can't sell them. Nonetheless, it keeps the language and the logic of natural rights theory entirely intact. As a result, any attempt to actually apply it consistently creates endless paradoxes. I am convinced that if you took the average American and asked them to defend the argument that slavery should be illegal, they would find it very difficult to do. They would all assert that, yes, of course it's wrong to own people, but if you pressed them on why, and used an example – well, we have prisoners sentenced to life without parole, and often prisons rent prisoners' labour to local farms or companies. Why not sell them? – they probably couldn't come up with a reason. Because the logic of our commonsense about law and freedom and liberty makes it difficult to object to the institution.

So this language of rights and self-ownership has been appealed to mainly by people wanting to limit freedom?

Yes, to come up with excuses for the slave trade. That was the argument. It's interesting to point out, because ancient slavery was not, for the most part, based on any idea of 'race' or ethnic superiority. Anyone could become a slave – it was just bad luck. If you were captured in war, you became a slave. One claim you often hear is that in the ancient world nobody condemned slavery as an institution. I don't think that's true. I think everybody thought it was wrong. If you look at Roman law, one of the first things you learn in the first year, if you're a Roman law student, is the definition of slavery, which is: 'slavery is an institution according to the law of nations whereby one person falls under the property rights of another, contrary to nature'. It's assumed to be unnatural and wrong. I think people thought of slavery in exactly the same way we think of war. Slavery was seen as a natural result of war: of course, people will go to fight in wars, some of them will surrender and become captives, and that's just how it is. The question of whether it is right or wrong – well, yes, of course, it would be great if we could get rid of war. War is bad, so is slavery. But get real. That's pretty much how people feel about war now, and that's pretty much how people felt about slavery in antiquity.

The reason I bring this up is that one finds exactly the same thing in the very early period of the modern slave trade, before the elaboration of modern racial theories. They didn't say 'Africans are inferior, therefore they don't really have civilisation, therefore it's OK

couldn't haul someone off to jail for violating them. Abusive practices like usury and debt peonage had been typical of the Middle East for thousands of years, and were essentially made illegal under Islam. That's one of the reasons why many people were so willing to convert – it was really through the judicial system that it all happened.

The way I put it is that the mercantile classes basically switched sides. Throughout most of Middle Eastern history they were allied with the government – they were the money-lenders, they were the people that others fell into debt traps with and became debt peons because of interest bearing loans. And essentially they said, 'OK, OK, we'll become the good guys. We will stop charging interest, we will outlaw slavery and debt peonage, and the government are the bad guys now, we won't even talk to them, we'll just work this stuff out among ourselves.'

Now, you can't have this sort of system if you're extracting interest and getting people ensnared in debt traps where they become enslaved. For that kind of system you need physical enforcement. So essentially they created this idea of a market existing outside the state. But it was a different type of market. While the market and the state were considered completely separate it was also assumed that competition, while it plays a role, is not the essence of what the market is. The market, ultimately, was seen as a form of mutual trust and mutual aid.

One of the more surprising things is the degree to which free market rhetoric was spearheaded in medieval Islam within that context of Sharia. To take one example, Adam Smith's idea of the 'invisible hand' – that divine providence sets prices under free market conditions – was originally a sentiment attributed to Muhammad, who was initially, of course, a merchant. Some of Adam Smith's best lines – you never saw two dogs exchanging a bone, his example of the pin factory – go back to free market theorists in medieval Persia. He seems to have taken a lot of his lines directly from them.

between credit-based systems and bullion-based systems, and that back-and-forth is one of the themes of the book. Credit-based systems are more like human economies, although they don't go all the way.

Because credit is not completely impersonal in the way that cash transactions can be?

Yes, it relies on personal trust, but it's also quantified and transferable, which makes it a debt rather than a simple moral obligation. This is where you get symptoms like those I have described – for example, in medieval Islam one's honour is a form of capital; one's reputation for being a decent person, for being trustworthy, becomes key. As Pierre Bourdieu said of contemporary Algeria, honour is superior to money because you can convert your honour into money, but you can't convert your money into honour. I thought this was a brilliant discovery– that honour is a form of capital – until I discovered that in traditional Islamic law it is literally true: honour is legally recognised as a form of capital. That sort of system is similar to the kind of thing that prevailed in medieval Europe. In England, for example, you find expressions like "a worthy man" or "a man of no account", which refer both to one's personal reputation for decency and to one's credit-worthiness. The two essentially could not be distinguished.

The interesting thing this brings out, I think, is that while markets emerge as a side-effect of military operations, in certain times and places in history they become something different. They become something which is neither dependent upon nor a side-effect of state actions, but instead become *opposed* to the state. The first time I'm aware of this happening is in medieval Islam, but you also see it in Ming China and there are traces of it in renaissance England. It is a kind of market populism that tends to occur when controls are instituted to ensure that credit systems don't go crazy. So in medieval Islam, for example, there was a ban on usury. But that ban was not enforced by the state— people appealed to religious law to settle commercial disputes and contracts, but the state

to drag them off'. Actually they made the opposite argument. They said that African institutions are as legitimate as ours, and so most of these people might well have been legally enslaved. Since all nations recognise that we have certain liberties and hence the right to sell those liberties, they might have sold themselves, or someone who had the legitimate right to sell them might have sold them— their parents, someone who captured them in war, a judge who convicted them of a crime. Sure, *some* of them might have been illegally enslaved, but abuses happen in every system, and the point is that slavery itself is a legitimate institution in Africa that rests on universal legal principles. It was this kind of mock universalism that originally justified slavery.

And historically has opposition to slavery rejected the language of rights, or has it tried to, as in the Declaration of Independence, appropriate it?

It went in different directions, but overwhelmingly the natural rights people won out. So you end up with the kind of writing under erasure that I described, where you start with Roman law terms and then you try to make them imply the opposite of what they were originally formulated to imply. It's very much like the language of debt and morality. If say a subject population is told, 'you owe us something (for not having killed you when we conquered you a century ago)' – which is very similar to the argument made for slavery – then it's almost impossible to come up with a reply that doesn't take the form of, 'wait a minute, who really owes what to who here?' But as soon as you say that, you are accepting that debt *is* morality, that moral obligations are best framed as matters of debt— suddenly you are using the conqueror's language. I would suggest that this has been happening constantly, throughout history.

That's why you see, in so many of the ancient moral and religious texts, a strange duality, an internal tension, whereby people on the one hand feel obliged to use the language of debt (Sanskrit, Hebrew and Aramaic all use the same words for 'debt' as for 'sin') but at the same time, they start that way and then they say, 'well, except not really'. They feel obliged to frame it as a matter of debt, and then they have to deconstruct the notion of debt and conclude that of course in reality what is sacred aren't your debts but rather the ability to forgive debts (redemption). The realisation that debt is meaningless.

I suppose for a more contemporary example of that kind of internal tension about 'debt' and 'honour' one can look to the old English aristocracy, which on the one hand looks down on 'new money' and the market generally, but on the other hand does have this notion that an honourable man 'pays his debts'. So, do you think the tension in our understanding of the morality of debt that was present in ancient texts remains unresolved? Does it remain a source of moral confusion?

Absolutely. The remarkable thing is just how consistent it is. People have been asking the same question for thousands of years. I always draw attention to Plato's *Republic*, in which the whole Western political tradition, in a sense, starts with the question "What is justice?" "Well, it's paying one's debts. No, that doesn't work – let's try something else then…" The 'honour' formulation is one example of the tension. On the one hand, it does mean you pay your debts – not because you take them seriously, but because you're committed to something higher. On the other hand it implies, in other contexts, absolute contempt for the entire commercial system that says that you would pay your debts (and lots of aristocrats don't!).

OK, let's examine debt more closely. To do that, we first have to look at money. What definition of money do you work with in the book?

There are two major schools of thought on this within economics. The orthodox or mainstream school assumes that money emerges as, and essentially remains a medium of, *exchange*. That's how you get the classic 'myth of barter', as it's sometimes called: once upon a time there was a little village, and everybody traded things directly with each other. "I'll give you twenty chickens

the point at which the shift from what you call "human economies" to "commercial economies" occurred?

A 'human economy' is a term I coined to refer to an economy in which money is used primarily to rearrange social relations, rather than to buy material objects or possessions. I give a lot of examples in the book. Now, a credit system like the one in ancient Mesopotamia is sort of a half-way point: you could buy things, but it was largely on credit and you could not completely divorce the transaction from someone's reputation (or their credit-worthiness). So it was kind of a hybrid – money was used both for rearranging social relations and for buying material objects. But when money is used for both, suddenly it creates all of these moral crises, which are further exacerbated when the system develops into one where people start routinely using cash for basic transactions. The examples I give in the book are the moral crises over slavery and prostitution.

Let's focus here on prostitution. Obviously prostitution can't really occur unless you have some kind of impersonal market system, but in a human economy, often, *legitimate* social relations are ones in which money has changed hands. That's how you recognise when a new social relation has been created (for instance, when 'bridewealth' has been paid between families to recognise a new marriage). But when you're using the same stuff to seal a marriage as you're using to buy a duck or to pay a streetwalker for momentary sexual services, that creates a big problem, and that's why you have this terrible moral panic which starts in Mesopotamia and becomes if anything even stronger in ancient Greece as the beginnings of a cash economy emerge.

And is the shift always from 'human economies' to 'commercial economies'? Has the transition ever occurred in other direction?

Oh yes, people have certainly run away from commercial economies, and commercial economies have collapsed. Still, within the tradition of the great civilisations what happens is not a movement between human and commercial economies, but

Could you outline your analysis of this cycle? One of the interesting things about your historical framework, for example, is that it shifts focus away from the 'transition' from feudalism to capitalism, which attracts so much attention and debate, by starting one period in 1450 and ending it in 1971.

Right. When looking for the shift from credit systems to bullion systems, the obvious place to start would be the discovery of the Americas and the massive flow of bullion from the Americas to Europe. But the problem is that the massive flow of bullion didn't, for the most part, end up in Europe – it ended up in India and China. If you look carefully, the real transition seemed to happen around 1450, when China itself moved from the old paper money system to a silver bullion-based economy, which was one of those moments of free market populism when people shake off the old state-controlled system and the paper money and credit systems that are associated with it—which was closely tied to a tax system which assigned people to fixed slots as farmers, soldiers, artisans, etc. People started fleeing the villages to which they were assigned by the tax system, creating illegal silver mines and an informal economy that operated with uncoined silver. Eventually the Chinese government gave in, stopped even coining money, and said 'fine, everyone just pay a uniform tax in silver.' The problem was they quickly discovered that there actually isn't very much silver in China. They cleaned out Japan in twenty years, but the insatiable demand for silver persisted. Some have estimated that the colonies established by the *conquistadors* wouldn't have been economically viable for more than ten or twenty years were it not for this huge demand for bullion from the Far East. And that connection began the shift from the old credit systems that dominated during the Middle Ages to the bullion systems that dominated, really, until 1971.

You've described how the shift from credit to bullion, which occurred as a side-effect of war, created commercial markets. Was this

for that cow"; "oh, you don't need chickens, well, what do you need?"; etc. Pretty much every economics textbook opens its section on money with this. And if I don't have anything you want, I can't get what you have; this is a problem; eventually we settle on something that everybody is going to want; and because that becomes the medium of exchange there is a virtuous circle in which people want it even more, money emerges, and eventually credit develops out of that.

There is a problem with this story. It assumes that everybody in a little village will be engaging exclusively in what economists call the "spot trade" – I give you something right now, you give me something right now, and we walk away. But of course that's silly. If your neighbour has something you want, even if you don't have something they are going to want now, he's your neighbour and you're going to have something he wants eventually. So what would really happen in that situation is a credit system. So the other school of economists begins with the idea of credit, and emphasises money's role as a unit of *account*. Money is a way of measuring debts. That's a sort of Chartalist school account – there are various other strains: credit theories of money, state theories of money, and so on. Money starts as a unit of account, and so it's not something that necessarily has to be physically *there*.

So money in this sense is a like a 'centimetre', or a 'litre'.

Exactly. There is a famous line by Mitchell Innes: '[the] eye has never seen, nor the hand touched a dollar'. Any more than it has touched an inch, or an hour. So money is a unit of measurement of value, but value as realised in credits and debts.

What's interesting is that within the field of economics these guys are considered cranks, and they're very marginal in mainstream economics. But among archaeologists and historians, conversely, they tend to be the dominant strain, because all actual evidence we have suggests that they're right. In fact coins are invented thousands of years after money begins, and people were already using expense accounts and talking about compounded interest rates long before there were actual coins or even, as far as we know, before there were circulating lumps of silver in transactions. One fact that really impressed me is that even though the Sumerians had the technological capacity to do so, they did not make scales accurate enough to weigh out the amounts of silver that would have been required to buy typical consumer goods.

So if credit preceded hard currency, why was hard currency developed?

The emerging consensus among historians over the last ten years is that markets based on the use of actual bullion or currency in daily transactions are almost everywhere a side-effect of war. If you think about this, it makes sense. Why did they choose gold and silver as the universal currency of exchange? Well, gold and silver were the sort of things that soldiers were most likely to have a lot of on hand, since that is the easiest and most valuable thing to carry off if you're looting and pillaging somewhere. But on the other hand, a soldier is the last person you're going to want to extend credit to, since they are heavily armed and just passing through. So, soldiers wants of stuff (marketplaces always formed around an army), and they've got lots of these bits of precious metal; it makes sense that that's where cash markets would emerge.

What seems to have happened is that states started systematizing the division of the loot into uniform pieces, eventually making them into coins. Then – and this is the big trick – they demanded those coins back, in taxes. One of the great mysteries, if you take the Adam Smith theory of the origin of money (that it arose from the inconveniences of barter), is, why did ancient kings want taxes at all? If gold and silver were naturally money, why not just grab the gold and silver mines directly and keep all of it? Indeed that is in fact what they did, so what's the point of taking the gold that you already own, stamping your picture on it, handing it out and then saying, 'OK, everybody, give it back'? The only logical explanation is that they were trying to create a market, and that also explains who they were giving it to. One of the big problems in the ancient world was how to feed one's army. You have 50,000 people sitting around, and they're going to eat pretty much anything standing in the area within about three weeks. How do you feed them? The easiest solution is to give the soldiers these metal coins and say, 'OK, everyone in the kingdom is required to give me one of these coins'. Suddenly the whole population has to figure out a way to give the soldiers what they want in exchange for the coins. So you're effectively employing your entire kingdom to feed your soldiers. Commercial markets are essentially, then, a by-product of military operations by states.

Part 2

In the second of a two-part interview, he places the post-1971 shift towards a credit-based economic system in a much broader historical context, and looks at the role of the national debt in the light of currently dominant politics of austerity. The first part of the interview, which focused on development of debt as a moral language, can be readhere.

A key organising framework for the historical analysis you present in your book is the oscillation between economies based on credit and those based on bullion. You seem, here, to be picking up on the same patterns as Giovanni Arrighi, with his 'systemic cycles of accumulation', although you do different things with it.

Yes, it's the same kind of thing. I'm trying to figure out these patterns. But it's also very different in that he is essentially talking about different sorts of capitalist hegemony, whereas I'm saying that capitalism itself is one cycle of this very broad series of back-and-forth movements between credit systems that have certain relatively populist implications and bullion-based systems which tend to be associated with war, chattel slavery, standing armies, and so forth.