DEBT

THE FIRST 5,000 YEARS

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A PARADISE BUILT IN HELL

THANK YOU! COME AGAIN!

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Chapter One

ON THE EXPERIENCE OF MORAL CONFUSION

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

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

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

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

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

"For example?"

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

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

"But what was *your* position?" the lawyer asked.

"About the IMF? We wanted to abolish it."

"No, I mean, about the Third World debt."

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

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

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

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

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

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

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

Still, for several days afterward, that phrase kept resonating in my head.

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

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

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

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

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

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

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

Sometimes, though, debt seems to mean the very opposite. Starting in the 1980s, the United States, which insisted on strict terms for the repayment of Third World debt, itself accrued debts that easily dwarfed those of the entire Third World combined—mainly fueled by military spending. The U.S. foreign debt, though, takes the form of treasury bonds held by institutional investors in countries (Germany, Japan, South Korea, Taiwan, Thailand, the Gulf States) that are in most cases, effectively, U.S. military protectorates, most covered in U.S. bases full of arms and equipment paid for with that very deficit spending. This has changed a little now that China has gotten in on the game (China is a special case, for reasons that will be explained later), but not very much—even China finds that the fact it holds so many U.S. treasury bonds makes it to some degree beholden to U.S. interests, rather than the other way around.

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

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

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

And there's something more fundamental going on here, a philosophical question, even, that we might do well to contemplate. What is the difference between a gangster pulling out a gun and demanding you give him a thousand dollars of "protection money," and that same gangster pulling out a gun and demanding you provide him with a thousand-dollar "loan"? In most ways, obviously, nothing. But in certain ways there *is* a difference. As in the case of the U.S. debt to Korea or Japan, were the balance of power at any point to shift, were America to lose its military supremacy, were the gangster to lose his henchmen, that "loan" might start being treated very differently. It might become a genuine liability. But the crucial element would still seem to be the gun.

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

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

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

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

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

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

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

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

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

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

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

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

> Since the dead usurer's friends were very insistent, the priest yielded to their pressure and said, "Let us put his body on a donkey and see God's will, and what He will do with the body. Wherever the donkey takes it, be it a church, a cemetery, or elsewhere, there will I bury it." The body was placed upon the donkey which without deviating either to right or left, took it straight out of town to the place where thieves are hanged from the gibbet, and with a hearty buck, sent the cadaver flying into the dung beneath the gallows.[7]

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

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

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

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

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

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

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

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

> It is as one sutra says: "When we do not repay the things that we have borrowed, our payment becomes that of being reborn as a horse or ox." "The debtor is like a slave, the creditor is like a master." Or again: "a debtor is a pheasant and his creditor a hawk." If you are in a situation of having granted a loan, do not put unreasonable pressure on your debtor for repayment. If you do, you will be reborn as a horse or an ox and be put to work for him who was in debt to you, and then you will repay many times over.[10]

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

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

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

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

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

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

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

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

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

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

The reason that people were ready for such a conversation was that the story everyone had been told for the last decade or so had just been revealed to be a colossal lie. There's really no nicer way to say it. For years, everyone had been hearing of a whole host of new, ultra-sophisticated financial innovations: credit and commodity derivatives, collateralized mortgage obligation derivatives, hybrid securities, debt swaps, and so on. These new derivative markets were so incredibly sophisticated, that—according to one persistent story—a prominent investment house had to employ astrophysicists to run trading programs so complex that even the financiers couldn't begin to understand them. The message was transparent: leave these things to the professionals. You couldn't possibly get your minds around this. Even if you don't like financial capitalists very much (and few seemed inclined to argue that there was much to like about them), they were nothing if not capable, in fact so preternaturally capable, that democratic oversight of financial markets was simply inconceivable. (Even a lot of academics fell for it. I well remember going to conferences in 2006 and 2007 where trendy social theorists presented papers arguing that these new forms of securitization, linked to new information technologies, heralded a looming transformation in the very nature of time, possibility—reality itself. I remember thinking: "Suckers!" And so they were.)

Then, when the rubble had stopped bouncing, it turned out that many if not most of them had been nothing more than very elaborate scams. They consisted of operations like selling poor families mortgages crafted in such a way as to make eventual default inevitable; taking bets on how long it would take the holders to default; packaging mortgage and bet together and selling them to institutional investors (representing, perhaps, the mortgage-holders' retirement accounts) claiming that it would make money no matter what happened, and allow said investors to pass such packages around as if they were money; turning over responsibility for paying off the bet to a giant insurance conglomerate that, were it to sink beneath the weight of its resultant debt (which certainly would happen), would then have to be bailed out by taxpayers (as such conglomerates were indeed bailed out).[11] In other words, it looks very much like an unusually elaborate version of what banks were doing when they lent money to dictators in Bolivia and Gabon in the late '70s: make utterly irresponsible loans with the full knowledge that, once it became known they had done so, politicians and bureaucrats would scramble to ensure that they'd still be reimbursed anyway, no matter how many human lives had to be devastated and destroyed in order to do it.

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

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

It seemed that most Americans were open to radical solutions. Surveys showed that an overwhelming majority of Americans felt that the banks should not be rescued, *whatever the economic consequences*, but that ordinary citizens stuck with bad mortgages should be bailed out. In the United States this is quite extraordinary. Since colonial days, Americans have been the population least sympathetic to debtors. In a way this is odd, since America was settled largely by absconding debtors, but it's a country where the idea that morality is a matter of paying one's debts runs deeper than almost any other. In colonial days, an insolvent debtor's ear was often nailed to a post. The United States was one of the last countries in the world to adopt a law of bankruptcy: despite the fact that in 1787, the Constitution specifically charged the new government with creating one, all attempts were rejected on "moral grounds" until 1898.[12] The change was epochal. For this very reason, perhaps, those in charge of moderating debate in the media and legislatures decided that this was not the time. The United States government effectively put a three-trillion-dollar Band-Aid over the problem and changed nothing. The bankers were rescued; small-scale debtors—with a paltry few exceptions—were not.[13] To the contrary, in the middle of the greatest economic recession since the '30s, we are already beginning to see a backlash against them—driven by financial corporations who have now turned to the same government that bailed them out to apply the full force of the law against ordinary citizens in financial trouble. "It's not a crime to owe money," reports the Minneapolis-St. Paul *StarTribune*, "But people are routinely being thrown in jail for failing to pay debts." In Minnesota, "the use of arrest warrants against debtors has jumped 60 percent over the past four years, with 845 cases in 2009 . . . In Illinois and southwest Indiana, some judges jail debtors for missing court-ordered debt payments. In extreme cases, people stay in jail until they raise a minimum payment. In January [2010], a judge sentenced a Kenney, Ill., man 'to indefinite incarceration' until he came up with $300 toward a lumber yard debt."[14]

In other words, we are moving toward a restoration of something much like debtors' prisons. Meanwhile, the conversation stopped dead, popular rage against bailouts sputtered into incoherence, and we seem to be tumbling inexorably toward the next great financial catastrophe—the only real question being just how long it will take.

We have reached the point at which the IMF itself, now trying to reposition itself as the conscience of global capitalism, has begun to issue warnings that if we continue on the present course, no bailout is likely to be forthcoming the next time. The public simply will not stand for it, and as a result, everything really will come apart. "IMF Warns Second Bailout Would 'Threaten Democracy'" reads one recent headline.[15] (Of course by "democracy" they mean "capitalism.") Surely it means something that even those who feel they are responsible for keeping the current global economic system running, who just a few years ago acted as if they could simply assume the current system would be around forever, are now seeing apocalypse everywhere.

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

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

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

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

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

Chapter Two

THE MYTH OF BARTER

> *For every subtle and complicated question, there is a perfectly simple and straightforward answer, which is wrong.*
>
> —H.L. Mencken

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

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

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

Why the discrepancy?

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

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

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

> not difficult to find someone to trade with, and barter is often used.[1]

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

> In a complex society with many goods, barter exchanges involve an intolerable amount of effort. Imagine trying to find people who offer for sale all the things you buy in a typical trip to the grocer's, and who are willing to accept goods that you have to offer in exchange for their goods.
>
> Some agreed-upon medium of exchange (or means of payment) neatly eliminates the double coincidence of wants problem.[2]

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

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

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

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

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

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

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

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

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

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

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

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

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

> But when the division of labor first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange . . .

> In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labor, must naturally have endeavored to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined that few people would be likely to refuse in exchange for the produce of their industry.[11]

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

> Salt is said to be the common instrument of commerce and exchanges in Abyssinia; a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia; sugar in some of our West India colonies; hides or dressed leather in some other countries; and there is at this day a village in Scotland where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker's shop or the ale-house.[12]

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

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

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

Tellingly, this story played a crucial role not only in founding the discipline of economics, but in the very idea that there was something called "the economy," which operated by its own rules, separate from moral or political life, that economists could take as their field of study.

"The economy" is where we indulge in our natural propensity to truck and barter. We are still trucking and bartering. We always will be. Money is simply the most efficient means.

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

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

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

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

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

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

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

Now, all this hardly means that barter does not exist—or even that it's never practiced by the sort of people that Smith would refer to as "savages." It just means that it's almost never employed, as Smith imagined, between fellow villagers. Ordinarily, it takes place between strangers, even enemies. Let us begin with the Nambikwara of Brazil. They would seem to fit all the criteria: they are a simple society without much in the way of division of labor, organized into small bands that traditionally numbered at best a hundred people each. Occasionally if one band spots the cooking fires of another in their vicinity, they will send emissaries to negotiate a meeting for purposes of trade. If the offer is accepted, they will first hide their women and children in the forest, then invite the men of other band to visit camp. Each band has a chief; once everyone has been assembled, each chief gives a formal speech praising the other party and belittling his own; everyone puts aside their weapons to sing and dance together—though the dance is one that mimics military confrontation. Then, individuals from each side approach each other to trade:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

> A favorite mode of exchange among men is barter, or *adal-badal* (give and take). Men are always on the alert for the possibility of bartering one of their possessions for something better. Often the exchange is like for like: a radio for a radio, sunglasses for sunglasses, a watch for a watch. However, unlike objects can also be exchanged, such as, in one instance, a bicycle for two donkeys. *Adal-badal* is always practiced with non-relatives and affords men a great deal of pleasure as they attempt to get the advantage over their exchange partner. A good exchange, in which a man feels he has gotten the better of the deal, is cause for bragging and pride. If the exchange is bad, the recipient tries to renege on the deal or, failing that, to

> palm off the faulty object on someone unsuspecting. The best partner in *adal-badal* is someone who is distant spatially and will therefore have little opportunity to complain.[22]

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

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

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

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

SCENARIO 1

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

Joshua says, "Oh, they're not much, but since you seem to like them, by all means take them."

Henry takes the shoes.

Henry's potatoes are not at issue since both parties are perfectly well aware that if Joshua were ever short of potatoes, Henry would give him some.

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

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

SCENARIO 2

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

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

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

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

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

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

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

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

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

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

> In the early days of the Newfoundland fishing industry, there was no permanent European population; the fishers went there for the fishing season only, and those who were not fishers were traders who bought the dried fish and sold to the fishers their daily supplies. The latter sold their catch to the traders at the market price in pounds, shillings and pence, and obtained in return a credit on their books, with which they paid for their supplies. Balances due by the traders were paid for by drafts on England or France.[31]

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

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

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

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

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

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

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

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

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

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

Chapter Five

A BRIEF TREATISE ON THE MORAL GROUNDS OF ECONOMIC RELATIONS

TO TELL THE HISTORY of debt, then, is also necessarily 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. We have already seen how both Vedic and Christian teachings thus end up making the same curious move: first describing all morality as debt, but then, in their very manner of doing so, demonstrating that morality cannot really be reduced to debt, that it must be grounded in something else.[1]

But what? Religious traditions prefer vast, cosmological answers: the alternative to the morality of debt lies in recognition of continuity with the universe, or life in the expectation of the imminent annihilation of the universe, or absolute subordination to the deity, or withdrawal into another world. My own aims are more modest, so I will take the opposite approach. If we really want to understand the moral grounds of economic life, and by extension, human life, it seems to me that we must start instead with the very small things: the everyday details of social existence, the way we treat our friends, enemies, and children—often with gestures so tiny (passing the salt, bumming a cigarette) that we ordinarily never stop to think about them at all. Anthropology has shown us just how different and numerous are the ways in which humans have been known to 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 that human life is so complicated, in turn, is because many of these principles contradict one another. As we will see, they are constantly pulling us in radically different directions. The moral logic of exchange, and hence of debt, is only one; in any given situation, there are likely to be completely different principles that could be brought to bear. In this sense, the moral confusion discussed in the first chapter is hardly new; in a sense, moral thought is founded on this very tension.

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To really understand what debt is, then, it will be necessary to understand how it's different from other sorts of obligation that human beings might have to one another—which, in turn, means mapping out what those other sorts of obligation actually are. Doing so, however, poses peculiar challenges. Contemporary social theory—economic anthropology included—offers surprisingly little help in this regard. There's an enormous anthropological literature on gifts, for instance, starting with the French anthropologist Marcel Mauss's essay of 1925, even on "gift economies" that operate on completely different principles than market economies—but in the end, almost all this literature concentrates on the exchange of gifts, assuming that whenever one gives a gift, this act incurs a debt, and the recipient must eventually reciprocate in kind. Much as in the case of the great religions, the logic of the marketplace has insinuated itself even into the thinking of those who are most explicitly opposed to it. As a result, I am going to have to start over here, to create a new theory, pretty much from scratch.

Part of the problem is the extraordinary place that economics currently holds in the social sciences. In many ways it is treated as a kind of master discipline. Just about anyone who runs anything important in America is expected to have some training in economic theory, or at least to be familiar with its basic tenets. As a result, those tenets have come to be treated as received wisdom, as basically beyond question (one knows one is in the presence of received wisdom when, if one challenges it, the first reaction is to treat one as simply ignorant—"You obviously have never heard of the Laffer Curve"; "Clearly you need a course in Economics 101"—the theory is seen as so obviously true that no one who understands it could possibly disagree.) What's more, those branches of social theory that make the greatest claims to "scientific status"—"rational choice theory," for instance—start from the same assumptions about human psychology that economists do: that human beings are best viewed as self-interested actors calculating how to get the best terms possible out of any situation, the most profit or pleasure or happiness for the least sacrifice or investment—curious, considering experimental psychologists have demonstrated over and over again that these assumptions simply aren't true.[2]

From early on, there were those who wished to create a theory of social interaction grounded in a more generous view of human nature—insisting that moral life comes down to something more than mutual advantage, that it is motivated above all by a sense of justice. The key term here became "reciprocity," the sense of equity, balance, fairness, and symmetry, embodied in our image of justice as a set of scales. Economic transactions were just one variant of the principle of balanced exchange—and one that had a notorious tendency to go awry. But if one examines matters closely, one finds that all human relations are based on some variation on reciprocity.

In the 1950s, '60s and '70s, there was something of a craze for this sort of thing, in the guise of what was then called "exchange theory," developed in infinite variations, from George Homans' "Social Exchange Theory" in the United States to Claude Levi-Strauss's Structuralism in France. Levi-Strauss, who became a kind of intellectual god in anthropology, made the extraordinary argument that human life could be imagined as consisting of three spheres: language (which consisted of the exchange of words), kinship (which consisted of the exchange of women), and economics (which consisted of the exchange of things). All three, he insisted, were governed by the same fundamental law of reciprocity.[3]

Levi-Strauss's star is fallen now, and such extreme statements seem, in retrospect, a little bit ridiculous. Still, it's not as if anyone has proposed a bold new theory to replace all this. Instead, the assumptions have simply retreated into the background. Almost everyone continues to assume that in its fundamental nature, social life is based on the principle of reciprocity, and therefore that all human interaction can best be understood as a kind of exchange. If so, then debt really is at the root of all morality, because debt is what happens when some balance has not yet been restored.

But can all justice really be reduced to reciprocity? It's easy enough to come up with forms of reciprocity that don't seem particularly just. "Do unto others as you would wish others to do unto you" might seem like an excellent foundation for a system of ethics, but for most of us, "an eye for an eye" does not evoke justice so much as vindictive brutality.[4] "One good turn deserves another" is a pleasant sentiment, but "I'll scratch your back, you scratch mine" is shorthand for political corruption. Conversely, there are relationships that seem clearly moral but appear to have nothing to do with reciprocity. The relation between mother and child is an oft-cited example. Most of us learn our sense of justice and morality first from our parents. Yet it is extremely difficult to see the relation between parent and child as particularly reciprocal.

Would we really be willing to conclude that therefore it is not a moral relationship? That it has nothing to do with justice?

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

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

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

In other words, while most of us can imagine what we owe to our parents as a kind of debt, few of us can imagine being able to actually pay it—or even that such a debt ever *should* be paid. Yet if it can't be paid, in what sense is it a "debt" at all? And if it is not a debt, what is it?

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One obvious place to look for alternatives is in cases of human interaction in which expectations of reciprocity seem to slam into a wall. Nineteenth-century travelers' accounts, for instance, are full of this sort of thing. Missionaries working in certain parts of Africa would often be astounded by the reactions they would receive when they administered medicines. Here's a typical example, from a British missionary in Congo:

> A day or two after we reached Vana we found one of the natives very ill with pneumonia. Comber treated him and kept him alive on strong fowl-soup; a great deal of careful nursing and attention was visited on him, for his house was beside the camp. When we were ready to go on our way again, the man was well. To our astonishment he came and asked us for a

> present, and was as astonished and disgusted as he had made us to be, when we declined giving it. We suggested that it was his place to bring us a present and to show some gratitude. He said to us, "Well indeed! You white men have no shame!"[7]

In the early decades of the twentieth century, the French philosopher Lucien Levy-Bruhl, in an attempt to prove that "natives" operated with an entirely different form of logic, compiled a list of similar stories: for instance, of a man saved from drowning who proceeded to ask his rescuer to give him some nice clothes to wear, or another who, on being nursed back to health after having been savaged by a tiger, demanded a knife. One French missionary working in Central Africa insisted that such things happened to him on a regular basis:

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

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

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

Alternately (and more likely), imagine that we are dealing not with a relationship of radical equality but the very opposite. In many parts of Africa, accomplished curers were also important political figures with extensive clienteles of former patients. A would-be follower thus arrives to declare his political allegiance. What complicates the matter in this case is that followers of great men, in this part of Africa, were in a relatively strong bargaining position. Good henchmen were hard to come by; important people were expected to be generous with followers to keep them from joining some rival's entourage instead. If so, asking for a shirt or knife would be a way of asking for confirmation that the missionary does wish to have the man as a follower. Paying him back, in contrast, would be, like Seton's gesture to his father, an insult: a way of saying that despite the missionary having saved his life, he would just as soon have nothing further to do with him.

▮▮▮▮▮

This is a thought experiment—because we don't really know what the African patients were thinking. The point is that such forms of radical equality and radical inequality do exist in the world, that each carries within it its own kind of morality, its own way of thinking and arguing about the rights and wrongs of any given situation, and these moralities are entirely different than that of tit-for-tat exchange. In the rest of the chapter, I will provide a rough-and-ready way to map out the main possibilities, by proposing that there are three main moral principles on which economic relations can be founded, all of which occur in any human society, and which I will call communism, hierarchy, and exchange.

Communism

I will define communism here as any human relationship that operates on the principles of "from each according to their abilities, to each according to their needs."

I admit that the usage here is a bit provocative. "Communism" is a word that can evoke strong emotional reactions—mainly, of course, because we tend to identify it with "communist" regimes. This is ironic, since the Communist parties that ruled over the USSR and its satellites, and that still rule China and Cuba, never described their own systems as "communist." They described them as "socialist." "Communism" was always a distant, somewhat fuzzy utopian ideal, usually to be accompanied by the withering away of the state—to be achieved at some point in the distant future.

Our thinking about communism has been dominated by a myth. Once upon a time, humans held all things in common—in the Garden of Eden, during the Golden Age of Saturn, in Paleolithic hunter-gatherer bands. Then came the Fall, as a result of which we are now cursed with divisions of power and private property. The dream was that someday, with the advance of technology and general prosperity, with social revolution or the guidance of the Party, we would finally be in a position to put things back, to restore common ownership and common management of collective resources. Throughout the last two centuries, Communists and anti-Communists argued over how plausible this picture was and whether it would be a blessing or a nightmare. But they all agreed on the basic framework: communism was about collective property, "primitive communism" did once exist in the distant past, and someday it might return.

We might call this "mythic communism"—or even, "epic communism"—a story we like to tell ourselves. Since the days of the French Revolution, it has inspired millions; but it has also done enormous damage to humanity. It's high time, I think, to brush the entire argument aside. In fact, "communism" is not some magical utopia, and neither does it have anything to do with ownership of the means of production. It is something that exists right now—that exists, to some degree, in any human society, although there has never been one in which *everything* has been organized in that way, and it would be difficult to imagine how there could be. All of us act like communists a good deal of the time. None of us acts like a communist consistently. "Communist society"—in the sense of a society organized exclusively on that single principle—could never exist. But all social systems, even economic systems like capitalism, have always been built on top of a bedrock of actually-existing communism.

Starting, as I say, from the principle of "from each according to their abilities, to each according to their needs" allows us to look past the question of individual or private ownership (which is often little more than formal legality anyway) and at much more immediate and practical questions of who has access to what sorts of things and under what conditions.[9] Whenever it is the operative principle, even if it's just two people who are interacting, we can say we are in the presence of a sort of communism.

Almost everyone follows this principle if they are collaborating on some common project.[10] If someone fixing a broken water pipe says, "Hand me the wrench," his co-worker will not, generally speaking, say, "And what do I get for it?"—even if they are working for Exxon-Mobil, Burger King, or Goldman Sachs. The reason is simple efficiency (ironically enough, considering the conventional wisdom that "communism just doesn't work"): if you really care about getting something done, the most efficient way to go about it is obviously to allocate tasks by ability and give people whatever they need to do them.[11] One might even say that it's one of the scandals of capitalism that most capitalist firms, internally, operate communistically. True, they don't tend to operate very democratically. Most often they are organized around military-style top-down chains of command. But there is often an interesting tension here, because top-down chains of command are not particularly efficient: they tend to promote stupidity among those on top, resentful foot-dragging among those on the bottom. The greater the need to improvise, the more democratic the cooperation tends to become. Inventors have always understood this, start-up capitalists frequently figure it out, and computer engineers have recently rediscovered the principle: not only with things like freeware, which everyone talks about, but even in the organization of their businesses. Apple Computers is a famous example: it was founded by (mostly Republican) computer engineers who broke from IBM in Silicon Valley in the 1980s, forming little democratic circles of twenty to forty people with their laptops in each other's garages.

This is presumably also why in the immediate wake of great disasters—a flood, a blackout, or an economic collapse—people tend to behave the same way, reverting to a rough-and-ready communism. However briefly, hierarchies and markets and the like become luxuries that no one can afford. Anyone who has lived through such a moment can speak to their peculiar qualities, the way that strangers become sisters and brothers and human society itself seems to be reborn. This is important, because it shows that we are not simply talking about cooperation. In fact, *communism is the foundation of all human sociability*. It is what makes society possible. There is always an assumption that anyone who is not actually an enemy can be expected on the principle of "from each according to their abilities," at least to an extent: for example, if one needs to figure out how to get somewhere, and the other knows the way.

We so take this for granted, in fact, that the exceptions are themselves revealing. E.E. Evans-Pritchard, an anthropologist who in the 1920s carried out research among the Nuer, Nilotic pastoralists in southern Sudan, reports his discomfiture when he realized that someone had intentionally given him wrong directions:

> On one occasion I asked the way to a certain place and was deliberately deceived. I returned in chagrin to camp and asked the people why they had told me the wrong way. One of them replied, "You are a foreigner, why should we tell you the right way? Even if a Nuer who was a stranger asked us the way we would say to him, 'You continue straight along that path,' but we would not tell him that the path forked. Why should we tell him? But you are now a member of our camp and you are kind to our children, so we will tell you the right way in future."[12]

The Nuer are constantly engaged in feuds; any stranger might well turn out to be an enemy there to scout out a good place for an ambush, and it would be unwise to give such a person useful information. What's more, Evans-Pritchard's own situation was obviously relevant, since he was an agent of the British government—the same government that had recently sent in the RAF to strafe and bomb the inhabitants of this very settlement before forcibly resettling them there. Under the circumstances, the inhabitants' treatment of Evans-Pritchard seems quite generous. The main point, though, is that it requires something on this scale—an immediate threat to life and limb, terror-bombing of civilian populations—before people will ordinarily consider not giving a stranger accurate directions.[13]

It's not just directions. 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: an insult does not sting unless one assumes that others will normally be considerate of one's feelings, and it's impossible to lie to someone who does not assume you would ordinarily tell the truth. When we genuinely wish to break off amicable relations with someone, we stop speaking to them entirely.

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

I will call this "baseline communism": the understanding that, unless people consider themselves enemies, if the need is considered great enough, or the cost considered reasonable enough, the principle of "from each according to their abilities, to each according to their needs" will be assumed to apply. Of course, different communities apply very different standards. In large, impersonal urban communities, such a standard may go no further than asking for a light or directions. This might not seem like much, but it founds the possibility of larger social relations. In smaller, less impersonal communities—especially those not divided into social classes—the same logic will likely extend much further: for example, it is often effectively impossible to refuse a request not just for tobacco, but for food—sometimes even from a stranger; certainly from anyone considered to belong to the community. Exactly one page after describing his difficulties in asking for directions, Evans-Pritchard notes that these same Nuer find it almost impossible, when dealing with someone they have accepted as a member of their camp, to refuse a request for almost any item of common consumption, so that a man or woman known to have anything extra in the way of grain, tobacco, tools, or agricultural implements can be expected to see their stockpiles disappear almost immediately.[14] However, this baseline of openhanded sharing and generosity never extends to everything. Often, in fact, things freely shared are treated as trivial and unimportant for that very reason. Among the Nuer, true wealth takes the form of cattle. No one would freely share their cattle; in fact, young Nuer men learn that they are expected to defend their cattle with their lives; for this reason, cattle are neither bought nor sold.

The obligation to share food, and whatever else is considered a basic necessity, tends to become the basis of everyday morality in a society whose members see themselves as equals. Another anthropologist, Audrey Richards, once described how Bemba mothers, "such lax disciplinarians in everything else," will scold their children harshly if they give one an orange or some other treat and the child does not immediately offer to share it with her friends.[15] But sharing is also, in such societies—in any, if we really think about it—a major focus of life's pleasures. As a result, the need to share is particularly acute in both the best of times and the worst of times: during famines, for example, but also during moments of extreme plenty. Early missionary accounts of native North Americans almost invariably include awestruck remarks on generosity in times of famine, often to total strangers.[16] At the same time,

> On returning from their fishing, their hunting, and their trading, they exchange many gifts; if they have thus obtained something

> unusually good, even if they have bought it, or if it has been given to them, they make a feast to the whole village with it. Their hospitality towards all sorts of strangers is remarkable.[17]

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

The surest way to know that one is in the presence of communistic relations is that not only are no accounts taken, but it would be considered offensive, or simply bizarre, to even consider doing so. Each village, clan, or nation within the League of the Hodenosaunee, or Iroquois, for example, was divided into two halves.[18] This is a common pattern: in other parts of the world (Amazonia, Melanesia) too, there are arrangements in which members of one side can only marry someone from the other side, or only eat food grown on the other side; such rules are explicitly designed to make each side dependent on the other for some basic necessity of life. Among the Six Iroquois, each side was expected to bury the other's dead. Nothing would be more absurd than for one side to complain that, "last year, we buried five of your dead, but you only buried two of ours."

Baseline communism might be considered the raw material of sociality, a recognition of our ultimate interdependence that is the ultimate substance of social peace. Still, in most circumstances, that minimal baseline is not enough. 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. First among these are those we love, with mothers being the paradigm of selfless love. Others include close relatives, wives and husbands, lovers, one's closest friends. These are the people with whom we share everything, or at least to whom we know we can turn in need, which is the definition of a true friend everywhere. Such friendships may be formalized by a ritual as "bond-friends" or "blood brothers" who cannot refuse each other anything. As a result, any community could be seen as criss-crossed with relations of "individualistic communism," one-to-one relations that operate, to varying intensities and degrees, on the basis of "from each according to their ability, to each according to their needs."[19]

This same logic can be, and is, extended within groups: not only cooperative work groups, but almost any in-group will define itself by creating its own sort of baseline communism. There will be certain things shared or made freely available within the group, others that anyone will be expected to provide for other members on request, that one would never share with or provide to outsiders: help in repairing one's nets in an association of fisherman, stationery supplies in an office, certain sorts of information among commodity traders, and so forth. Also, certain categories of people we can always call on in certain situations, such as harvesting or moving house.[20] One could go on from here to various forms of sharing, pooling, who gets to call on whom for help with certain tasks: moving, or harvesting, or even, if one is in trouble, providing an interest-free loan. Finally, there are the different sorts of "commons," the collective administration of common resources.

The sociology of everyday communism is a potentially enormous field, but one which, owing to our peculiar ideological blinkers, we have been unable to write about because we have been largely unable to see it. Rather than try to further outline it, I will limit myself to three final points.

First, we are not really dealing with reciprocity here—or at best, only with reciprocity in the broadest sense.[21] What is equal on both sides is the knowledge that the other person *would* do the same for you, not that they necessarily *will*. The Iroquois example brings home clearly what makes this possible: that such relations are based on a presumption of eternity. Society will always exist. Therefore, there will always be a north and a south side of the village. This is why no accounts need be taken. In a similar way, people tend to treat their mothers and best friends as if they will always exist, however well they know it isn't true.

The second point has to do with the famous "law of hospitality." There is a peculiar tension between a common stereotype of what are called "primitive societies" (people lacking both states and markets) as societies in which anyone not a member of the community is assumed to be an enemy, and the frequent accounts of early European travelers awestruck by the extraordinary generosity shown them by actual "savages." Granted, there is a certain truth to both sides. Wherever a stranger is a dangerous potential enemy, the normal way to overcome the danger is by some dramatic gesture of generosity whose very magnificence catapults them into that mutual sociality that is the ground for all peaceful social relations. True, when one is dealing with completely unknown quantities, there is often a process of testing. Both Christopher Columbus, in Hispaniola, and Captain Cook, in Polynesia, reported similar stories of islanders who either flee, attack, or offer everything—but who often later enter the boats and help themselves to anything they take a fancy to, provoking threats of violence from the crew, who then did their utmost to establish the principle that relations between strange peoples should be mediated instead by "normal" commercial exchange.

It's understandable that dealings with potentially hostile strangers should encourage an all-or-nothing logic, a tension preserved even in English in the etymology of the words "host," "hostile," "hostage," and indeed "hospitality," all of which are derived from the same Latin root.[22] What I want to emphasize here is that all such gestures are simply exaggerated displays of that very "baseline communism" that I have already argued is the ground of all human social life. This is why, for instance, the difference between friends and enemies is so often articulated through food—and often the most commonplace, humble, domestic sorts of food: as in the familiar principle, common in both Europe and the Middle East, that those who have shared bread and salt must never harm one another. In fact, those things that exist above all to be shared often become those things one *cannot* share with enemies. Among the Nuer, so free with food and everyday possessions, if one man murders another, a blood feud follows. Everyone in the vicinity will often have to line up on one side or another, and those on opposite sides are strictly forbidden to eat with anyone on the other, or even to drink from a cup or bowl one of their newfound enemies has previously used, lest terrible results ensue.[23] The extraordinary inconvenience this creates is a major incentive to try to negotiate some sort of settlement. By the same token, it is often said that people who have shared food, or the right, archetypal kind of food, are forbidden to harm one another, however much they might be otherwise inclined to do so. At times, this can take on an almost comical formality, as in the Arab story of the burglar who, while ransacking someone's house, stuck his finger in a jar to see if it was full of sugar, only to discover it was full of salt instead. Realizing that he had now eaten salt at the owner's table, he dutifully put back everything he'd stolen.

Finally, once we start thinking of communism as a principle of morality rather than just a question of property ownership, it becomes clear that this sort of morality is almost always at play to some degree in any transaction—even commerce. If one is on sociable terms with someone, it's hard to completely ignore their situation. Merchants often reduce prices for the needy. This is one of the main reasons why shopkeepers in poor neighborhoods are almost never of the same ethnic group as their customers; it would be almost impossible for a merchant who grew up in the neighborhood to make money, as they would be under constant pressure to give financial breaks, or at least easy credit terms, to their impoverished relatives and school chums. The opposite is true as well. An anthropologist who lived for some time in rural Java once told me that she measured her linguistic abilities by how well she could bargain at the local bazaar. It frustrated her that she could never get it down to a price as low as local people seemed pay. "Well," a Javanese friend finally had to explain, "they charge rich Javanese people more, too."

Once again, we are back to the principle that if the needs (for instance, dire poverty), or the abilities (for instance, wealth beyond imagination), are sufficiently dramatic, then unless there is a complete absence of sociality, some degree of communistic morality will almost inevitably enter into the way people take accounts.[24] A Turkish folktale about the Medieval Sufi mystic Nasruddin Hodja illustrates the complexities thus introduced into the very concept of supply and demand:

> One day when Nasruddin was left in charge of the local teahouse, the king and some retainers, who had been hunting nearby, stopped in for breakfast.
>
> "Do you have quail eggs?" asked the king.
>
> "I'm sure I can find some," answered Nasruddin.
>
> The king ordered an omelet of a dozen quail eggs, and Nasruddin hurried out to look for them. After the king and his party had eaten, he charged them a hundred gold pieces.
>
> The king was puzzled. "Are quail eggs really that rare in this part of the country?"
>
> "It's not so much quail eggs that are rare around here," Nasruddin replied. "It's more visits from kings."

Exchange

Communism, then, is based neither in exchange nor in reciprocity—except, as I have observed, in the sense that it does involve mutual expectations and responsibilities. Even here, it seems better to use another word ("mutuality"?) so as to emphasize that exchange operates on entirely different principles; that it's a fundamentally different kind of moral logic.

Exchange is all about equivalence. It's a back-and-forth process involving two sides in which each side gives as good as it gets. This is why one can speak of people exchanging words (if there's an argument), blows, or even gunfire.[25] In these examples, it's not that there is ever an exact equivalence—even if there were some way to measure an exact equivalence—but more a constant process of interaction tending toward equivalence. Actually, there's something of a paradox here: each side in each case is trying to outdo the other, but, unless one side is utterly put to rout, it's easiest to break the whole thing off when both consider the outcome to be more or less even. When we move to the exchange of material goods, we find a similar tension. Often there is an element of competition; if nothing else, there's always that possibility. But at the same time, there's a sense that both sides are keeping accounts, and that, unlike what happens in communism, which always partakes of a certain notion of eternity, the entire relationship can be canceled out, and either party can call an end to it at any time.

This element of competition can work in completely different ways. In cases of barter or commercial exchange, when both parties to the transaction are only interested in the value of goods being transacted, they may well—as economists insist they should—try to seek the maximum material advantage. On the other hand, as anthropologists have long pointed out, when the exchange is of gifts, that is, the objects passing back and forth are mainly considered interesting in how they reflect on and rearrange relations between the people carrying out the transaction, then insofar as competition enters in, it is likely to work precisely the other way around—to become a matter of contests of generosity, of people showing off who can give more away.

Let me take these one at a time.

What marks commercial exchange is that it's "impersonal": who it is that is selling something to us, or buying something from us, should in principle be entirely irrelevant. We are simply comparing the value or two objects. True, as with any principle, in practice, this is rarely completely true. There has to be some minimal element of trust for a transaction to be carried out at all, and, unless one is dealing with a vending machine, that usually requires some outward display of sociality. Even in the most impersonal shopping mall or supermarket, clerks are expected to at least simulate personal warmth, patience, and other reassuring qualities; in a Middle-Eastern bazaar, one might have to go through an elaborate process of establishing a simulated friendship, sharing tea, food, or tobacco, before engaging in similarly elaborate haggling—an interesting ritual that begins by establishing sociality through baseline communism—and continues with an often prolonged mock battle over prices. It's all done on the basis of the assumption that buyer and seller are, at least at that moment, friends (and thus each entitled to feel outraged and indignant at the other's unreasonable demands), but it's all a little piece of theater. Once the object changes hands, there is no expectation that the two will ever have anything to do with each other again.[26]

Most often this sort of haggling—in Madagascar the term for it literally means "to battle out a sale" (*miady varotra*)—can be a source of pleasure in itself.

The first time I visited Analakely, the great cloth market in Madagascar's capital, I came with a Malagasy friend intent on buying a sweater. The whole process took about four hours. It went something like this: my friend would spot a likely sweater hanging in some booth, ask the price, and then she would begin a prolonged battle of wits with the vendor, invariably involving dramatic displays of insult and indignation, and simulated walkings off in disgust. Often it seemed ninety percent of the argument was spent on a final, tiny difference of a few ariary—literally, pennies—that seemed to become a profound matter of principle on either side, since a merchant's failure to concede it could sink the entire deal.

The second time I visited Analakely I went with another friend, also a young woman, who had a list of measures of cloth to buy supplied by her sister. At each booth she adopted the same procedure: she simply walked up and asked for the price.

The man would quote her one.

"All right," she then asked, "and what's your real final price?"

He'd tell her, and she'd hand over the money.

"Wait a minute!" I asked. "You can *do* that?

"Sure," she said. "Why not?"

I explained what had happened with my last friend.

"Oh, yeah," she said. "Some people enjoy that sort of thing."

Exchange allows us to cancel out our debts. It gives us a way to call it even: hence, to end the relationship. With vendors, one is usually only pretending to have a relationship at all. With neighbors, one might for this very reason prefer *not* to pay one's debts. Laura Bohannan writes about arriving in a Tiv community in rural Nigeria; neighbors immediately began arriving bearing little gifts: "two ears corn, one vegetable marrow, one chicken, five tomatoes, one handful peanuts."[27] Having no idea what was expected of her, she thanked them and wrote down in a notebook their names and what they had brought. Eventually, two women adopted her and explained that all such gifts did have to be returned. It would be entirely inappropriate to simply accept three eggs from a neighbor and never bring anything back. One did not have to bring back eggs, but one should bring something back of approximately the same value. One could even bring money—there was nothing inappropriate in that—provided one did so at a discreet interval, and above all, that one did not bring the exact cost of the eggs. It had to be either a bit more or a bit less. To bring back nothing at all would be to cast oneself as an exploiter or a parasite. To bring back an exact equivalent would be to suggest that one no longer wishes to have anything to do with the neighbor. Tiv women, she learned, might spend a good part of the day walking for miles to distant homesteads to return a handful of okra or a tiny bit of change, "in an endless circle of gifts to which no one ever handed over the precise value of the object last received"—and in doing so, they were continually creating their society. There was certainly a trace of communism here—neighbors on good terms could also be trusted to help each other out in emergencies—but unlike communistic relations, which are assumed to be permanent, this sort of neighborliness had to be constantly created and maintained, because any link can be broken off at any time.

There are endless variations on this sort of tit-for-tat, or almost tit-for-tat, gift exchange. The most familiar is the exchange of presents: I buy someone a beer; they buy me the next one. Perfect equivalence implies equality. But consider a slightly more complicated example: I take a friend out to a fancy restaurant for dinner; after a discreet interval, they do the same. As anthropologists have long been in the habit of pointing out, the very existence of such customs—especially, the feeling that one really *ought* to return the favor—can't be explained by standard economic theory, which assumes that any human interaction is ultimately a business deal and that we are all self-interested individuals trying to get the most for ourselves for the least cost or least amount of effort.[28] But this feeling is quite real, and it can cause genuine strain for those of limited means trying to keep up appearances. So: Why, if I took a free-market economic theorist out to an expensive dinner, would that economist feel somewhat diminished—uncomfortably in my debt—until he had been able to return the favor? Why, if he were feeling competitive with me, would he be inclined to take me to someplace even more expensive?

Recall the feasts and festivals alluded to above: here, too, there is a base of conviviality and playful (sometimes not so playful) competition. On the one hand, everyone's pleasure is enhanced—after all, how many people would really want to eat a superb meal at a French restaurant all alone? On the other, things can easily slip into games of one-upmanship—and hence obsession, humiliation, rage . . . or, as we'll soon see, even worse. In some societies, these games are formalized, but it's important to stress that such games only really develop between people or groups who perceive themselves to be more or less equivalent in status.[29] To return to our imaginary economist: it's not clear that he would feel diminished if he received a present, or was taken out to dinner, by just anyone. He would be most likely to feel this way if the benefactor were someone he felt was of roughly equivalent status or dignity: a colleague, for example. If Bill Gates or George Soros took him out to dinner, he would likely conclude that he had indeed received something for nothing and leave it at that. If some ingratiating junior colleague or eager graduate student did the same, he'd be likely to conclude that he was doing the man a favor just by accepting the invitation—if indeed he did accept, which he probably wouldn't.

This, too, appears to be the case wherever we find society divided into fine gradations of status and dignity. Pierre Bourdieu has described the "dialectic of challenge and riposte" that governs all games of honor among Kabyle Berber men in Algeria, in which the exchange of insults, attacks (in feud or battles), thefts, or threats was seen to follow exactly the same logic as the exchange of gifts.[30] To give a gift is both an honor and a provocation. To respond to one requires infinite artistry. Timing is all-important. So is making the counter-gift just different enough, but also just slightly grander. Above all is the tacit moral principle that one must always pick on someone one's own size. To challenge someone obviously older, richer, and more honorable is to risk being snubbed, and hence humiliated; to overwhelm a poor but respectable man with a gift he couldn't possibly pay back is simply cruel, and will do equal damage to your reputation. There's an Indonesian story about that too: about a rich man who sacrificed a magnificent ox to shame a penurious rival; the poor man utterly humiliated him, and won the contest, by calmly proceeding to sacrifice a chicken.[31]

Games like this become especially elaborate when status is to some degree up for grabs. When matters are *too* clear-cut, that introduces its own sorts of problems. Giving gifts to kings is often a particularly tricky and complicated business. The problem here is that one cannot really give a gift fit for a king (unless, perhaps, one is another king), since kings by definition already have everything. On the one hand, one is expected to make a reasonable effort:

> Nasruddin was once called up to visit the king. A neighbor saw him hurrying along the road carrying a bag of turnips.
>
> "What are those for?" he asked.
>
> "I've been called to see the king. I thought it would be best to bring some kind of present."
>
> "You're bringing him turnips? But turnips are peasant food! He's a king! You should bring him something more appropriate, like grapes."
>
> Nasruddin agreed, and came to the king carrying a bunch of grapes. The king was not amused. "You're giving me grapes? But I'm a king! This is ridiculous. Take this idiot out and teach him some manners! Throw each and every one of the grapes at him and then kick him out of the palace."
>
> The emperor's guards dragged Nasruddin into a side room and began pelting him with grapes. As they did so, he fell on his knees and began crying, "Thank you, thank you God, for your infinite mercy!"
>
> "Why are you thanking God?" they asked. "You're being totally humiliated!"
>
> Nasruddin replied, "Oh, I was just thinking, 'Thank God I didn't bring the turnips!'"

On the other hand, to give something that a king does not already have can get you in even greater trouble. One story circulating in the early Roman Empire concerned an inventor who, with great fanfare, presented a glass bowl as a gift to the emperor Tiberius. The emperor was puzzled: What was so impressive about a piece of glass? The man dropped it on the ground. Rather than shattering, it merely dented. He picked it up and simply pushed it back into its former shape.

"Did you tell anyone else how you made this thing?" asked a startled Tiberius.

The inventor assured him that he had not. The emperor therefore ordered him killed, since, if word of how to make unbreakable glass got out, his treasury of gold and silver would soon be worthless.[32]

The best bet when dealing with kings was to make a reasonable effort to play the game, but one that is still bound to fail. The fourteenth-century Arab traveler Ibn Battuta tells of the customs of the King of Sind, a terrifying monarch who took a particular delight in displays of arbitrary power.[33] It was customary for foreign worthies visiting the king to present him with magnificent presents; whatever the gift was, he would invariably respond by presenting the bearer with something many times its value. As a result, a substantial business developed where local bankers would lend money to such visitors to finance particularly spectacular gifts, knowing they could be well repaid from the proceeds of royal one-upmanship. The king must have known about this. He didn't object—since the whole point was to show that his wealth exceeded all possible equivalence—and if he really needed to, he could always expropriate the bankers. They knew that the really important game was not economic, but one of status, and his was absolute.

In exchange, the objects being traded are seen as equivalent. Therefore, by implication, so are the people: at least, at the moment when gift is met with counter-gift, or money changes hands; when there is no further debt or obligation and each of the two parties is equally free to walk away. This in turn implies autonomy. Both principles sit uncomfortably with monarchs, which is the reason that kings generally dislike any sort of exchange.[34] But within that overhanging prospect of potential cancellation, of ultimate equivalence, we find endless variations, endless games one can play. One can demand something from another person, knowing that by doing so, one is giving the other the right to demand something of equivalent value in return. In some contexts, even praising another's possession might be interpreted as a demand of this sort. In eighteenth-century New Zealand, English settlers soon learned that it was not a good idea to admire, say, a particularly beautiful jade pendant worn around the neck of a Maori warrior; the latter would inevitably insist on giving it, not take no for an answer, and then, after a discreet interval, return to praise the settler's coat or gun. The only way to head this off was to quickly give him a gift before he could ask for one. Sometimes gifts are offered in order for the giver to be able to make such a demand: if one accepts the present, one is tacitly agreeing to allow the giver to claim whatever he deems equivalent.[35]

All this, in turn, can shade into something very much like barter, directly swapping one thing for another—which as we've seen does occur even in what Marcel Mauss liked to refer to as "gift economies," even if largely between strangers.[36] Within communities, there is almost always a reluctance, as the Tiv example so nicely illustrates, to allow things to cancel out—one reason that if there is money in common usage, people will often either refuse to use it with friends or relatives (which in a village society includes pretty much everyone), or alternately, like the Malagasy villagers in chapter 3, use it in radically different ways.

Hierarchy

Exchange, then, implies formal equality—or at least, the potential for it. This is precisely why kings have such trouble with it.

In contrast, relations of explicit hierarchy—that is, relations between at least two parties in which one is considered superior to the other—do not tend to operate by reciprocity at all. It's hard to see because the relation is often justified in reciprocal terms ("the peasants provide food, the lords provide protection"), but the principle by which they operate is exactly the opposite. In practice, hierarchy tends to work by a logic of precedent.

To illustrate what I mean by this, let us imagine a kind of continuum of one-sided social relations, ranging from the most exploitative to the most benevolent. At one extreme is theft, or plunder; on the other selfless charity.[37] Only at these two extremes is it is possible to have material interactions between people who otherwise have no social relation of any kind. Only a lunatic would mug his next-door neighbor. A band of marauding soldiers or nomadic horsemen falling on a peasant hamlet to rape and pillage also obviously have no intention of forming any ongoing relations with the survivors. But in a similar way, religious traditions often insist that the only true charity is anonymous—in other words, not meant to place the recipient in one's debt. One extreme form of this, documented in various parts of the world, is the gift by stealth, in a kind of reverse burglary: to literally sneak into the recipient's house at night and plant one's present so no one can know for sure who has left it. The figure of Santa Claus, or Saint Nicholas (who, it must be remembered, was not just the patron saint of children, but also the patron saint of thieves) would appear to be the mythological version of the same principle: a benevolent burglar with whom no social relations are possible and therefore to whom no one could possibly owe anything, in his case, above all, because he does not actually exist.

Observe, however, what happens when one moves just a little bit less far out on the continuum in either direction. I have been told (I suspect it isn't true) that in parts of Belarus, gangs prey so systematically on travelers on trains and busses that they have developed the habit of giving each victim a little token, to confirm that the bearer has already been robbed. Obviously one step toward the creation of a state. Actually, one popular theory of the origins of the state, that goes back at least to the fourteenth-century North African historian Ibn Khaldun, runs precisely along these lines: nomadic raiders eventually systematize their relations with sedentary villagers; pillage turns into tribute, rape turns into the "right of the first night" or the carrying off of likely candidates as recruits for the royal harem. Conquest, untrammeled force, becomes systematized, and thus framed not as a predatory relation but as a moral one, with the lords providing protection, and the villagers, their sustenance. But even if all parties assume they are operating by a shared moral code, that even kings cannot do whatever they want but must operate within limits, allowing peasants to argue about the rights and wrongs of just how much of their harvest a king's retainers are entitled to carry off, they are very unlikely to frame their calculation in terms of the quality or quantity of protection provided, but rather in terms of custom and precedent: How much did we pay last year? How much did our ancestors have to pay? The same is true on the other side. If charitable donations become the basis for any sort of social relation, it will not be one based on reciprocity. If you give some coins to a panhandler, and that panhandler recognizes you later, it is unlikely that he will give you any money—but he might well consider you more likely to give him money again. Certainly this is true if one donates money to a charitable organization. (I gave money to the United Farm Workers once and I still haven't heard the end of it.) Such an act of one-sided generosity is treated as a precedent for what will be expected afterward.[38] It's quite the same if one gives candy to a child.

This is what I mean when I say that hierarchy operates by a principle that is the very opposite of reciprocity. Whenever the lines of superiority and inferiority are clearly drawn and accepted by all parties as the framework of a relationship, and relations are sufficiently ongoing that we are no longer simply dealing with arbitrary force, then relations will be seen as being regulated by a web of habit or custom. Sometimes the situation is assumed to have originated in some founding act of conquest. Or it might been seen as ancestral custom for which there is no need of explanation. But this introduces another complication to the problem of giving gifts to kings—or to any superior: there is always the danger that it will be treated as a precedent, added to the web of custom, and therefore considered obligatory thereafter. Xenophon claims that in the early days of the Persian Empire, each province vied to send the Great King gifts of its most unique and valuable products. This became the basis of the tribute system: each province was eventually expected to provide the same "gifts" every year.[39] Similarly, according to the great Medieval historian Marc Bloch:

> [I]n the ninth century, when one day there was a shortage of wine in the royal cellars at Ver, the monks of Saint-Denis were

> asked to supply the two hundred hogs-heads required. This contribution was thenceforth claimed from them as of right every year, and it required an imperial charter to abolish it. At Ardres, we are told, there was once a bear, the property of the local lord. The inhabitants, who loved to watch it fight with dogs, undertook to feed it. The beast eventually died, but the lord continued to exact the loaves of bread."[40]

In other words, any gift to a feudal superior, "especially if repeated three of four times," was likely to be treated as a precedent and added to the web of custom. As a result, those giving gifts to superiors often insisted on receiving a "letter of non-prejudice" legally stipulating that such a gift would not be required in the future. While it is unusual for matters to become quite so formalized, any social relation that is assumed from the start to be unequal will inevitably begin to operate on an analogous logic—if only because, once relations are seen as based on "custom," the only way to demonstrate that one has a duty or obligation to do something is to show that one has done it before.

Often, such arrangements can turn into a logic of caste: certain clans are responsible for weaving the ceremonial garments, or bringing the fish for royal feasts, or cutting the king's hair. They thus come to be known as weavers or fishermen or barbers.[41] This last point can't be overemphasized because it brings home another truth regularly overlooked: that the logic of identity is, always and everywhere, entangled in the logic of hierarchy. It is only when certain people are placed above others, or where everyone is being ranked in relation to the king, or the high priest, or Founding Fathers, that one begins to speak of people bound by their essential nature: about fundamentally different kinds of human being. Ideologies of caste or race are just extreme examples. It happens whenever one group is seen as raising themselves above others, or placing themselves below others, in such a way that ordinary standards of fair dealing no longer apply.

In fact, something like this happens in a small way even in our most intimate social relations. The moment we recognize someone as a different *sort* of person, either above or below us, then ordinary rules of reciprocity become modified or are set aside. If a friend is unusually generous once, we will likely wish to reciprocate. If she acts this way repeatedly, we conclude she is a generous person, and are hence less likely to reciprocate.[42]

We can describe a simple formula here: a certain action, repeated, becomes customary; as a result, it comes to define the actor's essential nature. Alternately, a person's nature may be defined by how others have acted toward him in the past. To be an aristocrat is largely to insist that in the past, others have *treated* you as an aristocrat (since aristocrats don't really do anything in particular, most spend their time simply existing in some sort of putatively superior state), and therefore should continue to do so. Much of the art of being such a person is that of treating oneself in such a manner that it conveys how you expect others to treat you: in the case of actual kings, covering oneself with gold so as to suggest that others do likewise. On the other end of the scale, this is also how abuse becomes self-legitimating. As a former student of mine, Sarah Stillman, pointed out: in the United States, if a middle-class thirteen-year-old girl is kidnapped, raped, and killed, it is considered an agonizing national crisis that everyone with a television is expected to follow for several weeks. If a thirteen-year-old girl is turned out as a child prostitute, raped systematically for years, and ultimately killed, all this is considered unremarkable—really just the sort of thing one can expect to end up happening to someone like that.[43]

When objects of material wealth pass back and forth between superiors and inferiors as gifts or payments, the key principle seems to be that the sorts of things given on each side should be considered fundamentally different in quality, their relative value impossible to quantify—the result being that there is no way to even conceive of a squaring of accounts. Even if Medieval writers insisted on imagining society as a hierarchy in which priests pray for everyone, nobles fight for everyone, and peasants feed everyone, it never even occurred to anyone to establish how many prayers or how much military protection was equivalent to a ton of wheat. Nor did anyone ever consider making such a calculation. Neither is it that "lowly" sorts of people are necessarily given lowly sorts of things and vice versa. Sometimes it is quite the opposite. Until recently, just about any notable philosopher, artist, poet, or musician was required to find a wealthy patron for support. Famous works of poetry or philosophy are often prefaced—oddly, to the modern eye—with gushing, sycophantic praise for the wisdom and virtue of some long-forgotten earl or count who provided a meager stipend. The fact that the noble patron merely provided room and board, or money, and that the client showed his gratitude by painting the *Mona Lisa*, or composing the *Toccata and Fugue in D Minor*, was in no way seen to compromise the assumption of the noble's intrinsic superiority.

There is one great exception to this principle, and that is the phenomenon of hierarchical redistribution. Here, though, rather than giving back and forth the same sorts of things, they give back and forth *exactly* the same thing: as, for instance, when fans of certain Nigerian pop stars throw money onto the stage during concerts, and the pop stars in question make occasional tours of their fans' neighborhoods tossing (the same) money from the windows of their limos. When this is all that's going on, we may speak of an absolutely minimal sort of hierarchy. In much of Papua New Guinea, social life centers on "big men," charismatic individuals who spend much of their time coaxing, cajoling, and manipulating in order to acquire masses of wealth to give away again at some great feast. One could, in practice, pass from here to, say, an Amazonian or indigenous North American chief. Unlike big men, their role is more formalized; but actually such chiefs have no power to compel anyone to do anything they don't want to (hence North American Indian chiefs' famous skill at oratory and powers of persuasion). As a result, they tended to give away far more than they received. Observers often remarked that in terms of personal possessions, a village chief was often the poorest man in the village, such was the pressure on him for constant supply of largesse.

Indeed, one could judge how egalitarian a society really was by exactly this: whether those ostensibly in positions of authority are merely conduits for redistribution, or able to use their positions to accumulate riches. The latter seems most likely in aristocratic societies that add another element: war and plunder. After all, just about anyone who comes into a very large amount of wealth will ultimately give at least part of it away—often in grandiose and spectacular ways to large numbers of people. The more of one's wealth is obtained by plunder or extortion, the more spectacular and self-aggrandizing will be the forms in which it's given away.[44] And what is true of warrior aristocracies is all the more true of ancient states, where rulers almost invariably represented themselves as the protectors of the helpless, supporters of widows and orphans, and champions of the poor. The genealogy of the modern redistributive state—with its notorious tendency to foster identity politics—can be traced back not to any sort of "primitive communism" but ultimately to violence and war.

Shifting between Modalities

I should underline again that we are not talking about different types of society here (as we've seen, the very idea that we've ever been organized into discrete "societies" is dubious) but moral principles that always coexist everywhere. We are all communists with our closest friends, and feudal lords when dealing with small children. It is very hard to imagine a society where people wouldn't be both.

The obvious question is: If we are all ordinarily moving back and forth between completely different systems of moral accounting, why hasn't anybody noticed this? Why, instead, do we continually feel the need to reframe everything in terms of reciprocity?

Here we must return to the fact that reciprocity is our main way of imagining justice. In particular, it is what we fall back on when we're thinking in the abstract, and especially when we're trying to create an idealized picture of society. I've already given examples of this sort of thing. Iroquois communities were based on an ethos that required everyone to be attentive to the needs of several different sorts of people: their friends, their families, members of their matrilineal clans, even friendly strangers in situations of hardship. It was when they had to think about society in the abstract that they started to emphasize the two sides of the village, each of which had to bury the other's dead. It was a way of imagining communism through reciprocity. Similarly, feudalism was a notoriously messy and complicated business, but whenever Medieval thinkers generalized about it, they reduced all its ranks and orders into one simple formula in which each order contributed its share: "Some pray, some fight, still others work."[45] Even hierarchy was seen as ultimately reciprocal, despite this formula having nothing to do with the real relations between priests, knights, and peasants really operated on the ground. Anthropologists are familiar with the phenomenon: it's only when people who have never had occasion to really think about their society or culture as a whole, who probably weren't even aware they were living inside something other people considered a "society" or a "culture," are asked to explain how everything works that they say things like "this is how we repay our mothers for the pain of having raised us," or puzzle over conceptual diagrams in which clan A gives their women in marriage to clan B who gives theirs to clan C, who gives theirs back to A again, but which never seem to quite correspond to what real people actually do.[46] When trying to imagine a just society, it's hard not to evoke images of balance and symmetry, of elegant geometries where everything balances out.

The idea that there is something called "the market" is not so very different. Economists will often admit this, if you ask them in the right way. Markets aren't real. They are mathematical models, created by imagining a self-contained world where everyone has exactly the same motivation and the same knowledge and is engaging in the same self-interested calculating exchange. Economists are aware that reality is always more complicated; but they are also aware that to come up with a mathematical model, one always has to make the world into a bit of a cartoon. There's nothing wrong with this. The problem comes when it enables some (often these same economists) to declare that anyone who ignores the dictates of the market shall surely be punished—or that since we live in a market system, everything (except government interference) is based on principles of justice: that our economic system is one vast network of reciprocal relations in which, in the end, the accounts balance and all debts are paid.

These principles get tangled up in each other and it's thus often difficult to tell which predominates in a given situation—one reason that it's ridiculous to pretend we could ever reduce human behavior, economic or otherwise, to a mathematical formula of any sort. Still, this means that some degree of reciprocity can be detected as potentially present in any situation; so a determined observer can always find some excuse to say it's there. What's more, certain principles appear to have an inherent tendency to slip into others. For instance, a lot of extremely hierarchical relationships can operate (at least some of the time) on communistic principles. If you have a rich patron, you come to him in times of need, and he is expected to help you. But only to a certain degree. No one expects the patron to provide so much help that it threatens to undermine the underlying inequality.[47]

Likewise, communistic relations can easily start slipping into relations of hierarchical inequality—often without anyone noticing it. It's not hard to see why this happens. Sometimes different people's "abilities" and "needs" are grossly disproportionate. Genuinely egalitarian societies are keenly aware of this and tend to develop elaborate safeguards around the dangers of anyone—say, especially good hunters, in a hunting society—rising too far above themselves; just as they tend to be suspicious of anything that might make one member of the society feel in genuine debt to another. A member who draws attention to his own accomplishments will find himself the object of mockery. Often, the only polite thing to do if one has accomplished something significant is to instead make fun of oneself. The Danish writer Peter Freuchen, in his *Book of the Eskimo*, described how in Greenland, one could tell what a fine delicacy someone had to offer his guests by how much he belittled it beforehand:

> The old man laughed. "Some people don't know much. I am such a poor hunter and my wife a terrible cook who ruins everything. I don't have much, but I think there is a piece of meat outside. It might still be there as the dogs have refused it several times."

> This was such a recommendation in the Eskimo way of backwards bragging that everyone's mouths began to water . . .

The reader will recall the walrus hunter of the last chapter, who took offense when the author tried to thank him for giving him a share of meat—after all, humans help one another, and once we treat something as a gift, we turn into something less than human: "Up here we say that by gifts one makes slaves and by whips one makes dogs."[48]

"Gift" here does *not* mean something given freely, not mutual aid that we can ordinarily expect human beings to provide to one another. To thank someone suggests that he or she might *not* have acted that way, and that therefore the choice to act this way creates an obligation, a sense of debt—and hence, inferiority. Communes or egalitarian collectives in the United States often face similar dilemmas, and they have to come up with their own safeguards against creeping hierarchy. It's not that the tendency for communism to slip into hierarchy is inevitable—societies like the Inuit have managed to fend it off for thousands of years—but rather, that one must always guard against it.

In contrast, it's notoriously difficult—often downright impossible—to shift relations based on an assumption of communistic sharing to relations of equal exchange. We observe this all the time with friends: if someone is seen as taking advantage of your generosity, it's often much easier to break off relations entirely than to demand that they somehow pay you back. One extreme example is the Maori story about a notorious glutton who used to irritate fishermen up and down the coast near where he lived by constantly asking for the best portions of their catch. Since to refuse a direct request for food was effectively impossible, they would dutifully turn it over; until one day, people decided enough was enough and killed him.[49]

We've already seen how creating a ground of sociability among strangers can often require an elaborate process of testing the others' limits by helping oneself to their possessions. The same sort of thing can happen in peacemaking, or even in the creation of business partnerships.[50] In Madagascar, people told me that two men who are thinking of going into business together will often become blood brothers. Blood brotherhood, *fatidra*, consists of an unlimited promise of mutual aid. Both parties solemnly swear that they will never refuse any request from the other. In reality, partners to such an agreement are usually fairly circumspect in what they actually request. But, my friends insisted, when people first make such an agreement, they sometimes like to test it out. One may demand the other's house, the shirt off his back, or (everyone's favorite example) the right to spend the night with his wife. The only limit is the knowledge that anything one can demand, the other one can too.[51] Here, again, we are talking about an initial establishment of trust. Once the genuineness of the mutual commitment has been confirmed, the ground is prepared, as it were, and the two men can begin to buy and sell on consignment, advance funds, share profits, and otherwise trust that each will look after the other's commercial interests from then on. The most famous and dramatic moments, however, are those when relations of exchange threaten to break down into hierarchy: that is, when two parties are acting like equals, trading gifts, or blows, or commodities, or anything else, but one of them does something that completely flips the scale.

I've already mentioned the tendency of gift exchange to turn into games of one-upmanship, and how in some societies this potential is formalized in great public contests. This is typical, above all, of what are often called "heroic societies": those in which governments are weak or nonexistent and society is organized instead around warrior noblemen, each with his entourage of loyal retainers and tied to the others by ever-shifting alliances and rivalries. Most epic poetry—from the *Iliad* to the *Mahabharata* to *Beowulf*—harkens back to this sort of world, and anthropologists have discovered similar arrangements among the Maori of New Zealand and the Kwakiutl, Tlingit, and Haida of the American Northwest coast. In heroic societies, the throwing of feasts and resulting contests of generosity are often spoken of as mere extensions of war: "fighting with property" or "fighting with food." Those who throw such feasts often indulge in colorful speeches about how their enemies are thus crushed and destroyed by glorious feats of generosity aimed in their direction (Kwakiutl chiefs liked to speak of themselves as great mountains from which gifts rolled like giant boulders), and of how conquered rivals are thus reduced—much as in the Inuit metaphor—to slaves.

Such statements are not to be taken literally—another feature of such societies is a highly developed art of boasting.[52] Heroic chiefs and warriors tended to talk themselves up just as consistently as those in egalitarian societies talked themselves down. It's not as if someone who loses out in a contest of gift exchange is ever actually reduced to slavery, but he might end up feeling as if he were. And the consequences could be catastrophic. One ancient Greek source describes Celtic festivals where rival nobles would alternate between jousts and contests of generosity, presenting their enemies with magnificent gold and silver treasures. Occasionally this could lead to a kind of checkmate; someone would be faced with a present so magnificent that he could not possibly match it. In this case, the only honorable response was for him to cut his own throat, thus allowing his wealth to be distributed to his followers.[53] Six hundred years later, we find a case from an Icelandic saga of an aging Viking named Egil, who befriended a younger man named Einar, who was still actively raiding. They liked to sit together composing poetry. One day Einar came by a magnificent shield "inscribed with old tales; and between the writing were overlaid spangles of gold with precious stones." No one had ever seen anything like it. He took it with him on a visit to Egil. Egil was not at home, so Einar waited three days, as was the custom, then hung the shield as a present in the mead-hall and rode off.

> Egil returned home, saw the shield, and asked who owned such a treasure. He was told that Einar had visited and given it to him. Then Egil said, "To hell with him! Does he think I'm going to stay up all night and compose a poem about his shield? Get my horse, I'm going to ride after him and kill him." As Einar's luck would have it he had left early enough to put sufficient distance between himself and Egil. So Egil resigned himself to composing a poem about Einar's gift.[54]

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Competitive gift exchange, then, does not literally render anyone slaves; it is simply an affair of honor. These are people, however, for whom honor is everything.

The main reason that being unable to pay a debt, especially a debt of honor, was such a crisis was because this *was* how noblemen assembled their entourages. The law of hospitality in the ancient world, for instance, insisted that any traveler must be fed, given shelter, and treated as an honored guest—but only for a certain length of time. If a guest did not go away, he would eventually become a mere subordinate. The role of such hangers-on has been largely neglected by students of human history. In many periods—from imperial Rome to medieval China—probably the most important relationships, at least in towns and cities, were those of patronage. Anyone rich and important would find himself surrounded by flunkies, sycophants, perpetual dinner guests, and other sorts of willing dependents. Drama and poetry of the time are full of such characters.[55] Similarly, for much of human history, being respectable and middle-class meant spending one's mornings going from door to door, paying one's respects to important local patrons. To this day, informal patronage systems still crop up, whenever relatively rich and powerful people feel the need to assemble networks of supporters—a practice well documented in many parts of the Mediterranean, the Middle East, and Latin America. Such relationships seem to consist of a slapdash mix of all three principles that I've been mapping out over the course of this chapter; nevertheless, those observing them insist on trying to cast them in the language of exchange and debt.

A final example: in a collection called *Gifts and Spoils*, published in 1971, we find a brief essay by the anthropologist Lorraine Blaxter about a rural department in the French Pyrenees, most of whose inhabitants are farmers. Everyone places a great emphasis on the importance of mutual aid—the local phrase means "giving service" (*rendre service*). People living in the same community should look out for one another and pitch in when their neighbors are having trouble. This is the essence of communal morality, in fact, it's how one knows that any sort of community exists. So far so good. However, she notes, when someone does a particularly great favor, mutual aid can turn into something else:

> If a man in a factory went to the boss and asked for a job, and the boss found him one, this would be an example of someone giving service. The man who got the job could never repay the boss, but he could show him respect, or perhaps give him symbolic gifts of garden produce. If a gift demands a return, and no tangible return is possible, the repayment will be through support or esteem.[56]

Thus does mutual aid slip into inequality. Thus do patron-client relations come into being. We have already observed this. I chose this particular passage because the author's phrasing is so weird. It completely contradicts itself. The boss does the man a favor. The man cannot repay the favor. Therefore, the man repays the favor by showing up at the boss's house with the occasional basket of tomatoes and showing him respect. So which one is it? Can he repay the favor, or not?

Peter Freuchen's walrus hunter would, no doubt, think he knew exactly what was going on here. Bringing the basket of tomatoes was simply the equivalent of saying "Thank you." It was a way of acknowledging that one owes a debt of gratitude, that gifts had in fact made slaves just as whips make dogs. The boss and the employee are now fundamentally different sorts of people. The problem is that in all other respects, they are not fundamentally different sorts of people. Most likely they are both middle-aged Frenchmen, fathers of families, citizens of the Republic with similar tastes in music, sports, and food. They *ought* to be equals. As a result, even the tomatoes, which are really a token of recognition of the existence of a debt that can never be repaid, has to be represented as if it was itself a kind of repayment—an interest payment on a loan that could, everyone agrees to pretend, someday be paid back, thus returning the two members to their proper equal status once again.[57]

(It's telling that the favor is finding the client a job in a factory, because what happens is not very different from what happens when you get a job in a factory to begin with. A wage-labor contract is, ostensibly, a free contract between equals—but an agreement between equals in which both agree that once one of them punches the time clock, they won't be equals any more.[58] The law does recognize a bit of a problem here; that's why it insists that you cannot sell off your equality permanently [you are not free to sell yourself into slavery]. Such arrangements are only acceptable if the boss's power is not absolute, if it is limited to work time, and if you have the legal right to break off the contract and thereby to restore yourself to full equality, at any time.)

It seems to me that this agreement between equals to no longer be equal (at least for a time) is critically important. It is the very essence of what we call "debt."

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What, then, is debt?

Debt is a very specific thing, and it arises from very specific situations. It first requires a relationship between two people who do not consider each other fundamentally different sorts of being, who are at least potential equals, who *are* equals in those ways that are really important, and who are not currently in a state of equality—but for whom there is some way to set matters straight.

In the case of gift-giving, as we've seen, this requires a certain equality of status. That's why our economics professor didn't feel any sense of obligation—any debt of honor—if taken out to dinner by someone who ranked either much higher or much lower than himself. With money loans, all that is required is that the two parties be of equal legal standing. (You can't lend money to a child, or to a lunatic. Well, you can, but the courts won't help you get it back.) Legal—rather than moral—debts have other unique qualities. For instance, they can be forgiven, which isn't always possible with a moral debt.

This means that there is no such thing as a genuinely unpayable debt. If there was no conceivable way to salvage the situation, we wouldn't be calling it a "debt." Even the French villager could, conceivably, save his patron's life, or win the lottery and buy the factory. Even when we speak of a criminal "paying his debt to society," we are saying that he has done something so terrible that he has now been banished from that equal status under the law that belongs by natural right to any citizen of his country; however, we call it a "debt" because it *can* be paid, equality *can* be restored, even if the cost may be death by lethal injection.

During the time that the debt remains unpaid, the logic of hierarchy takes hold. There is no reciprocity. As anyone who has ever been in jail knows, the first thing the jailors communicate is that nothing that happens in jail has anything to do with justice. Similarly, debtor and creditor confront each other like a peasant before a feudal lord. The law of precedent takes hold. If you bring your creditor tomatoes from the garden, it never occurs to you that he would give something back. He might expect you to do it again, though. But always there is the assumption that the situation is somewhat unnatural, because the debt really ought to be paid.

This is what makes situations of effectively unpayable debt so difficult and so painful. Since creditor and debtor are ultimately equals, if the debtor cannot do what it takes to restore herself to equality, there is obviously something wrong with her; it must be her fault.

This connection becomes clear if we look at the etymology of common words for "debt" in European languages. Many are synonyms for "fault," "sin," or "guilt;" just as a criminal owes a debt to society, a debtor is always a sort of criminal.[59] In ancient Crete, according to Plutarch, it was the custom for those taking loans to pretend to snatch the money from the lender's purse. Why, he wondered? Probably "so that, if they default, they could be charged with violence and punished all the more."[60] This is why in so many periods of history insolvent debtors could be jailed, or even—as in early Republican Rome—executed.

A debt, then, is just an exchange that has not been brought to completion.

It follows that debt is strictly a creature of reciprocity and has little to do with other sorts of morality (communism, with its needs and abilities; hierarchy, with its customs and qualities). True, if we were really determined, we could argue (as some do) that communism is a condition of permanent mutual indebtedness, or that hierarchy is constructed out of unpayable debts. But isn't this just the same old story, starting from the assumption that all human interactions must be, by definition, forms of exchange, and then performing whatever mental somersaults are required to prove it?

No. All human interactions are not forms of exchange. Only some are. Exchange encourages a particular way of conceiving human relations. This is because exchange implies equality, but it also implies separation. It's precisely when the money changes hands, when the debt is cancelled, that equality is restored *and* both parties can walk away and have nothing further to do with each other.

Debt is what happens in between: when the two parties cannot yet walk away from each other, because they are not yet equal. But it is carried out in the shadow of eventual equality. Because achieving that equality, however, destroys the very reason for having a relationship, just about everything interesting happens in between.[61] In fact, just about everything human happens in between—even if this means that all such human relations bear with them at least a tiny element of criminality, guilt, or shame.

For the Tiv women whom I mentioned earlier in the chapter, this wasn't much of a problem. By ensuring that everyone was always slightly in debt to one another, they actually created human society, if a very fragile sort of society—a delicate web made up of obligations to return three eggs or a bag of okra, ties renewed and recreated, as any one of them could be cancelled out at any time.

Our own habits of civility are not so very different. Consider the custom, in American society, of constantly saying "please" and "thank you." To do so is often treated as basic morality: we are constantly chiding children for forgetting to do it, just as the moral guardians of our society—teachers and ministers, for instance—do to everybody else. We often assume that the habit is universal, but as the Inuit hunter made clear, it is not.[62] Like so many of our everyday courtesies, it is a kind of democratization of what was once a habit of feudal deference: the insistence on treating absolutely everyone the way that one used only to have to treat a lord or similar hierarchical superior.

Perhaps this is not so in every case. Imagine we are on a crowded bus, looking for a seat. A fellow passenger moves her bag aside to clear one; we smile, or nod, or make some other little gesture of acknowledgment. Or perhaps we actually say "Thank you." Such a gesture is simply a recognition of common humanity: we are acknowledging that the woman who had been blocking the seat is not a mere physical obstacle but a human being, and that we feel genuine gratitude toward someone we will likely never see again. None of this is generally true when one asks someone across the table to "please pass the salt," or when the postman thanks you for signing for a delivery. We think of these simultaneously as meaningless formalities and as the very moral basis of society. Their apparent unimportance can be measured by the fact that almost no one would refuse, on principle, to say "please" or "thank you" in just about any situation—even those who might find it almost impossible to say "I'm sorry" or "I apologize."

In fact, the English "please" is short for "if you please," "if it pleases you to do this"—it is the same in most European languages (French *si il vous plait*, Spanish *por favor*). Its literal meaning is "you are under no obligation to do this." "Hand me the salt. Not that I am saying that you have to!" This is not true; there is a social obligation, and it would be almost impossible not to comply. But etiquette largely consists of the exchange of polite fictions (to use less polite language, lies). When you ask someone to pass the salt, you are also giving them an order; by attaching the word "please," you are saying that it is not an order. But, in fact, it is.

In English, "thank you" derives from "think," it originally meant, "I will remember what you did for me"—which is usually not true either—but in other languages (the Portuguese *obrigado* is a good example) the standard term follows the form of the English "much obliged"—it actually does means "I am in your debt." The French *merci* is even more graphic: it derives from "mercy," as in begging for mercy; by saying it you are symbolically placing yourself in your benefactor's power—since a debtor is, after all, a criminal.[63] Saying "you're welcome," or "it's nothing" (French *de rien*, Spanish *de nada*)—the latter has at least the advantage of often being literally true—is a way of reassuring the one to whom one has passed the salt that you are not actually inscribing a debit in your imaginary moral account book. So is saying "my pleasure"—you are saying, "No, actually, it's a credit, not a debit—you did *me* a favor because in asking me to pass the salt, you gave me the opportunity to do something I found rewarding in itself!"[64]

Decoding the tacit calculus of debt ("I owe you one," "No, you don't owe me anything," "Actually, if anything, it's me who owes you," as if inscribing and then scratching off so many infinitesimal entries in an endless ledger) makes it easy to understand why this sort of thing is often viewed not as the quintessence of morality, but as the quintessence of *middle-class* morality. True, by now middle-class sensibilities dominate society. But there are still those who find the practice odd. Those at the very top of society often still feel that deference is owed primarily to hierarchical superiors and find it slightly idiotic to watch postmen and pastry cooks taking turns pretending to treat each other like little feudal lords. At the other extreme, those who grew up in what in Europe are called "popular" environments—small towns, poor neighborhoods, anyplace where there is still an assumption that people who are not enemies will, ordinarily, take care of one another—will often find it insulting to be constantly told, in effect, that there is some chance they might *not* do their job as a waiter or taxi driver correctly, or provide houseguests with tea. In other words, middle-class etiquette insists that we are all equals, but it does so in a very particular way. On the one hand, it pretends that nobody is giving anybody orders (think here of the burly security guard at the mall who appears before someone walking into a restricted area and says, "Can I help you?"); on the other, it treats every gesture of what I've been calling "baseline communism" as if it were really a form of exchange. As a result, like Tiv neighborhoods, middle-class society has to be endlessly recreated, as a kind of constant flickering game of shadows, the criss-crossing of an infinity of momentary debt relations, each one almost instantly cancelled out.

All of this is a relatively recent innovation. The habit of always saying "please" and "thank you" first began to take hold during the commercial revolution of the sixteenth and seventeenth centuries—among those very middle classes who were largely responsible for it. It is the language of bureaus, shops, and offices, and over the course of the last five hundred years it has spread across the world along with them. It is also merely one token of a much larger philosophy, a set of assumptions of what humans are and what they owe one another, that have by now become so deeply ingrained that we cannot see them.

▮▮▮▮▮

Sometimes, at the brink of a new historical era, some prescient soul can see the full implications of what is beginning to happen—sometimes in a way that later generations can't. Let me end with a text by such a person. In Paris, sometime in 1540s, François Rabelais—lapsed monk, doctor, legal scholar—composed what was to become a famous mock eulogy, which he inserted in the third book of his great *Gargantua and Pantagruel*, and which came to be known as "In Praise of Debt."

Rabelais places the encomium in the mouth of one Panurge, a wandering scholar and man of extreme classical erudition who, he observes, "knew sixty-three ways of making money—the most honorable and most routine of which was stealing."[65] The good-natured giant Pantagruel adopts Panurge and even provides him with a respectable income, but it bothers him that Panurge continues to spend money like water and remains up to his ears in debt. Wouldn't it be better, Pantagruel suggests, to be able to pay his creditors?

Panurge responds with horror: "God forbid that I should ever be out of debt!" Debt is, in fact, the very basis of his philosophy:

> Always owe somebody something, then he will be forever praying God to grant you a good, long and blessed life. Fearing to lose what you owe him, he will always be saying good things about you in every sort of company; he will be constantly acquiring new lenders for you, so that you can borrow to pay him back, filling his ditch with other men's spoil.[66]

Above all else, they will always be praying that you come into money. It's like those ancient slaves destined to be sacrificed at their masters' funerals. When they wished their master long life and good health, they genuinely meant it! What's more, debt can make you into a kind of god, who can make something (money, well-wishing creditors) out of absolutely nothing.

> Worse still: I give myself to bonnie Saint Bobelin if all my life I have not reckoned debts to be, as it were, a connection and colligation between Heaven and Earth (uniquely preserving the lineage of Man without which, I say, all human beings would soon perish) and perhaps to be that great World Soul which, according to the Academics, gives life to all things.
>
> That it really is so, evoke tranquilly in your mind the Idea and Form of a world—take if you like the thirtieth of the worlds imagined by Metrodorus—in which there were no debtors or lenders at all. A universe sans debts! Amongst the heavenly bodies there would be no regular course whatsoever: all would be in disarray. Jupiter, reckoning that he owed no debt to Saturn, would dispossess him of his sphere, and with his Homeric chain hold in suspension all the Intelligences, gods, heavens, daemons, geniuses, heroes, devils, earth, sea and all the elements . . . The Moon would remain dark and bloody; why should the Sun share his light with her? He is under no obligation. The Sun would never shine on their Earth; the heavenly bodies would pour no good influences down upon it.
>
> Between the elements there will be no mutual sharing of qualities, no alternation, no transmutation whatsoever, one will not think itself obliged to the other; it has lent it nothing. From earth no longer will water be made, nor water transmuted into air; from air fire will not be made, and fire will not warm the earth. Earth will bring forth nothing but monsters, Titans, giants. The rain will not rain, the light will shed no light, the wind will not blow, and there will be no summer, no autumn, Lucifer will tear off his bonds and, sallying forth from deepest Hell with the Furies, the Vengeances and the horned

> devils, will seek to turf the gods of both the greater and lesser nations out from their nests in the heavens.

And what's more, if human beings owed nothing to one another, life would "be no better than a dog-fight"—a mere unruly brawl.

> Amongst human beings none will save another; it will be no good a man shouting Help! Fire! I'm drowning! Murder! Nobody will come and help him. Why? Because he has lent nothing: and no one owes him anything. No one has anything to lose by his fire, his shipwreck, his fall, or his death. He has lent nothing. And: he would lend nothing either hereafter.
>
> In short, Faith, Hope and Charity would be banished from this world.

Panurge—a man without a family, alone, whose entire calling in life was getting large amounts of money and then spending it—serves as a fitting prophet for the world that was just beginning to emerge. His perspective of course is that of a *wealthy* debtor—not one liable to be trundled off to some pestiferous dungeon for failure to pay. Still, what he is describing is the logical conclusion, the *reductio ad absurdum*, which Rabelais as always lays out with cheerful perversity, of the assumptions about the world as exchange slumbering behind all our pleasant bourgeois formalities (which Rabelais himself, incidentally, detested—the book is basically a mixture of classical erudition and dirty jokes).

And what he says is true. If we insist on defining all human interactions as matters of people giving one thing for another, then any ongoing human relations can only take the form of debts. Without them, no one would owe anything to anybody. A world without debt would revert to primordial chaos, a war of all against all; no one would feel the slightest responsibility for one another; the simple fact of being human would have no significance; we would all become isolated planets who couldn't even be counted on to maintain our proper orbits.

Pantagruel will have none of it. His own feelings on the matter, he says, can be summed up with one line from the Apostle Paul: "Owe no man anything, save mutual love and affection."[67] Then, in an appropriately biblical gesture, he declares, "From your past debts I shall free you."

"What can I do but thank you?" Panurge replies.