

History: Breaking the Vicious Cycle of Illegitimate Private Debt

Part I

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Region: [Europe](#)

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Throughout human history, private debt has been used by the dominant classes to subjugate, despoil, expropriate, and dispossess the toiling classes (among whom women have always been the hardest-hit victims): small farmers, artisans, fishers, and on up to the salaried workers of today and the members of their households (students, who go into debt to pursue their education) [1].

The process is simple: the lender requires that borrowers pledge their possessions as [collateral](#). This can be, for example, the land held and cultivated by the farmer, or in the case of an artisan, the tools of his or her trade. Repayment of the loan must be made in cash or in kind. Since the [interest rates](#) are high, to repay the loan the borrower must transfer a large [share](#) of the fruits of his or her labour to the lender, and so becomes impoverished. If the borrower defaults on repayment, the borrower is dispossessed of the pledged collateral. In some societies, that can mean a loss of freedom for the debtor and/or the members of his or her family. This is called debt slavery. Under the laws of the United States and certain European countries, failure to repay a debt was punishable by physical mutilation until the early 19th century. And still today, in Europe and elsewhere, non-repayment of debts may be punishable by imprisonment.

Private debt through the ages

Since time immemorial, private debt has played a central role in social relations. The struggle between rich and poor, between exploiter and exploited, has very often taken the form of a conflict between creditors and debtors. With remarkable regularity, popular insurrections have begun in the same way: with the ritual destruction of documents concerning debt (tablets, papyrus, parchments, account books, tax registers, etc.).

The new international crisis that began in 2007 has exposed the fraudulent behaviour of banks. Following the massive number of evictions of people from their homes in the USA, in Spain and elsewhere, more and more, debts are being called into question in countries where the obligation to repay a debt has been hitherto unchallenged. Since 2012, Ada Colau, who was elected Mayor of Barcelona in 2015, has organized widespread popular support by participating actively in the [Mortgage](#) Victims Platform against banks who evict families unable to continue repaying. Only a few years ago, it would have been unimaginable for anybody having organized illegal occupations of banks to be elected to high office. All over the world, social movements are challenging the repayment of illegitimate private debts, whether mortgage or student debts and whether owed to big

private banks or to micro-credit agencies.

What follows is the broad outlines of a few historic stages in the “private debt system” in the Near East, in Europe and in parts of the world conquered by the European powers. What has happened in Asia, Africa, and the pre-colonial Americas will need to be added later; but the picture we paint here is already a very eloquent one.

General debt cancellations took place periodically over a thousand years in Mesopotamia

When harvests were poor, peasants unable to repay debts they had contracted with the State (unpaid in-kind taxes or tributes) or with highly-placed civil servants and dignitaries of the regime were regularly dispossessed of their lands and forced to become indentured. Their family members were also reduced to slavery.

To suppress discontent, the power in place periodically cancelled private debts [2] and restored peasants’ rights. The cancellations were the occasion for festivities during which the clay tablets on which the debts were inscribed were destroyed.



Hammurabi's code

There were some thirty general cancellations of private debt in Mesopotamia between 2400 and 1400 BCE. [3] One of these cancellation decrees provided that official creditors and tax collectors who had evicted peasants must compensate them. If a creditor had taken possession of property by coercion, he had to return it and/or totally reimburse it, failing which he was put to death.

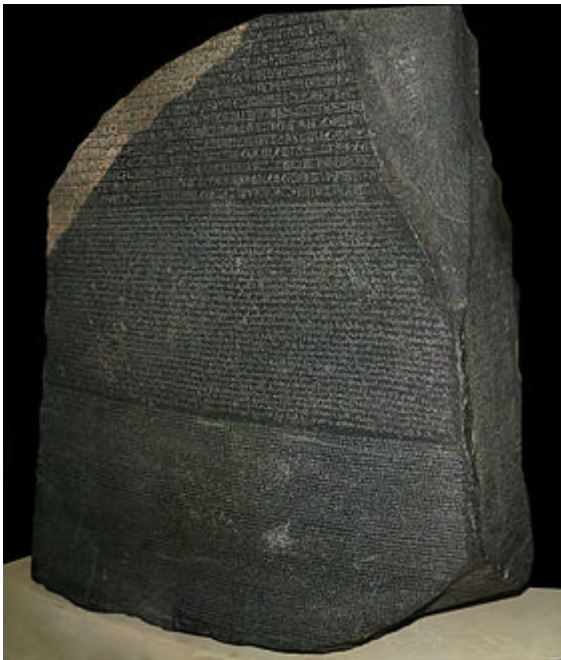
After 1400 BCE, no further debt cancellations are known of in Mesopotamia. Inequalities strengthened and increased greatly. Land was confiscated by large private landholders, and debt slavery was institutionalized. However, we have proof that during the following centuries there were violent social struggles between creditors and debtors.

In Egypt from the 8th century BCE, there were proclamations cancelling debt and liberating those in debt slavery. The Pharaoh's fundamental motivations were the need for a peasantry capable of producing enough food and available as soldiers for the military

campaigns. For those two reasons, creditors could not be allowed to evict peasants from their land.

In another part of the region, Assyrian emperors of the first millennium BCE adopted the tradition of debt cancellation. The same was true in Jerusalem in the 5th century BCE. As proof, in 432 BCE, Nehemiah, certainly influenced by the old Mesopotamian tradition, proclaimed the cancellation of debts contracted by Jews from their rich compatriots. It was at that time that the Torah [4] was completed. The tradition of generalized debt cancellations is part of the Jewish religion and of the first texts of Christianity: Deuteronomy proclaims the obligation to cancel debts every seven years, and Leviticus requires the same at each jubilee, or every 50 years. [5]

For centuries, many commentators on the ancient texts, beginning with the religious authorities, who defend the interests of the ruling classes have affirmed that these provisions had only a moral value, or were simply idealism. Yet historical research over the past two centuries demonstrates that these provisions corresponded to actual practice. [6]



The Rosette's stone confirms the tradition of debt cancellations

Once the privileged classes had succeeded in imposing their interests, the cancellations no longer took place, but the tradition of debt cancellation remained in the founding texts of Judaism and Christianity. Struggles for cancellation of private debt reappeared regularly throughout the history of the Near East and the Mediterranean up until the middle of the first millennium CE.

In the "Our Father," the best-known prayer of Jesus, instead of the current translation "Forgive us our trespasses as we forgive those who trespass against us," the original Greek text in the Gospel of Matthew (Ch. 6, verse 12) reads: "Forgive us our debts as we forgive our debtors." As a matter of fact, in German and Dutch, the word *Schuld* means both "sin" and "debt." *Alleluia*, an expression of joy used in the Jewish and Christian religions, comes from the language spoken in Babylon during the second millennium BCE and referred to the liberation of debt slaves. [7]

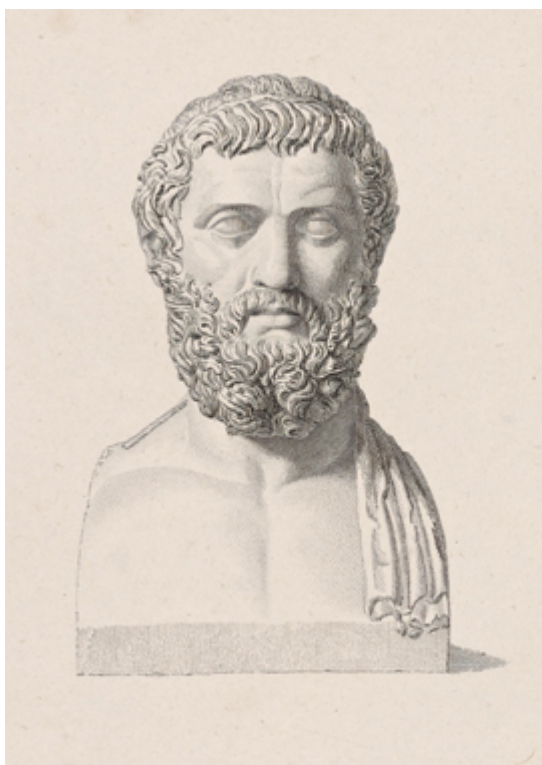
Greece. In Greece, beginning in the 6th century BCE, there were major struggles against debt slavery and for cancellation of private debt. Aristotle writes in the *Athenian Constitution*: "...the poorer classes, men, women, and children, were the serfs of the rich." Social and political struggles developed and led to legal measures – Solon's reforms in Athens, for example – prohibiting debt slavery. At Megara, a city near Athens, a radical faction came to power. Lending for [interest](#) was prohibited, and the measure was made retroactive; creditors were forced to reimburse interest that had already been paid. [8]

At the same time, the Greek city-states launched a policy of expansion, founding colonies from Crimea to Marseille, at times using the children of the indebted poor. Slavery developed strongly and in a more brutal and oppressive form than previously known in the societies of the Fertile Crescent.



Map of cities and countries mentioned in the New Testament (in Greece, in Italia and Mesopotamia and in the Holy Land) – Edward Wells, 1700 ([click to enlarge](#))

Rome. Many violent political and social struggles were caused by private-debt crises. Under primitive Roman law, a creditor could execute insolvent debtors. The late 4th century BCE was marked by a strong social reaction against indebtedness. Whereas slavery for debts was abolished for Roman citizens, the prohibition of usury was not applied for long. Major crises of private indebtedness occurred in the following centuries, both on the Italian peninsula and in the rest of the Roman Empire. The historian Tacitus wrote concerning a crisis of indebtedness that broke out in 33 CE, under the rule of Tiberius: "The curse of usury, it must be owned, is inveterate in Rome, a constant source of sedition and discord; and attempts were accordingly made to repress it even in an older and less corrupt society." [9]



Solon

Feudalism. At the start of the feudal era, many free producers were subjugated, since peasants were unable to repay their debts. That was the case during the reign of Charlemagne in the late 8th and early 9th century. [10]

The Jewish, Muslim, and Christian religions and usury

From its origin, the Muslim religion prohibited loans with interest. Judaism prohibited it within the Jewish community, but under pressure from the wealthy amended that position during the first century CE and authorized loans with interest. [11] The Christian religion followed suit in the 15th century, and the Protestant and Catholic authorities even ended up promoting loans with interest.

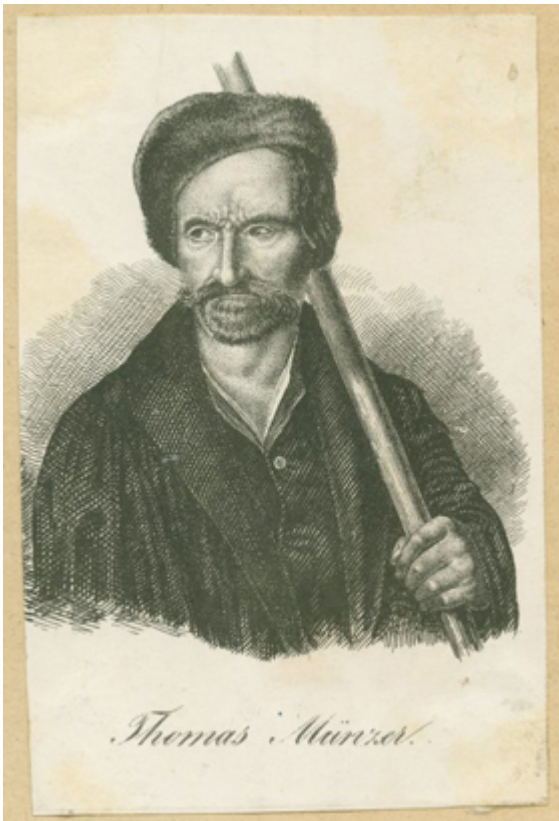
In Europe, the problem of private debt was exacerbated in the late Middle Ages

Because of the monetisation of relations that began in the 13th to 14th centuries the problems of private debt were exacerbated. This meant that forced labour and taxes that had been paid in kind were gradually demanded in sums of money. Consequently, peasants, artisans, etc. were forced to go into debt to pay the taxes. More and more peasants, artisans and labourers, unable to repay their debts, had their property seized, were dispossessed and/or imprisoned, and many were mutilated. [12]

In 1339, at Siena (Italy), indebtedness reached such a point that the municipal government announced to the council that imprisonment for debt had to be abolished, failing which nearly all the citizens would have to be put in prison. Sixteen years later, in 1355, the people of Siena revolted, setting fire to the records room in the municipal palace that housed the account books. They wanted to erase all traces of the debts whose repayment was demanded of them and which they considered odious. [13]

Another sign of the importance of the rejection of exploitation through debt: at the end of the 14th century, when the labouring classes momentarily took power in Florence, led by the *Ciompi* – day-labourers in the textile industry –, their demands included eliminating the amputation of a hand as punishment for non-payment of debts and a moratorium on unpaid debts. [14] They also demanded representation in the government and higher taxes on the wealthy. Similar events took place during the same period in Flanders, Wallonia, France, England, and elsewhere.

Rejection of debt was at the heart of the massive peasant insurrections in the Germanic world in the 15th and 16th centuries



Thomas Münzer

Between 1470 and 1525, a multitude of peasant uprisings, from Alsace to Austria and including the majority of the regions of Germany, Bohemia, Slovenia, Hungary and Croatia, were prompted in large measure by the indebtedness of peasants and city dwellers of the dominated classes. Hundreds of thousands of peasants took up weapons, destroying hundreds of mansions and dozens of monasteries and convents. The repression left over 100,000 peasants dead. [15] During one of the rebellions, in 1493, one of the peasants' demands was a jubilee year during which all debts would be abolished. [16] Thomas Münzer, one of the leaders of the peasant uprisings, beheaded in 1525 at the age of 28, called for full application of the Gospels, and in particular the exhortation to forgive debts. In this he was in opposition to Martin Luther, who at first – in 1519-1520 – denounced usury and the sale of indulgences by the Catholic church but by 1524 was defending lending for interest and demanding that peasants and all indebted persons repay their debts.

In opposition to the peasant uprisings, Luther called for “a strict, hard temporal government that will compel and constrain the wicked (...) to return what they borrow...”. [17] “Let no one think that the world can be ruled without blood; the sword of the ruler must be red and bloody; for the world will and must be evil, and the sword is God’s rod and vengeance upon it.” [18] In the conflict between peasants and other components of the popular classes (in particular the untitled town dwellers and the most destitute strata – vagabonds, beggars, etc.) on one side and the local ruling classes on the other, Luther had chosen his camp, proclaiming that the laws of the Old Testament, including the jubilee year, were no longer applicable. According to Luther, the Gospel simply describes ideal behaviour. In real life, he maintained, debts must always be repaid.

An anonymous text that circulated in Germany beginning in 1521 included the following dialogue between a peasant and a wealthy burgher which well describes how indebtedness

is used to dispossess toilers of their tools or land:

Peasant: What brings me to you? Why, I would like to see how you spend your time.

Burgher: How should I spend my time? I sit here counting my money, can't you see?

Peasant: Tell me, burgher, who gave you so much money that you spend all your time counting it?

Burgher: You want to know who gave me my money? I shall tell you. A peasant comes knocking at my door and asks me to lend him ten or twenty gulden. I inquire of him whether he owns a plot of good pasture land or a nice field for plowing.

He says: 'Yes, burgher, I have a good meadow and a fine field, worth a hundred gulden the two of them.'

I reply: 'Excellent! Pledge your meadow and your field as [collateral](#), and if you will undertake to pay one gulden a year as interest, you can have your loan of twenty gulden.' Happy to hear the good news,

the peasant replies: 'I gladly give you my pledge.'

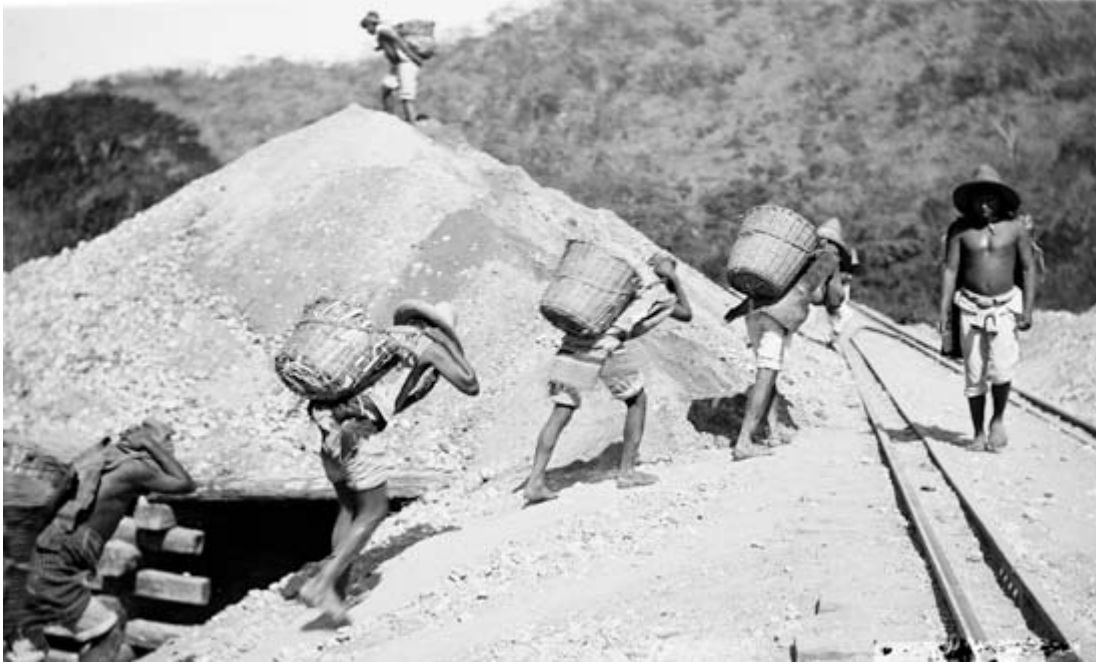
'But I must tell you,' I rejoin, 'that if ever you fail to pay your interest on time, I will take possession of your land and make it my property.'

And this does not worry the peasant; he proceeds to assign his pasture and field to me as his pledge. I lend him the money and he pays interest punctually for one year or two; then comes a bad harvest and soon he is behind in his payment. I confiscate his land, evict him, and meadow and field are mine. And I do this not only with peasants but with artisans as well. [19]

What we have here, summed up in very simple words, is the process of dispossession peasants and artisans in Germany and elsewhere tried to oppose.

The conquest of the Americas and the imposition of debt peonage

At the time of the conquest of the Americas, the imposition of European domination went hand in hand with subjugation of the native people through debt. [20] The form used: peonage. The *Oxford English Dictionary* defines "peonage" as follows: "In Mexico, the condition of a peon serf, servitude for debt [...] a debtor held in servitude by his creditor till his debts are worked off." Peonage is the system under which peons are bound to servitude on the land by various means, including hereditary debt. Peonage was not abolished in Mexico until the first decade of the 20th century, during the revolution.



Peon workers in Rascon region, Mexico (undated)

Translated by Snake Arbusto and Mike krolkowski

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The author is solely and entirely responsible for any errors or omissions contained therein.

Notes

[1] The author wishes to make it clear that he is not denouncing private debt in all circumstances. The present article concentrates on private debt used as means of expropriation and dispossession.

[2] During that period, the State itself did not borrow. That was also true in ancient Egypt and Greece. Rome borrowed only in very exceptional cases. In Europe, States did not begin borrowing systematically until the 13th and 14th centuries. They have not stopped since.

[3] Michael Hudson, *The Lost Tradition of Biblical Debt Cancellations*, 1993, 87 pages; "The Archaeology of Money", 2004. See also: David Graeber, *Debt: The First 5,000 Years*, Melville House, New York, 2011, 542 p.; available at https://libcom.org/files/_Debt_Th.... See by Éric Toussaint: "The Long Tradition of Debt Cancellation in Mesopotamia and Egypt from 3000 to 1000 BC", <http://www.cadtm.org/The-Long-Tradi...>

[4] The Torah (Jewish religious law) is the compilation of the texts that make up the first five books of the Bible: Genesis, Exodus, Leviticus, Numbers and Deuteronomy.

[5] See Isabelle Ponet, "Debt cancellation in the land of Canaan in the first millennium BC", <http://www.cadtm.org/Debt-cancellat...> In Leviticus, we find not only the requirement of debt forgiveness, but also of freeing debt slaves and their entire families and returning their fields and

house. But that applied only to the community of Israel and not to other peoples.

[6] Michael Hudson, *The Lost Tradition of Biblical Debt Cancellations*, 1993, 87 pages; “The Archaeology of Money”, 2004.

[7] Michael Hudson, *The Lost Tradition of Biblical Debt Cancellations*, p. 27.

[8] See David Graeber, *op. cit.*

[9] Tacitus, *Annals*, 6.16.1, cited by Andreau, “Personal indebtedness and debt forgiveness in the Roman empire,” <http://www.cadtm.org/Personal-endebe...>

[10] See Karl Marx, *Capital*, Book 3, Chapter 19, Remarks on pre-capitalist usury. See also Ernest Mandel, *Marxist Economic Theory*, vol. 1, Chapter 4, the passage entitled “Usury capital.”

[11] Rabbi Hillel had decreed that Jews must add a clause to contracts they entered into renouncing application of Torah and Talmud, which provide for periodic cancellation of debts. The Jewish religion also permitted loans for interest if made to non-Jews.

[12] Silvia Federici, in her book *Caliban and the Witch*, shows how this movement affected proletarian women even more seriously. See Silvia Federici, *Caliban and the Witch: Women, the Body and Primitive Accumulation*, Autonomedia, Brooklyn, NY, 2004, 288 p.

[13] Patrick Boucheron, *Conjurer la peur*, Seuil, Paris, 2013, pp. 213-215 (in French).

[14] See Silvia Federici, *op. cit.*, p. 45. See also Patrick Boucheron, p. 189.

[15] See Friedrich Engels (1850), *The Peasant War in Germany*, <https://www.marxists.org/archive/ma...>. See also David Graeber, *op. cit.*, pp. 390-395.

[16] Friedrich Engels (1850), *The Peasant War in Germany*, Chapter 3

[17] Martin Luther (1524) “On Trading and Usury”, <http://www.lutherdansk.dk/Martin%20...>

[18] Martin Luther (1524), *op. cit.*

[19] Cited by Silvia Federici, *Caliban and the Witch*, p. 125, after G. Strauss (ed.), *Manifestations of Discontent on the Eve of the Reformation*, Bloomington, Indiana University Press, 1971, pp. 110-111)

[20] Pope Nicholas V, in January 1455, had authorized the perpetual subjugation of populations considered “enemies of Christ.” Among other things, that enabled the enslavement of Africans during that period (in particular on the plantations created by the Portuguese in Madeira), and subsequently authorized the European conquistadors to do likewise in the New World. Here is an excerpt from the bull *Romanus Pontifex*: “We [therefore] weighing all and singular the premises with due meditation, and noting that since we had formerly by other letters of ours granted among other things free and ample faculty to the aforesaid King Alfonso – to invade, search out, capture, vanquish, and subdue all Saracens and pagans whatsoever, and other enemies of Christ wheresoever placed, and the kingdoms, dukedoms, principalities, dominions, possessions, and all movable and immovable goods whatsoever held and possessed by them and to reduce their persons to perpetual slavery, and to apply and appropriate to himself and his successors the kingdoms, dukedoms, counties, principalities, dominions, possessions, and goods, and to convert them to his and their use and profit...” (emphasis added by the author)

Also, as David Graeber describes, the conquistadors, including Hernán Cortés, had gone deeply into debt to finance their operations. As a result they exploited and despoiled the conquered populations all the more brutally in order to repay their own debts. See David Graeber, *op. cit.*, p. 315 and following.

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