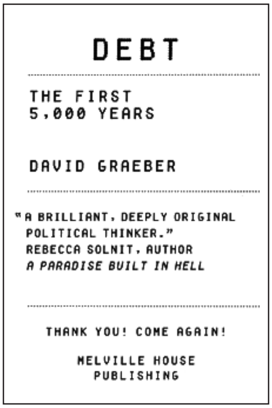
Reviews and resources



Debt: The First 5000 Years
David Graeber
2011, Melville House, 544 pages
ISBN 978-1-933633-86-2
hardback, US$24

This is a big book with a big theme (debt, money, and markets over 5,000 years) and a big ambition to go with it. The ambition is to provide a generalist audience with the basis to engage in 'The Great Conversation': a debate over what kind of economy we want in the 21st century and beyond. A conversation that looked as if it was going to take off in the wake of the 2008 financial crisis but which has disappointingly ebbed away. Graeber is an academic anthropologist with a background in anarchism and has been hailed as the prophet of the Occupy Wall Street movement, which is keeping this debate alive.

The book is an exploration of the historical evolution of debt – and, inextricably linked with this, the role of money and markets. Graeber starts by pointing out that debt confuses us. It is something we think has to be paid; it is a matter of honour and not to pay is to be shamed and potentially humiliated. At the same time we see moneylenders as evil and debt as sinful, hence we want to be rid of it. Of course, in the world of lending debts are not always paid; the lender's job is to accept the risk. Moreover, debt is central to international politics, yet we do not seem to know how to think about it at any level.

The most important point that Graeber makes is that debt is a fundamental part of human society – it is what makes us human because it represents our relationships with one another. The idea we have about repaying debt is about isolating oneself from others and not wishing to be indebted to others. He shows from the anthropological literature (what he calls evidence of 'human economies') how in many societies it is viewed as wrong to completely return a gift with its exact value because this is part of what binds people together and ensures that the relationship will continue. Retaining debts as social connections surfaces in small ways in our own society as friends buy each other a drink or dinner and are not concerned about when the debt will be repaid, instead looking forward to the reciprocal invitation. In past human economies these interdependencies were much more extensive and necessary for their survival. Indeed, many ancient religious texts which

doi: 10.3362/1755-1986.2012.034, ISSN: 1755-1978 (print) 1755-1986 (online)

discuss our relationship to the gods and the cosmos, describe us having a debt for our very existence for which we would seek redemption or cleansing. The idea that we can actually repay this is patently impossible and, as Graeber argues, instead actually underlines the counter point that we cannot repay, rather than legitimizing an idea that redemption can be achieved and the relationship ended.

In contrast we have come to believe that debts should be paid and relationships severed, and that to be in debt is criminal or a sin. Graeber traces this back to Roman law, in particular, in which the prevailing view of liberty was having the power to do whatever one pleased with one's own property. Hence, freedom has come to be associated with autonomy and not having relationships with others – being an isolated individual. Money (which has no social relations) is the means through which debt is measured, and markets are promoted as the means of achieving this ultimate autonomy. However, he argues that debts can actually only be settled when there is a sufficient degree of equality in the relationship such that the situation can be set straight: when social status is too imbalanced, money is an ineffective means of discharging debt.

The fundamental cause of the formation of money and markets is violence. Credit or virtual money existed before coinage or bullion, and Graeber traces four shifts between a credit money system and coinage/bullion over the last 5,000 years. He roundly trounces the economics text book view, drawing on Adam Smith, that money arose out of inconvenient barter, as a fiction. The anthropological literature shows that people in small-scale societies used currencies to trade with those from outside rather than inside, i.e. those with whom ongoing relationships were not feasible, and, where currencies existed inside those societies, they were used for managing social relations rather than buying and selling. In small societies there is no need for coinage since people could give an item and wait till they needed something in return to make the counter claim. In some societies this gives rise to the circulation of credit money or debt instruments – an 'IOU' can be endorsed and passed onto someone else if necessary. It is violence that leads to the need for coinage or bullion because in a situation of war and instability, it is not clear who can be trusted and so it is necessary to have something that can be measured and moved easily – or stolen. Coins made of precious metals fulfil this function as something that others will accept in payment and which creates no social ties. Markets, Graeber points out, are not the opposite of states but depend on them for their existence. Currencies are backed by the power of the issuer and the means of violence and their creation relates historically to the need to finance wars.

He takes the case of slavery as one that gives us 'a window on the process as a whole' (p. 163), not just the slave trade of the relatively recent past but stretching back into history. It is the most brutal and graphic example of how people are forcibly and violently 'disentangled' from their social context in order to be traded. There are other degrees of disentanglement in terms of debt peonage (when the right to a person's labour is given in payment of a debt) and the exploitation of women through various forms of marriage exchange and sexual exploitation.

So where in the present context does this bring us? The point is that our notion of freedom is dependent on money and the market, and is essentially asocial. It also can only operate in the context of relationships of equality which fundamentally don't exist. Graeber's fifth phase of monetary history starts in 1971, when Nixon unpegged the dollar from the gold standard, essentially because of the escalating cost of the Vietnam war. While theoretically this returned money (or at least the dollar) to a form of credit money, he argues that this should have led to the creation of global institutions to protect debtors. Of course this has not happened and debt relations are still rooted in US military power.

Nevertheless debt imperialism has come under significant strain. Graeber argues that the 2008 financial crisis can be seen as a crisis of inclusion: inclusion in the rising living standards of capitalism brought about by Keynesian policies. Read in this way, the crisis started in the 1970s with the economic crises of developing countries and gradually extended through neoliberal economic policies to the developed countries. The link between productivity and wages was eviscerated, including in rich countries, but the means through which people could be included was to become rentiers; that is, to grab a chunk of the profits through share ownership and to buy their own homes. As a result, the debt industry took off. Graeber argues that it is not ultimately the fault of those who took sub-prime loans – indeed he suggests they were as likely to be investing in their families and social relations in doing so. Rather it is a question of power and exclusion, and once the system is at breaking point the fault lines become clearer. The banks were bailed out because they are more powerful and debtors at the margins were then subjected to the discipline of paying their debts. But 'The Great Conversation' that should have followed never took place.

Graeber rightly avoids ending this sweep of history with an extensive and detailed set of proposals about where to go next. He does, however, call for a year of jubilee: an ancient institution in which, at times of crisis when debt has been stretched too far out of kilter with acceptable morality, debts are written off and equality of people restored.

So what are the implications of this for microfinance (by which I mean the provision of services to poor and low-income people which enable them to better manage their finances) and its recent discussions of indebtedness? Graeber refers to the proliferation of micro-credit schemes as a means through which debt imperialism is essentially operating to include people in ways they are probably unable to resist. I take the following points:

- First, it begs the question of how micro-credit in particular is implicated in the broader sweep of capitalist development. How is debt being used to discipline and disempower rather than empower?
- Second, this book reminds us in no uncertain terms that debt is a social relationship and that moral discourses of repayment need to be examined for their origins. More specifically, we must examine the power relations surrounding debt. How do people come to have the debts they do? What are the social relations that lead to this – between those providing debt and those receiving it? And what are the means through which repayment is enforced?
- More broadly, it offers us a stark reminder of how money backed by violence has entered communities throughout history and dislodged and disorganized social relationships in its wake. This is a stark reminder of the responsibilities of external capital.
- Further, it suggests that the social relationships of human economies need to be understood and factored into microfinance and other schemes for financial inclusion. But more fundamentally, it asks the extent to which financial inclusion is premised on the terms of financial capitalism and not those of local economies.

As the above implies this is a book that sweeps through history. It will appeal to those who enjoy a discursive style but frustrate those who prefer to be signposted and given summary arguments. Graeber addresses an audience familiar with advanced financial capitalism and its assumptions. The book allows us to ask what we really want our economic system to offer.

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