REVIEW

David Graeber, *Debt: The First 5,000 Years*
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FINANCE FOR ANARCHISTS

David Graeber's *Debt*: *The First 5,000 Years* can be seen both as an anthropologist's contribution to the new global history and as the intellectual credo of an anti-capitalist scholar-activist. The project of writing a history of financial contrivances nicely combines a deconstruction of debt and the case for seeing the crash of 2008 as a critical turning point. In this optic, recent events are a further twist in an age-old contest between rich and poor, creditors and debtors, the money machine and the cause of human survival and flourishing. It is written with engaging good humour and a winning radical generosity. 'Perhaps the world really does owe you a living', Graeber suggests. In the tradition of Lafargue and Bakunin, he puts in a good word for the non-industrious poor: 'At least they aren't hurting anyone. Insofar as the time they are taking off from work is being spent with friends and family, enjoying and caring for those they love, they're probably improving the world more than we acknoweldge.' It is easy to see why his book has won such a wide readership among the indebted young students, workers and non-workers of the Occupy movement.

Debt does not present a linear narrative. The first half of the book comprises wide-ranging chapters on the notions of obligation, barter, redemption and honour. There then follows what might at first appear to be a conventional chronological sequence, starting with pre-history, proceeding via the Ancient Middle East, Rome and Greece, China and India, before moving on to the Axial Age (800 BC to 600 AD), the Middle Ages, the 'Age of the Great Capitalist Empires' and, finally, the period since 1971—dubbed 'the Beginning of Something Yet to Be Determined'. The apparent sequence of historical stages is often interrupted, as Graeber moves from discussions of medieval Ireland to contemporary Africa, from Roman law to the Middle Passage. He often dwells on trans-temporal similarities, linking the past, even the distant past, with recent events; the propensity of markets to spin out of control is a recurrent theme. You would have to be very well read not to learn a lot from these fascinating discussions, in which Graeber, like Marx, often cites literature—Rabelais, Goethe, the Bible, the *1001 Nights*—rather than the great economists, to drive home his critique.

In *Debt*'s opening chapters, Graeber draws on a range of anthropological research to make his case that the disembedded markets, money and debt of neo-classical economic theory are abstract and arbitrary constructs of comparatively recent invention. Real exchange always brought together not just two individuals, seen as price-givers or -takers, but two (or more) social worlds, with partially overlapping claims, assumptions and expectations. The apparently simple act of exchange always generated uneven obligations and discrepant temporalities. Debt and credit were vital enablers, as were such devices as the payment of fees to initiate exchange, or even the small change of polite discourse—'much obliged', 'please' and 'thank you' all being terms expressive of personal indebtedness.

What turns an obligation into a debt, Graeber observes, is that it can be denominated and calculated in quantitative terms, prompting the thought that money and the market reduce quality to quantity. However, he is aiming at a further conclusion. He demolishes the idea that barter was the first type of economy, seeing it as less important than the evolution of money:

> We did not begin with barter, discover money, and then eventually discover 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 by-product 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.

Prior to generalized exchange, he explains, many societies had different currencies, some dedicated to petty transactions geared to everyday consumption, others devoted to regulating and promoting basic human relationships. Thus he cites the case of tribal societies in Africa and North America which have had special currencies to facilitate marriage, or to prevent endless feuding stemming from a homicide. A clan or family's loss of a daughter seemingly creates a right to receive 'payment' in brass rods, or whale's teeth, or wampum. Similar tokens of special value would be offered where a family member had been murdered. The 'currency' employed was not part of any system of equivalents—as Graeber observes of the Tiv people of rural Nigeria, 'no amount of okra could get you a brass rod, just as, in principle, no amount of brass rods could give you full rights to a woman'—but was rather limited to recording a special obligation, which could only begin to be settled when it became possible to offer a marriage partner in restitution. Even then, it was not until the marriage had produced children that the restitution would truly commence. As with bride-wealth payments, the offer of brass rods or wampum was not a price but a device for recording an obligation that no currency could discharge.

Another form of obligation was blood debts, which could easily engender dependence as debtors pledged themselves or their own children as pawns. In normal conditions the debt might be easy to discharge once the harvest was in, or when the drought ended, and pawnship in itself was not necessarily onerous. But if conditions did not improve, and if trading networks gave new options to creditors, then discharging the debt might ultimately require the debtor to pay over the bodies of their family members. Traders could seize the pawns of debtors who had defaulted: Graeber notes that this was one source of slave trafficking in general and the Atlantic slave trade in particular. (However, it should be noted that the gender imbalance of the Atlantic traffic—with two thirds of its victims being men or boys—was very different from the typical pattern of pawnship, whose victims were disproportionately female.)

Philosophically, Graeber takes issue with Nietzsche's claim in *On the Genealogy of Morals* that the tribe must exact every last sacrifice—and the tribal member lose his or her very limbs—because the tribe owes everything to the still-present spirits of the ancestors. Those who portray human societies as burdened by a primordial debt to ancestors go astray, Graeber argues, if they postulate a universal propensity to exchange, compare and calculate. Nietzsche's case for primordial debt is, in his view, 'a game played entirely within the boundaries of bourgeois thought'. It might refute or qualify the heroic simplifications of liberal individualism, but it remains subservient to a mythical regime of calculation: 'an eye for an eye, a tooth for a tooth'. To Nietzsche's 'fantasies about savage hunters chopping pieces off one another's bodies' Graeber counterposes the declaration of an Inuit hunter-gatherer from Peter Freuchen's *Book of the Eskimos*:

> 'Up in our country, we are human!' said the hunter. 'And since we are human we help each other. We don't like to hear anybody say thanks for that. What I get today, you may get tomorrow. Up here we say that by gifts one makes slaves and by whips one makes dogs.'

Successful hunters felt an obligation to the unsuccessful that went beyond quantitative calculation. Graeber acknowledges that there is some element of exchange here; but he argues that systems of exchange are typically a super-structure resting and relying on a web of mutual help and cooperation which he terms 'baseline communism'.

Elsewhere he suggests that exchange, hierarchy and communism are the 'three main moral principles on which economic relations can be founded'; all three 'occur in any human society', often in combination. Whether in the medieval village or in the capitalist factory, the process of production relies on small-scale acts of cooperation between the direct producers. But beyond this, for Graeber baseline communism is implicit in all social intercourse, as in asking for directions or offering a light; it is 'the raw material of sociality, a recognition of our ultimate interdependence that is the ultimate substance of social peace'. The workings of markets and the menace of 'debt traps' can be counter-acted by practices and institutions which enshrine an infinite horizon of reciprocity, based on the idea that 'society will always exist'. If such confidence can be achieved there is the reassurance that obligations undertaken at one time will be repaid—a possibility which the Inuit hunter referred to as what could happen 'tomorrow'. Graeber reminds us that debt is polyvalent in its implications. If its pitfalls can be avoided then it can set up a web of mutual obligations which will help to ensure that society endures.

The historical narrative that comprises the book's second half is shaped by what Graeber identifies as a series of vast overarching cycles: 'If we look at Eurasian history over the course of the last five thousand years, what we see is a broad alternation between periods dominated by credit money and periods in which gold and silver come to dominate'. The periodization he subsequently develops is based on these cycles: from the age of the early agrarian empires (3,500–800 BC), in which credit money predominated, to the Axial Age (800 BC–600 AD), a time of coinage and of philosophy, to the Middle Ages, when credit came to dominate once more, and then into the 'Age of the Great Capitalist Empires', which, he writes, 'began around 1450 with a massive planetary switch back to gold and silver bullion, and which could really only be said to have ended in 1971, when Richard Nixon announced that the US dollar would no longer be redeemable in gold.' For Graeber, the 'ultimate contours' of this new phase—barely 40 years old—'are, necessarily, invisible'.

The engine driving these historical alternations, according to Graeber, 'would appear to be war': 'while credit systems tend to dominate in periods of relative social peace, or across networks of trust . . . in periods characterized by widespread war and plunder, they tend to be replaced by precious metal.' Bullion has the advantage of simplifying transactions—and being easy to steal—whereas credit money requires confidence in a more complex web of relations and records; as Graeber wryly observes, 'a heavily armed itinerant soldier is the very definition of a poor credit risk'. He notes the 'extraordinary violence of the Axial Age' and, drawing on Geoffrey Ingham's explanations of the origins of money, furnishes a scathing account of the 'military-coinage-slavery complex' typical of the early empires. Alexander the Great's conquest of Persia, for example, 'meant that the existing Persian system of mines and mints had to be reorganized around providing for the invading army; and ancient mines, of course, were worked by slaves. In turn, most slaves in mines were war captives'. As *Debt* notes, 'one can see how this process might feed upon itself'.

In Graeber's view, for most of the Earth's inhabitants the Middle Ages marked 'an extraordinary improvement over the terrors of the Axial Age'. In the new states that emerged in the ruins of the major territorial empires, 'the nexus between war, bullion and slavery was broken'; credit money re-emerged across Eurasia, taking abstract, virtual forms—paper money and tally sticks in Song China, promissory notes called *sakk* in the Islamic world, and so on. The era of the 'Great Capitalist Empires', by contrast, marked a turn back to bullion, accelerated by the Spanish conquest of Mexico, which helped unleash the Western European 'price revolution' of the 1500s. Graeber notes throughout the role of coercion, the 'peculiarly European entanglement of war and commerce' that brought terror and enslavement to millions in the colonial world.

The final cycle in Graeber's *longue durée* schema begins in 1971, with the dismantling of the Bretton Woods financial architecture. This represents a break with the alternating pattern discussed in previous chapters. As he puts it, 'if history holds true, an age of virtual money should mean a movement away from war, empire-building, slavery and debt peonage (waged or otherwise), and toward the creation of some sort of overarching institutions, global in scale, to protect debtors.' However, 'what we have seen so far is the opposite': 'the new global currency is rooted in military power even more firmly than the old was'. He points out that, from the 1970s onwards, the most active purchasers of US Treasury bonds tended to be effective US military protectorates—West Germany, Japan, Korea. In Graeber's view, 'the advent of the free-floating dollar marks not a break with the alliance of warriors and financiers on which capitalism itself was originally founded, but its ultimate apotheosis'. However, we are barely forty years into the new phase, which with the rise of China may eventually settle into a more familiar historical pattern: perhaps we are witnessing 'the first stage of a very long process of reducing the United States to something like a traditional Chinese client state'.

The book is more concerned with the social pre-suppositions of the good life than with a historical dialectic of forms of social labour or emancipation; Graeber is writing a history of debt and not a history of productivity nor of the underlying systems of agricultural or industrial production.

He believes that conflicts over debt and indebtedness have furnished the main stake in historical class struggles—with conflicts over wages, conditions and rights to organize being less important. Indeed, he urges that free wage labour has been far rarer than is usually realized, with various regimes of debt peonage, serfdom and slavery being correspondingly much more significant. Without altogether rejecting the proletariat, he is happy to celebrate the 'non-industrious poor' as agents of change. When he urges that 'primitive accumulation' should not be regarded as a distant phase, occurring once and for all in the early modern period, he is quite right and in tune with much recent research. But he is on weaker ground in denying that there is a necessary (albeit very uneven) link between wage labour and capitalism. Of course, wage workers have often been paid partly in kind, or with tokens they can only use in the company store. Extra-economic coercion has frequently been employed as a supplement. But the development of capitalism often also extended the efficacy of economic compulsion, with debt playing a complementary role. Graeber himself reproduces data for English wage-rates going back several centuries, and argues that capitalism developed in the English countryside long before the Industrial Revolution. He also cites more recent data on the growing gap between rises in US labour productivity and near stationary wage-rates. Today, a few billion people worldwide—perhaps half the human race—are dependent on wages and salaries for the necessities of life. And low wages and the indebtedness of the poor have made a gigantic contribution to global imbalances and the financial crisis, as Graeber would surely agree.

This lack of attention to the social relations of production means, for example, that he fails to capture the complexity of the workings of Spanish rule in the Americas, missing the element of free wage labour it incorporated. Tribute or slave labour was not well-adapted to silver mining in Andean conditions because simple survival in the cold and barren *altiplano* was likely to absorb all the slaves' energies, and because tribute labourers did not stay long enough to master the needed skills. Royal officials found an elaborate way of circumventing these difficulties, by adapting the pre-Conquest regime of tribute: villages were required to supply labourers to work in the mines for six months, but they also had to supply food and textiles to the authorities, who sold them to wage labourers in the mining districts of the *altiplano*—paid in silver at rates similar to those received by silver miners in Germany (as explained by Pierre Vilar in his classic *History of Gold and Money*). However, most of the money they received as wages was spent buying the food and clothing supplied as tribute goods. In this way, the colonial state developed a Midas-like ability to convert maize and cotton into silver. These arrangements illustrate the ingenuity—and voracity—of the royal officials in extracting specie. Other sources of revenue included the sale of licences to mine silver, the royal fifth tax on all silver produced, freight charges and income from the *asiento*, sale of the right to import slave domestics.

There is a recurrent emphasis here on the great damage that markets—especially 'free markets'—can wreak, but Graeber's aim is not to demonize an institution that long preceded capitalism. Instead he contests the 'false choice' offered of market versus state. Graeber's notion of 'baseline communism' registers a vital dimension or level of social existence. He contrasts it with any magical redemption of mankind from the delusions of private property and the division of labour—to be achieved simply by suppressing the market. Such a notion has indeed proved dangerous as well as deluded, but it should not lead to the implication that any concern with 'ownership of the means of production' is simply another manifestation of 'mythic communism'. Public ownership needs radical re-thinking in the epoch of globalization, and will certainly be complex; it will require a contribution from various intersecting embodiments of 'the public'—producers, consumers, communities, networks and so on—but will not be found by belittling the power of capitalist property, which has always allowed the big fish to eat the small fish.

Graeber's argument may be influenced by the anarchist tradition, but on occasion, he does allow that the power of the state can be wielded in ways that promote social justice or wider economic empowerment. He argues that it is absurd to counterpose state and market, because states have so often created and sustained markets, by paying wages and suppliers, and by guaranteeing essential ground rules and property rights. The state's ability to cancel debt is a leitmotif of the book, traced back to Mesopotamia and offered as an example of what should be done today. *Debt* frequently registers the oppression and exploitation invariably wrought by states, but offers few examples of the state as both an ambivalent and a productive institution, giving with one hand what it takes back with the other.

In his polemical reconstruction of pre-historical scenarios Graeber frequently takes aim at contemporary neo-liberal ideology, its market fundamentalism and its failure to envisage a plausible collective future. While often compelling, one such swipe at conventional wisdom—a critique of a famous essay by Paul Samuelson—seems to me to miss the point. Since it bears directly on the larger argument of the book it is worth explaining the mistake. Samuelson's essay, published in the *Journal of Political Economy* in 1958, was somewhat drily and technically titled 'An Exact Consumption-Loan Model of Interest, With or Without the Social Contrivance of Money'. Graeber's complaint—itself well-merited—is that Samuelson wrongly sees money as an irrelevant veil drawn over production relations. However, the importance of this essay lay in the resolution it offered to the controversy surrounding the US Social Security programme. As originally enacted in 1935, this had offered pension coverage only to those who had contributed to it, so, to begin with, there was a flood of contributions unmatched by any pay-outs. This had two unfortunate results: it aggravated the recession of 1938, and it left older workers unprotected. In 1950, amendments were passed which credited older workers with the contributions they would have been making in the years up to 1935 if the scheme had existed. This assumption—sometimes known as 'blanketing in'—allowed the Social Security Administration to pay far more generous old-age pensions, with benign consequences for both macro-economic balances and the retirement income of seniors. Indeed it could be seen as a device embodying the humane and collectivist values of the Inuit hunter: it made sure that Social Security covered everyone while effecting an invisible redistribution—since all contributed and all benefited.

Samuelson's essay explained why this would be a perfectly viable arrangement even though it offered the older workers something for nothing. In what he called the 'Social Security Paradox', he explained that there would always be enough in the Social Security Trust Fund to discharge its obligations to current recipients, so long as pensions owed to today's contributors were to be partly financed by those 'as yet unborn'. Critics objected that this was all very well, but who would pay the pensions of 'the last generation'? Samuelson was able to show that so long as the scheme survived, and was backed by the government, the future pensions would be paid; the essential requirement was confidence that the sponsor (the state) would still be there in twenty or fifty years time (something that a commercial insurer can never promise).

Whereas conservative thinkers stress primordial debt and the impossibility of ever fully discharging it, Samuelson's argument boldly borrowed from the future to finance a 'scheme of inter-generational justice', as Brian Barry has termed it. Samuelson himself realized that he was pressing at the limits of conventional political economy: in defence of his approach he cited the conclusions of Friedrich Engels, something not to be done casually in the United States of 1958. Graeber goes on to describe the immediate post-1945 period as one characterized by greater social inclusion. The 1950 revisions to Social Security in the US—paralleled in other countries—were an important contribution to this regime of publicly organized social protection, which has shown great capacity to resist attack.

If there is a loosely chronological structure to the book, there is no sense here of progress or forward march: Graeber challenges any optimistic reading of capitalist modernity, instead seeing the nation-state, with its national debt, as the harbinger of more destructive wars. He claims that the most penetrating analysts of capitalism were persuaded that it was on the brink of collapse: 'Almost none of the great theorists of capitalism, from anywhere on the political spectrum from Marx to Weber, to Schumpeter, to von Mises, felt that capitalism was likely to be around for more than another generation or two at the most.' Yet while quotes could indeed be assembled to support this contention, there was another strand to the thought of these students of capitalism which stressed its robustness, in and through its crisis mechanism, 'creative destruction', and notwithstanding the half-baked ideas of many would-be critics. The advent of nuclear weapons and other threats to the biosphere make the collapse scenario more plausible, as Graeber points out. But while aware of such dangers he still sees his central message as hopeful—human institutions can be fundamentally transformed, building on the implicit foundation of 'baseline communism', with its principle 'from each according to their ability, to each according to their needs'.

Indeed, Graeber declares that his intention is to re-kindle a sense of social possibility. He does not spend much time detailing alternatives, but he does insist that the age-old idea of a universal cancellation of debts remains the best starting point. The recent extraordinary scale of money creation in the service of banks has revealed the absurdity of bowing down to bankers and bond merchants as the rulers of the financial realm. The Jubilee is more relevant than ever. However, it would have been good to see at least a sketch of what a world without debt (or should that be without unhealthy debt?) would look like. How will consumer cooperatives and workers' collectives, self-administrating communities and cosmopolitan networks and partnerships, regulate their own affairs? Will they need, as Proudhon argued, their own version of investment and credit if they are to flourish? Will prices still be necessary and, if so, how will they be arrived at? The trend of Graeber's reasoning is not to rely on a dramatic simplification of existence after the cancelling of odious debt but rather the elaboration of new institutions, embodying social inclusion, de-commodification and democratic control. Formal representation combined with economic powerlessness is explicitly rejected. The 'national debt' and its bond market shackle democracy, just as the 'redistributive state' too often nourishes clientelism and 'identity politics'.

Although *Debt* has appeared in the midst of an ongoing financial crisis, it has little to add on the question of the crash of 2008 and the imbalances leading up to it. Yet it would have been interesting for Graeber to have developed his arguments further in the light of this crisis, which has been very educative: few would now deny that the very existence of the big banks has depended on gigantic and sustained injections of state support—and yet the banks continue to hoard credit and dampen the recovery. Though its conditions have been harsh, the bail-out of GM has shown that public credit can revive production in the short run. The conclusion, however, should not be to perpetuate an obsolete socio-economic model, but rather to elaborate new types of cooperative working and collective ownership, and different products or services.

This hefty treatise on bad debt shows the need for further work on healthy credit. In a venerable tradition, Graeber denounces capitalist 'gambling'. Yet all investment in future facilities involves an element of uncertainty and a claim on resources. Governments can conjure the needed money out of thin air if those investments turn out to meet a genuine and effective social need. Capitalists are often not very good at spotting and sponsoring necessary social innovations, especially those which require large-scale and complementary infrastructure. Public enterprise—carried out on a broad and varied canvas—is the vital missing ingredient in a world dogged by indebtedness, weak demand, climate catastrophe, poverty, crumbling infrastructure and counter-productive austerity. Graeber helps by exposing the bad old world of debt, and clearing the way for a new horizon beyond commodification, perhaps illuminated by public credit.