

‘Economy’ no more?

Richard Minns

Richard Minns reflects on anthropologist David Graeber’s influential book, Debt: The First 5000 Years, in the light of experiences in Argentina and Greece.

I have often wondered, with all the mountains of debt and ‘debt crises’ in the world along with austerity, for some, to pay for it, *who really owns* the debt and *why*. There must be a more complex answer to these questions than just ‘banks making money’. That’s too easy. Does debt provide a new international, if not imperial, system of politics? Has debt always been like this? If not, why not? And what is it anyway?

This remarkable book opens with a reported conversation between the author, an anthropologist, and a charity worker/activist lawyer, ‘one of the many employed throughout the world to help “the poor”’. As it happens, the author reports (p.2), she didn’t actually know what the IMF [International Monetary Fund] was. The author’s reply was that it operated as the world’s debt collector – you might say; ‘the high finance equivalent of the guys who come to break your legs’. But, she replied, ‘debt is what you owe; if you accept debt you must pay it back’. That is exactly what *Debt: The First 5000 Years* is all about, What is the imperative that this phenomenon ‘debt’ commands – moral, categorical, political or what? The answers are not for those who believe money (which is only one aspect of debt) is the source of investment, economic growth and welfare. Read on for a heady ride through the other side to the history of this all-important subject. To be brutal, it now amounts to an unelected quasi-dictatorship, riddled with horrific corruption, hypocrisy and deceit. It was *not* always like that, because debt has changed its meaning. It is now tantamount to a Faustian bargain.

Behind the façade of democracy and

international agencies such as the UN, IMF and the World Bank (officially the International Bank for Reconstruction and Development), along with others parading as the promoters of ‘security’ and ‘peace’, lie the international financial systems and their elixir of power called ‘debt’. If you think about it, when push comes to shove, the others are indeed the enforcers, almost literally ‘the bailiffs’. I shall come back to this later.

As David Graeber suggests, ‘debt’ now presents a morality in which it is the ‘victim’s fault’ (the debtor). The debtor has done something wrong wanting the debt in the first place. The creditor is there to help out, to set things right, to absolve sins, the saviour. The debtor must confess, i.e. pay up, to gain redemption. The biblical or other ‘religious’ connotations (old and modern) are implicit in a lot of what the author writes, partly because, I believe, debt originated thousands of years ago (hence the book’s title), in a sense of communal, mutual help, different belief systems compared to the ones we have now. ‘Repayment’ has moved from a philosophical and ethical question and concept. A kind of ‘who, ultimately, *really* owes what to whom’ question, a moral balance sheet – not of the creditors’ double-entry book keeping type. That one is a modern robotic abomination of the original credit and debt concepts. I shall also return to this, where money has replaced communality as a measure of ‘worth’.

The author explains some more, a lot more, about his thesis. I concluded that ‘debt’ and ‘money’ are, historically and anthropologically, diametrically opposed. We should think of different words.

An underlying new imperialism pervades. Graebner elaborates by arguing that the world’s debtors, especially ‘developing’ nations, are almost exclusively countries which have been attacked and conquered by European/Western nations – often the very countries to which they now owe money. The implication is that prior colonisation has led to creditor domination of the most vulnerable, the easiest to seduce into the new belief system, with sometimes terrible consequences for social policies. Military conquest and occupation precede financial indebtedness and its punitive regime. I am not so sure about this. Let me explain.

There is a certain country (Britain) which, in South America, a ‘developing’ sub-continent, lost militarily and did not occupy, but won financially, crucifying Argentina for 180 years. In 1806, the British under Lord Beresford led some Scots’ Guards volunteers (the British government would not sanction it officially) to the Rio de la Plata area around Buenos Aires. They eventually lost. But, ultimately, they won – financially. They thought, hypothetically, ‘if we can’t beat them we’ll bury them in debt’. They want to expand territorially and/or develop

infrastructure and, later, the railways; they want money to do that, so maybe we can help,

In due course, enter Barings Bank, Argentina's nemesis as it turned out (Pigna 2005). So a deal was done. Mid-century, Argentina also had plans to expand its trading links north-west towards Bolivia, knocking out Paraguay on the way – the 1865 war of the Triple Alliance. An interesting and illustrative point in this analysis of what constitutes debt, rectitude and 'due', is that Paraguay did not conform to the prevailing ideology of debt and servitude; it had no slavery – another aspect of human debt – partly through the Jesuits, who had been in conflict with the Spanish monarchy for just this reason. It had no external debt, and no unemployment.

Britain, I imagine, wanted to finance ventures to the rich resources of central South America, for instance, tin and silver in Bolivia around the town of Potosí – without paying for it. The Argentinians would pay, as indeed they did. Barings ripped them off with a loan cleverly disguised on paper with repayment based on the written, not the real, amount received – a sort of premium for doing them a 'favour'. Argentina later had to surrender assets, in due course the railways, similar to asset proposals for Greece in 2015. In return for debt relief sought from Barings, Argentina was also expected to renounce claims over Las Malvinas (Falkland Islands) [Gibotti 2012]. I have come across a common question; Argentina was a comparatively rich country, the fastest growing in South America. How could it get into so much trouble and end up as it did. There's the answer – debt and debt collectors. By the way, Barings eventually over extended itself and was bailed out by the Bank of England to prevent the contagion spreading to other banks in the City of London. Does that sound familiar? Ironically, or perhaps deferentially, the financial district of Buenos Aires is called the City Porteño, a different type of 'occupation'. I think all this reinforces and does not detract from the author's point about finance and the dark clouds of the new morality of 'debt'. It's the recent historical legend and definitions of 'conquest and occupation' which perhaps need qualifying. The insidious power of finance does not require traditional mechanisms of colonialism. Military conquest and physical occupation are frequently not necessary at all.

To finish the point about the origins and consequences of debt and the debt collectors, in keeping with the author's story, in due course Argentina undertook drastic pension reforms, as has happened in Greece. It was dressed up as control of unaffordable expenditures on an ageing population, the 'burden' of old age, a catastrophe, 'age shock', a 'doomsday scenario', inequitable subsidy, funding 'unnecessary' early

retirement (in the midst of significant unemployment). The real reason was debt – weapons debt from 1976 to 1983, and costly privatisation debt from 1989 to 1999 (Jozami, 2003).

The similarities with Greek debt are striking. In 2008 – a year to which Graeber returns, the beginning of the latest ‘global’ and, possibly, terminal financial tsunami – Greece was the fifth largest weapons importer in the world (as a percentage of gross domestic product), aided and abetted by the arms dealers of Germany, in particular, a key enforcer. There was bribery of Greek officials by the Germans into the bargain. Thirty-one per cent of the total supply of weapons came from the well paid, non-austerity-suffering German workers (SIPRI and World Bank on debt tables¹). Germany becomes, I suppose, the pious enforcer and ultimate beneficiary. German banks had the largest ‘exposure’ to Greek debt, which had had a significant role, in a circular way, of supporting the *German* economy by promoting production, employment and taxable activity. The other chief enforcer was the IMF, which takes us back to the beginning.

Argentina finished up with another dispute over Las Malvinas. They lost. Greek indebtedness is ending up with a similar seizure of assets, so-called ‘collateral’ from which Germany will gain substantially. Argentina’s ‘burdensome’ state pension system was handed to the private banking sector, including US banks and insurance companies. They never lived up to expectations and, rather than put current and future pensioners further in debt (there were stories of suicides), the system was renationalised – with two increases *per annum*. Imagine the apoplexy within the financial sector.

The dramatic message of *Debt: The First 5000 Years* is that these kinds of events demonstrate the ‘morphology’ of debt (a phrase coined by Michael Barratt Brown in 1997), and conceal more interesting historical, moral and ethnic roots of the word. The original concept cannot be understood by studying modern amoral economics. Debt was a unifying mechanism for many earlier races, tribes, groups, villages, trading centres. Graeber reveals much about systems in Africa, Greece, Rome, plus those of the Inuits (Greenland), Iroquois (and other native Americans), peoples in Java, Tibet, Bhutan, Mongolia, the Karbyle Berbers, Kalahari Bushmen, Tiv people (Nigeria) and the Tlingit, Haida and Kwakiutl people (American North-West coast). ‘Barter’ is often used to describe the original trading relations between some of these peoples, but credit and debt in a shared way, which we can hardly comprehend now, were the real bases of communal, even ‘communistic’ morality, before the introduction of money – a soulless, arithmetic, amoral abacus.

The transformation came hard and fast, after a few thousand years of debt as sharing or 'honour'. Debt developed into debt servitude, debt peonage, slavery, torture, and desperate measures such as wife-selling (see Thomas Hardy's *The Mayor of Casterbridge*, mentioned here; as Graeber points out, this practice was not outlawed until 1919).

The transposition or morphology of communality into exploitation and subjugation, in due course, developed its own vocabulary – the free market, neo-liberalism, invisible hands, big society, individual choice, equality, and 'you can't beat the market'. All these new economic or political concepts are the Orwellian opposites of what they really describe. Vocabularies can change substantially depending on, in some cases, world-shattering events; before and after the watershed of the 'Great War', for example (Fussell, 2013).

While reading *Debt: The First 5000 Years*, I was struck by some similarities to the Clint Eastwood film *Unforgiven*.² It underlines the differences and historically changeable contexts of the definition of debt. In the film, an angry client badly cuts the face of Delilah (played by Anna Levine), a prostitute in a small cowboy town in Wisconsin in 1880. Retribution is sought by her friends, who club together to put up a bounty to get the perpetrators. Skinny (Anthony James), the bar and brothel owner, brandishing a piece of paper, argues that any payment for this should go to *him* because he 'owns' the woman. The sheriff (Gene Hackman) mediates and asks, 'do you mean no one will want to fuck her no more'. 'Well, I suppose she could sweep the floor or some-ut', replies Skinny. Will Money (Eastwood) intervenes when he learns that his friend and fellow bounty-hunter, Ned (Morgan Freeman), has been whipped to death by the sheriff for interfering in his jurisdiction. The Eastwood character used to be a psychopathic drunken killer, but his 'young wife' changed all that, he declares. But now Will Money changes back and, with a gulp of whisky, makes it clear what he thinks of local values and shoots Skinny. Hackman: 'You just shot an unarmed man'; Eastwood: 'Whoever displays the dead body of my friend on their porch better be armed'. Eastwood then shoots the sheriff and many others. He finally yells that he will kill anyone and their family who comes after him.

In these few words and scenes we see different opinions of debt, retribution, punishment, property, subjugation, compensation, vengeance, valuation of a crime in bounty or ponies, in all of which the actual victim, Delilah, has no say at all. Human dignity or 'communistic' morality is transmuted into conditions for repayment in one sense or another. Retribution, vengeance and debt become intertwined. Even the

title of the film, *Unforgiven*, is a summation of the whole story concerning definitions of debt ‘forgiveness’, ‘creditors’ and ‘payment’. It is also a nineteenth-century equivalent of long-standing Catholic financial ‘indulgencies’ for the ‘forgiveness’ of sins (‘debt to God’ redeemed with money for ‘the Church’). In a convoluted way it amounts to a soulless ‘cleansing’ of the soul. Ethical considerations never enter. ‘Debt’ used to be a unifying concept in anthropological terms; now it’s a monetised, crude, oversimplified and divisive one in economic and social terms.

At the same time, the modern financial equivalent of all these aspects of debt was developing quickly. Graeber remarks that this had little to do with ‘capitalism’ per se, that over-used pigeonhole concept into which we chuck things we don’t like about our unequal societies. I am exaggerating the argument slightly, but Marxists get it wrong – one of the shibboleths at which the author has a go. He realises he is oversimplifying, but the usual ‘model’ we are taught is that the productive ‘base’ creates ‘value’ through labour power which then supports an unproductive ‘superstructure’ which includes finance. The point is that finance comes second. Graeber, I believe, begs to differ. The financial and other structures of what became ‘capitalism’ and its soulless exploitation were operating well before Marx portrayed the primary victims of capitalism as the industrial working class. In reality in this ‘capitalism’ they were in the minority in the exploited classes anyway. The main forces at play were financial, not industrial, and finance remains the more important variable. Of course, there exists the concept of ‘finance capitalism’ as propagated by Marxism-Leninism and, later, by Rudolf Hilferding, involving imperialism and war. But that is very different from financial capitalism as employed by Graeber.

I precis a fascinating exposition (pp. 66-68):

‘What does it mean to imagine our responsibilities as debts ... Who exactly can claim the authority to tell us how to repay ... and on what grounds.’

If you think it has something to do with ‘society’, think again. While the author is exposing many assumptions, he suggests we should also have a go at this one.

‘What makes the concept of society so deceptive is that we assume the world is organised into a series of compact, modular units called “societies” and that all people know which one they’re in. Historically this is very rarely the case.’

Graeber’s mother, a Polish Jew, told him a story from her childhood:

A small town on the frontier between Russia and Poland; no one was ever sure to which they belonged. One day some surveyors arrived to measure it up. 'So where are we, Russia or Poland?' the villagers asked. The surveyors replied, 'Our calculations show that you are thirty-seven metres inside Poland'. The villagers danced for joy. The surveyors asked, 'What difference does it make?' 'Well,' laughing, 'it means we'll never have to suffer one of those terrible Russian winters again'.

Marvellous. 'Society' does not explain fealty, allegiance, ownership or debt, in anthropological terms at least. Something overrides all this, not just the weather.

Now for the end of the world as we know it (Chapter 12). Following President Nixon's severing the link between the dollar and gold in 1971, mainly caused by unconscionable expenditure on the Vietnam War, financial markets went haywire once 'I promise to pay the bearer' was openly revealed as the fantasy it always was. The OPEC oil price-hike, shortly afterwards, led to circulation of trillions of fantasy money, much of which ended up as debt for weapons, as in the case of Argentina. Following all that and the drastic consequences for debtor countries, the year 2008 was apparently the next watershed in financial capitalism. I have already referred to this a couple of times. The 'global' (in my view, another over-used, catch-all concept) financial crisis revealed the precarious nature of the assumption that 'capitalism' was ever-expanding on the basis of making money out of nothing – the alchemy of producing credit with no actual foundation in reality. Perhaps capitalism was not the perfect 'end of history' after all; shades of Marxism's 'fictitious capital', perhaps, and that capitalism sows the seeds of its own destruction. But in this case it is not explained by a theory of surplus value and the 'rising organic composition of capital', but by a theory of finance and debt.

The moral philosophy, 'economics', and political theory in *Debt: The First 5000 Years* make for compelling and thought-provoking reading; and, of course, the anthropology.

'Is it possible that children born today might live to see the day when there is no longer an "economy", when we can examine these matters in completely different terms.' (p. 398)

The inference I draw from Graeber's book is that 'debt' should be top of the list.

David Graeber, Debt: The First 5000 Years, Melville House, 2014, Brooklyn and London, 542 pages, paperback ISBN 9781612194196, £25

Notes

- 1 SIPRI [Stockholm International Peace Research Institute], *Yearbooks*, containing debt tables. Also World Bank, *Global Development Finance*, debt tables.
- 2 *Unforgiven*, Malpaso Productions, distributors Warner Brothers, 1992. It was added to the US National Film Registry for being ‘culturally, historically, and aesthetically significant’.

References

- Michael Barratt Brown, *The Morphology of Debt, The Spokesman*, 63, 1997.
- Paul Fussell, *The Great War and Modern Memory*, Oxford University Press, 2013.
- Ema Gibotti, *Queridos Enemigos (Dear Enemies): De Beresford a Maradona; la verdadera historia de las relaciones entre Ingleses y Argentinos*, Aguila, Buenos Aires, 2012.
- Rudolf Hilferding, *Finance Capital; A Study of the Latest Stage of Capitalist Development*, Routledge and Kegan Paul, London and Boston, 1981 (originally 1910 and 1927).
- Angel Jozami, *Argentina; La Destrucción de Una Nación*, Mondadori, Buenos Aires, 2003.
- Richard Minns, “‘Estafa’ (“Swindle”); Dictatorship, Debt, Weapons in Argentina; An Alternative Perspective on Pension “Reform” in Latin America’. *Pensions; An International Journal*, Vol. 12, no. 4, September 2007.
- Richard Minns, ‘Weapons for Pensions; How Social Security became National Security’, *The Spokesman*, 102, 2009.
- Felipe Pigña, ‘Baring Bros and the Crisis of 1890; Argentina’s First Default’, in *Los Mitos de la Historia Argentina*, Vol. 2, Planta, Buenos Aires, 2005.