To Have Is to Owe

David Graeber

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Payment Due

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 past five thousand years, with remarkable regularity, popular insurrections have begun the same way: with the ritual destruction of debt records—tablets, papyri, ledgers; whatever form they might have taken in any particular time and place. In the throes of the recent economic crisis, with the very defining institutions of capitalism crumbling, surveys showed that an overwhelming majority of Americans felt that the country's banks should not be rescued—*whatever the economic consequences*—but that ordinary citizens stuck with bad mortgages should be bailed out. This is quite extraordinary, as Americans have, since colonial days, been the population least sympathetic to debtors. (Back then, the ears of an insolvent debtor would often be nailed to a post.) The notion of morality as a matter of paying one's debts runs deeper in the United States than in almost any other country, which is odd, since America was settled largely by absconding debtors. Despite the fact that the Constitution specifically charged the new government with creating a bankruptcy law in 1787, all attempts to do so were rejected on "moral grounds" until 1898, by which time almost all other Western states had adopted one. The change was epochal.[1]

Those charged with moderating political debate in our media and legislatures have decided that this is not the time for another such change. The US government effectively put a three-trillion-dollar band-aid over the problem, changing nothing. Financiers were "bailed out with taxpayer money"—in other words, their imaginary money was treated as if it were real—while mortgage holders were mostly left to the tender mercy of the courts, subjected to a bankruptcy law that, the previous year, Congress had made far more exacting against debtors. We have even seen a backlash against small-scale debtors, one driven by financial corporations that 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 Star-Tribune*. "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."[2]

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[1] The nature of money has always been particularly contentious in the US, as evidenced by the endless battles between goldbugs, greenbackers, free bankers, bimetallists, and silverites in the nineteenth century. American voters were so suspicious of the very idea of central banks that the Federal Reserve system was created only on the eve of World War I, three centuries after the Bank of England was founded. Even the monetization of the national debt was seen by Thomas Jefferson as a pernicious alliance between warriors and financiers, though it opened the way to government assuming the role of moral debtor, and of freedom being perceived as something literally owed to the nation.

[2] Throughout history, certain sorts of debts, and certain sorts of debtors, have been treated differently from others. The British public was scandalized in the 1720s when the popular press exposed the fact that debtors' prisons were regularly divided into two sections. Aristocratic inmates, who often thought of a brief stay in Fleet or Marshelsea 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."

Despite all this, we hardly know what debt is. The very flexibility of the concept is the basis of its power, and of the moral confusion associated with it. Looking at the history of debt worldwide, one finds that most people have held that paying back money one has borrowed is a simple matter of morality and, contradictorily, that anyone in the habit of lending money is evil. Recently, the former position seems to have trumped the latter, owing to a persistent refusal to question our slavish devotion to creditors. But if the welfare state must be destroyed in order, ostensibly, to settle our debts, we should ask ourselves: To whom, exactly, are those debts owed? And where did our creditors get the money that was loaned to us? (The answer, of course: We owe the very financial institutions we recently bailed out for making fraudulent and idiotic loans; they didn't *get* the money anywhere, they just made it up.) Whenever such questions have been openly asked in Europe, riots have tended to ensue.

Such eruptions make it clear that debt must be removed from that rarefied sphere of morality arbitrated by transnational institutions (whose representatives are also its main beneficiaries), where it has become ensconced, and returned to the sphere of open political debate. In the ancient world, it was not debt that was considered sacred, but rather the power to make it disappear. We are, it seems, long overdue for a contemporary Jubilee, one that would affect consumer debt as well as international debt, and that would not only relieve a great amount of human suffering but also remind us that money is not ineffable, that paying one's debt is not the essence of morality, that borrowing and lending are human arrangements, and that if democracy is to mean anything, it is the ability to all agree to arrange things differently.

It is significant that, since Hammurabi, great imperial states have invariably resisted this kind of politics. Athens and Rome established the paradigm: Even when confronted with continual debt crises, they insisted on legislating around the edges, softening the impact; they eliminated obvious abuses like debt slavery and used the spoils of empire to throw all sorts of extra benefits at their poorer citizens (who, after all, provided the rank and file of their armies) so as to keep them afloat. They did all this in such a way as to fend off any challenge to the principle of debt itself. The US has taken a remarkably similar approach: eliminating the worst abuses (e.g., debtors' prisons), using the fruits of empire to provide subsidies, visible and otherwise, and, recently, manipulating currency rates to flood the country with cheap goods from China. Never has the governing class allowed anyone to question the sacred principle that we all must pay our debts. That principle has recently been exposed to be a flagrant lie. As it turns out, we *all* don't have to pay our debts. Only some of us do.

Mesopotamia, 2400 BCE

Usury was common practice by 2400 BCE. Officials or merchants advanced loans to peasants and, if they were unable to pay, began to appropriate their possessions, starting with grain, goats, and furniture, then moving on to fields and houses, then family members. First went the servants, followed by children, wives, and even the borrower himself, all of whom were reduced to debt peons until the money was repaid. This threatened to rip society apart: If for any reason there was a bad harvest, large proportions of the peasantry fell into debt peonage. Indebted farmers in fear of repossession abandoned their fields.

Faced with the potential for complete social breakdown, Sumerian and Babylonian kings periodically announced general amnesties. All outstanding consumer debt was declared null and void (commercial debts were not affected), all land was returned to its original owners, and debt peons were returned to their families. Before long, kings made a habit of declaring such amnesties upon assuming power. (The sovereign saw himself as literally re-creating human society, so he was in a fine position to relieve all previous moral obligations.) In Sumerian, these were called declarations of freedom. The Sumerian word *amargi* is the first recorded use of "freedom" in any language; it literally means "return to mother," since this is what freed debt peons were allowed to do.

The Fabled Land of Barter

When economists speak of the origins of money, debt is always something of an afterthought. First comes barter, then money; credit develops only 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 myself have been pointing out that there is something very wrong with this picture. Credit system, tabs, and even expense accounts existed long before cash. These things are as old as civilization itself. History tends to move back and forth between periods dominated by bullion, when it's assumed that gold and silver *are* money, and periods in which money is assumed to be an abstraction, a virtual unit of account. The standard version of this history has little to do with how economic life is actually conducted in real communities and marketplaces, where everyone is likely in debt to everyone else in a dozen different ways, and most transactions take place without the use of currency.

Some of it is just the nature of the evidence: Coins are preserved in the archaeological 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). Therefore, they begin the story of money in an imaginary world from which credit and debt have been entirely erased: "Once upon a time, there was barter. It was difficult. So people invented money. Then came the development of banking and credit." The logical, inexorable progression of humanity from Stone Age barterers of mastodon tusks to wielders of complex financial instruments has become common sense.

We now know from ancient Egyptian and Mesopotamian records—discovered after Adam Smith, for whom economic history began with Homer—that credit systems (what is today called virtual money) preceded the invention of coinage by thousands of years. Money was actually created by bureaucrats to track state resources and spread unevenly, never completely replacing credit systems. Barter, in turn, is largely an accidental byproduct of the use of coinage or paper money, a refuge for people operating in cash economies where currency has for some reason become inaccessible. Nevertheless, nearly every introductory economics textbook in use today takes the same approach: "To see that society benefits from a medium of exchange, imagine a barter economy," write Begg, Fischer, and Dornbuch in *Economics* (2005). "Imagine the difficulty you would have today if you had to exchange your labor directly for the fruits of someone else's labor," write Maunder, Myers, Wall, and Miller in *Economics Explained* (1991). "Imagine you have roosters, but you want roses," write Parkin and King in *Economics* (1995). "One can imagine an old-style farmer bartering with the blacksmith, the tailor, the grocer, and the doctor in his small town," write Stiglitz and Driffill in *Economics* (2000).

There is a simple reason why everyone who writes an economics textbook feels the need 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 1776 that Adam Smith, professor of moral philosophy at the University of Edinburgh, effectively brought the discipline of economics into being. He objected to the notion that money was a creation of government, and insisted that property, currency, and markets not only existed before political institutions but also 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 currency. It was only by making such an argument that he could insist that economics was itself a field of human inquiry with its own principles and laws—as distinct from, say, ethics or politics. The economy, in his formulation, operates by rules of its own that are separate from moral and political life; it is where we indulge in our natural propensity to truck and barter. We are still trucking and bartering, and always will be. Money is simply the most efficient means.

For centuries, economists have searched for the fabled land of barter. Smith set his story in aboriginal North America, and its lack of realism reflects the dearth of reliable information on Native American economic systems in Scottish libraries. But by the middle of the nineteenth century, Lewis Henry Morgan's descriptions of the Six Nations of the Iroquois had been published and read widely; they made clear that the Iroquois's goods were stockpiled in longhouses, then allocated by women's councils, without anyone ever trading arrowheads for slabs of meat. Economists ignored this information. Stanley Jevons, for example, wrote *The Principles of Political Economy*, his classic study of the origins of money, in 1871. He took his examples straight from Smith, describing Indians swapping venison for elk and beaver hides. Around the same time, missionaries, adventurers, and colonial administrators were fanning out across the world, many carrying copies of Smith's *The Wealth of Nations*, 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 place where the ordinary mode of economic transaction between neighbors takes the form of "I'll give you twenty chickens for that cow."[3]

Madagascar, 1990

In the town of Arivonimamo, 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 loan shark, a horrible woman named Nordine. I was a bit reluctant to have anything to do with the family, but some of my friends insisted; this was, after all, 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, "What did you use for money back in ancient times, when you were still alive?"

[3] This hardly means that barter does not exist—or even that it's never practiced by the sort of people that Smith referred to as savages. It just means that it's almost never employed between fellow villagers, as Smith imagined it to be.

The mysterious voice immediately replied, "We didn't use money. In ancient times we used to barter commodities directly, one for the other."

IOU All

What gave early nation-states the right to levy taxes? Nowadays, we all think we know the answer to this question. We pay our taxes so that the government can provide us with services, starting with military protection. The arrangement is said to go back to an original social contract, though no one really knows when it was made or by whom, or why we should be bound by the decisions of distant ancestors on this one matter when we aren't by their decisions otherwise.

An alternative explanation is primordial-debt theory, a school of thought developed largely in France by economists, anthropologists, historians, and classicists; its foundational text is Michel Aglietta and André Orléan's *La Violence de la Monnaie* (1992). Adherents insist that monetary policy cannot be separated from social policy, that the two have always been intertwined. Governments use taxes to create money, which they are able to do because they have become the guardians of the debt that all citizens have to one another. This debt is the essence of society itself.

At first, the argument goes, this sense of debt was expressed not through the state, but through religion. The hymns, prayers, and poetry collected in the Vedas and the Brahmanas, the foundations of Hindu thought, constitute the earliest-known reflections on the nature of debt, which they treat as synonymous with guilt and sin. According to the commentators of the Brahmanas, human existence is itself a form of debt: A man, being born, is a debt; he is born to death, and only by way of sacrifice does he redeem himself from death. Two famous passages in the Brahmanas insist that we are born as a debt not just to the gods (to be repaid in sacrifice) but also to the sages who created the Vedic learning (to be repaid through study), to our ancestors (to be repaid by having children), and, finally, to the whole of humanity (to be repaid with hospitality to strangers).

The first explicit theory of the debt owed by each living person to the society that makes his or her existence possible was formulated by Auguste Comte in his last work, *The Catechism of Positive Religion* (1852), in the form of a lecture on what came to be known as primordial, existential, or social debt, delivered by the priest of an imaginary Religion of Society. Asked for his view on human rights, the priest scoffs at the very notion. It is nonsense, he says, an error born of individualism. Positivism understands only duties. After all,

> We are born under a load of obligations of every kind, to our predecessors, to our successors, to our contemporaries. After our birth these obligations increase or accumulate before the point where we are capable of rendering anyone any service. On what human foundation, then, could one seat the idea of "rights"?

Comte doesn't use the word *debt*, but it is clear what he means: We have already accumulated endless debts before we get to the age at which we can even think of paying them. And by that time there's no way even to calculate to whom we owe them. The only way to redeem ourselves is to be dedicated to the service of humanity.

Comte's notion of an unlimited obligation to society crystallized in the notion of social debt, which was taken up among social reformers and, eventually, socialist politicians in many parts of

Europe and abroad. In France the notion of a social debt soon became something of a catchphrase, a slogan—and, eventually, a cliché: "We are all born as debtors to society." The state, according to this view, was merely the administrator of the existential debt that everyone owes to everyone.

Theories of existential debt always end up justifying—or laying claim to—structures of authority. What we really have in the idea of primordial debt is the ultimate nationalist myth. Once we owed our lives to the gods who created us, paid them interest in the form of animal sacrifice, and, ultimately, paid back the principal with our lives. Now we owe our lives to the nation that formed us, pay interest in the form of taxes, and, when it comes time to defend the nation against its enemies, pay back the principal with our lives. This is a great trap of the twentieth century: On the one side is the logic of the market, which insists that we don't owe one another anything. On the other is the logic of the state, which insists that we are born with a debt we can never truly pay. In fact, the dichotomy is false. States created markets, markets require states, and neither could continue without the other.

The true ethos of our individualistic society may be found in this equation: We all owe an infinite debt to humanity, nature, or the cosmos (however one prefers to frame it), but no one else can possibly tell us how to pay it. All systems of established authority—religion, morality, politics, economics, the criminal-justice system—are revealed to be fraudulent ways of calculating what cannot be calculated. Freedom, then, is the ability to decide for ourselves how to pay our debts.

England, twelfth century CE

One of the most important forms of currency during the reign of King Henry I was the notched "tally stick" used to record debts. Each party to a transaction would take a twig, notch it to indicate the amount owed, then split it in half. The creditor would keep one half, called the "stock" (hence the origin of the term "stock holder") and the debtor would keep the other, called the "stub" (hence "ticket stub"). Tax assessors used such twigs to calculate amounts owed by local sheriffs. Often, though, rather than wait for the taxes to come due, Henry's exchequer would sell the tallies at a discount, and they would circulate as tokens of debt owed to the government. The king also issued tallies in lieu of payment to soldiers, farmers, and others owed money by the state; these, too, were sold at a discount and circulated among stock holders.

There is one puzzling aspect of this equation: The IOU can operate as money only as long as Henry never pays his debt. This is precisely the logic on which the Bank of England—the first modern central bank—was founded. In 1694, with public finances weak and the state's monetary and credit systems precarious, a consortium of English bankers made a loan of £1.2 million to King William III. In return they received a royal monopoly on the issuance of banknotes. Practically, this meant the bankers had the right to advance IOUs representing a portion of the king's debt to any inhabitant of the kingdom willing to borrow from them, or willing to deposit his own money in the bank. The effect was to monetize the royal debt. This was a great deal for the bankers, who charged the king 8 percent annual interest on the original loan and, simultaneously, charged clients who borrowed money interest on that same debt. But the arrangement could only work for as long as the original loan remained outstanding. Which is why, to this day, the loan has never been paid back. It cannot be. If it ever were, the entire monetary system of the United Kingdom would cease to exist.

God’s Money

In today’s world, paying one’s debts can seem the very definition of morality, if only because so many fail to do it. When faced with a debt, large corporations and even some small businesses will almost automatically wait and see what happens if they do not pay, complying only if goaded or presented with a legal writ. The principle of honor having been almost completely removed from the marketplace, debt acquires the halo of religion. (One might speak of a double theology, one for creditors and another for debtors.) It is no coincidence that the current phase of American debt imperialism has also been accompanied by the rise of the evangelical right, which has bucked the past two millennia of Christian thinking on the subject and enthusiastically embraced supply-side economics, taking the position that creating money and giving it to the rich is the most biblically appropriate way to bring about national prosperity. Perhaps the most ambitious theologian of the new creed was George Gilder, whose book *Wealth and Poverty* became a best seller in 1981, at the dawn of the Reagan revolution. Those who felt that money could not simply be created were mired in an old-fashioned, godless materialism, Gilder argued; they didn’t realize that just as God could create something out of nothing, his greatest gift to humanity was the ability to do so in the same fashion. And to do so was not hubristic, but in keeping with God’s intentions: The creation of money was a gift, a blessing, a channeling of grace; a promise, yes, but not one that can be fulfilled, even if the bonds are continually rolled over, because through faith (“in God we trust”) their value becomes real. “The United States,” Gilder writes, “must overcome the materialist fallacy: the illusion that resources and capital are essentially things, which can run out, rather than products of human will and imagination which in freedom are inexhaustible.” Such effusions inspired evangelists like Pat Robertson to declare supply-side economics “the first truly divine theory of money-creation.”

This new breed of capitalist evangelicals failed to acknowledge that the vast majority of the money being “created” was in fact a product of deficit spending to fund the mushrooming US military, a practice that was avidly pursued by Reagan and that reached its pinnacle under George W. Bush. Furthermore, until China became our chief creditor, money was “borrowed” almost exclusively from West Germany, Japan, South Korea, and Saudi Arabia—all nations that were under US military protection. The “products of human will and imagination” were backed by material forces after all: not so much fields, factories, or even oil wells, but aircraft carriers and laser-guided missiles. All the more curious is Christian fundamentalists’ obsession with waging war on Iraq—which they often referred to, among themselves, as “Babylon”—the birthplace of the debt-forgiveness decree and the interest-free commercial economy.

Islamic world, Middle Ages

From the beginning, Islam had a positive view of commerce. (Muhammad himself had been begun his life as a merchant.) The prohibitions against usury did not mitigate the growth of commerce, or even the development of complex credit instruments. To the contrary, the early centuries of the caliphate saw an efflorescence of both. Credit instruments were so essential that traders tended to keep their wealth on deposit and make everyday transactions using checks (*sakk*) instead of coins. Checks were countersigned and transferred, and letters of credit (*suftaja*) traveled across the Indian Ocean and the Sahara. These promissory notes operated independently of the state (and the deals made with them were beyond the purview of government enforcement): They never became paper money, could not be used to pay taxes, and their value remained based almost entirely on trust and reputation. If a trader was wronged, he could appeal to the Islamic courts, but commissioning a poet to compose verses deriding the debtor would have a much greater effect.

Networks of trust were largely responsible for the spread of Islam over the caravan routes of central Asia and the Sahara and across the Indian Ocean, which became the main conduit of world trade. Islam gained a toehold in trade emporia from Aden to the Spice Islands, largely because Islamic courts were perfectly suited to provide those ports with legal infrastructure: the means of establishing contracts, recovering debts, and creating a banking sector capable of redeeming or transferring letters of credit. The resultant level of trust between merchants in the great Malay entrepôt Malacca was legendary. The city had Swahili, Arab, Egyptian, Ethiopian, and Armenian quarters, as well as quarters for merchants from regions of India, China, and Southeast Asia. Yet it was said that its merchants shunned enforceable contracts, preferring to seal transactions with, as the saying went, "a handshake and a glance at heaven."

Money Bags

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 into an unprecedented financial world, completely uncharted territory? That very assumption made it easy for Goldman Sachs, AIG, and their cohorts to convince people that any effort to understand, much less regulate, their dazzling new financial instruments was futile. But the moment one casts matters on a broad historical scale, it becomes clear that there's nothing fundamentally new about the reign of virtual money, which would be recognizable to ancient Mesopotamian bureaucrats and Islamic traders alike.

The new global currency—the free-floating dollar—is rooted in military power even more firmly than before. Debt peonage continues to be the main principle of recruiting labor globally—either in the literal sense, in much of East Asia and Latin America, or in the subjective sense, whereby most of those working for wages or even salaries feel that they are doing so primarily to pay off interest-bearing loans. New transportation and communications technologies have made things easier for creditors:

They can charge domestic laborers and factory workers thousands of dollars to be transported to distant countries where they are forced to work off their debt, lacking legal protections. The overarching institutions that have been created to regulate these activities—those whose cosmic scale echoes the divinely inspired authority of kings of the ancient Middle East and the church of the Middle Ages—do not protect debtors, but rather enforce the rights of creditors. They all operate on the principle that one has to pay one's debts (unless one is the United States Treasury), since the prospect of default by any country is assumed to imperil the entire world monetary system. Joseph Addison described that fear of collapse, which acts to buttress the system, in his 1711 essay "Public Credit," recounting a nightmare in which Britain's national wealth has disappeared. "There was as great a change in the hill of money-bags, and the heaps of money, the former shrinking, and falling into so many empty bags, that I now found not above a tenth part of them had been filled with money," he writes.

> The rest that took up the same space, and made the same figure as the bags that were really filled with money, had been blown up with air, and called into my memory the bags full of wind, which Homer tells us his Hero received as a present from Æolus. The great heaps of gold on either side of the throne now appeared to be only heaps of paper, or little piles of notched sticks, bound up together in bundles, like Bath faggots.

We need to understand what philosophers in the Middle Ages, from Italy to India to China, already understood perfectly well: Money is not a thing, and is certainly not a scarce resource. Money is a promise. And it is a promise we keep to those we value and break to those we do not. In Greece, Ireland, Portugal, and Spain, sovereign-debt default seems ever more likely. If it occurs, then what will happen? Certain promises will be kept, and others will be broken. As we learn from politicians every day, it is rarely possible to keep all promises exactly as one has made them. Today, in the United Kingdom, many politicians are saying, "I know I was elected on a solemn pledge not to raise tuition fees, but now that I'm in power I realize that was unrealistic. We will have to triple them." What they in fact mean is, "I have decided that promises made by this government to repay bankers, at an agreed-upon interest rate, for money they fabricated, are more important than promises made to my own constituents." And if promises made to legal abstractions are always to be given priority over promises made to what we still occasionally, whether fondly or cynically, call the people, we might well ask ourselves why our system of government is still deemed democracy.

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