Is debt a dangerous institution?
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In his latest book - now an international bestseller - anthropologist David Graeber analyses the role of debt in the evolution of human history. Focusing on the morality of debt, the book shows a comeback of anarchist positions, reflecting a growing frustration with the institutions of the state and the market.


Given the ongoing debt crises in the Western world, first around mortgages and then around public finances, it is maybe not surprising that a rather radical and difficult book on the history of debt has turned into an international bestseller. Its author, David Graeber, is one of the leading intellectuals and activists of the Global Justice Movement and the Occupy Movement. Defining himself as an “anarchist anthropologist”¹, he was denied tenure at Yale University under controversial circumstances, and is currently professor at the London School of Economics. The book’s success is part of a larger comeback of anarchist positions, which seems to reflect a growing frustration with the institutions of the state and the market. With an introduction “On The Experience of Moral Confusion” and a conclusion of “Perhaps the World Really Does Owe You a Living” (p. 387), Graeber knows how to reach audiences who feel that debts are spiraling out of control and threaten to squash their futures. His fans may also welcome that he puts the spotlight on the morality of debt while relegating economics to the backstage.

*Debt: The First 5000 Years* often lives up to its grand title, developing many thought-provoking ideas and explanations about the role of debt in the evolution of human history. Graeber assumes that he is “going to have to (…) create a new theory, pretty much from scratch. Part of the problem is the extraordinary place that economics currently holds in the social sciences” (p. 90). As a consequence, *Debt* contains almost no calculations, time series or tables,³ and it rarely engages with the debates and findings of economic historiography. David Graeber’s methodology is inductive and qualitative, often relying on etymology, ethnographic case studies and literary criticism (economists would say: circumstantial evidence, or, if they’re nasty: anecdotes) that are interpreted as representing larger trends and general mechanisms. These choices are responsible for the book’s chief contributions, but also for its main weaknesses. They facilitate the author’s efforts to reconstitute the morality of debt without today’s prejudices, which he sees as the product of economics’ hold on our lives. His central question is: “What does it mean when we reduce moral obligations to debts?” (p. 13). Graeber is convinced that “the crucial factor (…) is money’s capacity to turn morality into a matter of impersonal arithmetic – and by doing so, to justify things that would otherwise seem outrageous or obscene” (p. 14). The book’s refusal to

¹ Graeber 2002.
² Graeber 2004.
³ To be precise: on 391 pages of text, one finds a table on comparative economic development (p. 272) and five tables on the US economy post-WWII (pp. 366-375).
calculate costs and benefits (of economic development, for example), appears itself as a moral choice, based on the assumption that “the violence and the quantification (…) are intimately linked” (ibid.).

**What economists will miss**

Dealing with debt without economics naturally leads to major omissions. One concerns the other side of the coin, or, more appropriately, the loan. Graeber highlights the bondage, the exploitation and the suffering that can come with being in debt, while ignoring what most economists would concentrate on: how credit/debt can channel current surplus (from the creditor) into investment (by the debtor), producing gains in the future. Douglass North and his collaborators see the institutions, such as property rights and credit instruments, which encourage improvements in the allocation of resources, at the heart of “the rise of the Western world” (North & Thomas 1973, North & Weingast 1989). Hernando de Soto has developed similar arguments about how insecure property rights stifle economic development in poorer countries (de Soto 2000). Graeber doesn’t mention these works once. But one may induce what he thinks about their ideas from his very brief treatment of microcredit as a development tool: “Within another decade, the entire [microcredit] project (…) began to appear suspiciously similar to the U.S. subprime mortgage crisis (…) and the end result has been an epidemic of suicides by poor farmers caught in traps from which their families could never, possibly, escape” (381f). In the wake of the apparent success of the Grameen Bank in Bangladesh, microcredit may certainly have been overhyped, and honest assessments of its role have been neglected for too long. Nevertheless, it would seem to merit a much more thorough discussion than Graeber’s snide remarks (Banerjee & Duflo 2011).

The one economist Graeber does substantially engage with is Adam Smith, whom he blames for the *homo economicus* paradigm with all its associated myths of barter, self-interest, the invisible hand, etc. (chapter 2). Emphasizing wealth creation, Smith, however, sidestepped another fundamental assumption of modern economics, which is more associated with Thomas Malthus: scarcity. The very term is absent from *Debt*. On several occasions, though, when Graeber discusses the links between mounting debts and the selling of children and women into slavery and prostitution, he also mentions that this happened in a context of famines and the threat of starvation (pp. 168, 184, 221, 400 fn56, 416 fn41). Could it be that scarcity is the real villain here, rather than debt arrangements? To be sure, scarcity is also socially produced, as Amartya Sen has famously shown with regard to famines in India, and Malthusian arguments often approach the amorality of social Darwinism. Still, by not discussing the potential advancements in the allocation of scarce resources, which credit/debt may generate, the study’s persuasiveness will be limited in the eyes of those who don’t share Graeber’s ideological commitments.

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4 Graeber’s otherwise impressive bibliography is not just lacking North and de Soto, but many other important economic historians that provide alternative interpretations to the one he prefers himself: “Western Europe happened to be located in that part of the Old World where it was easiest to sail to the New; those who first did so had the incredible luck to discover lands full of enormous wealth, populated by defenseless stone-age peoples who conveniently began dying almost the moment they arrived; the resultant windfall, and the demographic advantage from having lands to siphon off excess population was more than enough to account for the European powers’ later successes” (Graeber 2004, p. 48). A real confrontation with North and other more “mainstream” economists could have been illuminating, but Graeber says himself at the end of *Debt* that “[m]y purpose here has been less to engage with [the mainstream literature] directly than to show how it has consistently encouraged us to ask the wrong questions” (p. 389).

5 Sen 1981, see also Peebles 2011.

6 A controversial example is Clark 2007.
Debt and money across the millennia

The book is hard to summarize, because Graeber loves to digress and develop his - often fascinating - explanations of just about everything, from middle class “please/thank you” etiquette (p. 122ff) to prostitution (p. 181ff), and how it all reflects the morality of debt. Frequently, especially during the first seven chapters, which develop the book’s analytical tools, Debt reads like Plato’s Republic: written from the viewpoint of a seemingly omniscient author, who presents argument after argument, discarding it once its weak spot has been uncovered. Unfortunately, it does not end with a precise utopia like that of the philosopher king. But some tentative glimpses of what Graeber’s ideal future might look like do become visible: “in a generation or so, capitalism itself will no longer exist” (p. 381), “we are long overdue for some kind of Biblical-style Jubilee” (of debt-relief, p. 390), “(...) to wipe the slate clean for everyone, mark a break with our accustomed morality, and start again” (p. 391).

In his survey of the past millennia, mostly concentrating on Eurasia, Graeber finds “a broad alternation between periods dominated by credit money and periods in which gold and silver come to dominate” (p. 213). The epochs of bullion are what he calls the Axial Age (800BC – 600AD, chapter 9), in reference to Karl Jaspers, and the Age of the Great Capitalist Empires (1450-1971, chapter 11), with the Middle Ages based on credit money in between (600-1450, chapter 10), and “something yet to be determined” happening since the price of the US$ stopped being fixed in gold in 1971 (chapter 12). According to Graeber, the bullion ages are characterized by close connections between empires and market economies: Imperial states develop money based on bullion to pay the standing armies they need for their expansion, and they use taxation as a way to encourage markets, in which the population is forced to participate in order to come up with the money required by the state. As the empire expands, so do markets, the empire’s currency – and webs of debt (pp. 50-52, 59f). The intricate links between warring states, taxation and the creation of markets are, of course, at the very heart of the macro-sociology of state-building, and “mainstream” historians stress them as well.

What distinguishes Graeber’s account is his emphasis on how these processes, and particularly money and debt, have affected moral conceptions and destroyed human relations. In this, without conceding it, Graeber seems to draw on Polanyi’s key distinction between “society embedded in the economy” and “economies embedded in society”, when he contrasts “commercial economies” with “human economies”, “those where money acts primarily as a social currency, to create, maintain, or sever relations between people rather than to purchase things” (p. 158, see also pp. 136, 145f, 155, 176f, 208).

Employing Philippe Rospabé’s ideas, Graeber argues that money in human economies, which usually takes the form of decorative objects like shells or beads, is used to acknowledge debts for which no price can be established, like the so-called “bride-price” (p. 131ff). As a bride is being transferred from one household to another, a debt between the households emerges, but its amount is not measureable, and the “bride-price” is a way to express this unpayable debt. While brides should thus not be seen as being sold, human economies have been treating slaves, usually captured in war, as something that could be bought and sold. Graeber concludes: “[T]o make something saleable, in a human economy, one needs to first rip it from its context. That’s what slaves are: people stolen from the

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7 Graeber calls the Republic “a book meant to annoy its readers” (p. 196); Debt sometimes seems to have the same ambition, at least vis-à-vis “mainstream” readers.
8 Tilly 1990.
10 Polanyi 1944.
community that made them what they are.” (p. 146). Going back to ancient Mesopotamia, he then shows what happens when money debts invade previously human economies: indebted heads of poor families started to put up their wives and children as securities for loans, and the “bride price” for daughters really became a price, and the bride a commodity (p. 179ff). Herein lies, for Graeber, not just the origin, but also the very essence of debt, which is worth quoting at length: “[C]ommercial economies ha[ve] (…) been extracting slaves from human economies for thousands of years. It is a practice as old as civilization. The question I want to ask is: To what degree is it actually constitutive of civilization itself? I am not speaking strictly of slavery here, but of that process that dislodges people from the webs of mutual commitment, shared history, and collective responsibility that make them what they are, so as to make them exchangeable – that is, to make it possible to make them subject to the logic of debt. Slavery is just the logical end-point, the most extreme form of such disentanglement. But for that reason it provides us with a window on the process as a whole.” (p. 163)

Does debt breed violence?

A fine example of Graeber’s perspective is his treatment of Cortés’ brutal plunders among the Aztecs, which he links to Cortés being in debt (p. 316ff). Yet we also read that Cortés was a gambler. Moreover, he certainly was ruthless. Was he a gambler, because he was in debt, or in debt, because he was a gambler? Or both, because he was a ruthless and greedy man? For Graeber, it all comes down to the same thing: “that relationship, between the (…) gambler willing to take any sort of risk, and (…) the careful financier, whose entire operations are organized around producing steady, mathematical, inexorable growth of income, lies at the very heart of what we now call “capitalism.” (…) For the debtor, the world is reduced to a collection of potential dangers, potential tools, and potential merchandise. Even human relations become a matter of cost-benefit calculation. Clearly this is the way the conquistadors viewed the worlds that they set out to conquer” (p. 318f). Equally clear, however, seems to be the fact that countless people have been in debt throughout history without resorting to killing or enslaving fellow human beings. Would Cortés have acted any differently if all the money for his exploits (and not just half, as he claimed in his memoirs) would have been his own? This is not the only example in the book that makes one wonder whether it is really debt that is responsible for all the terrible things Graeber attributes to it. Quite frequently, the simple co-occurrence of people in debt and human violence and suffering is being presented in a way that insinuates a cause and effect relationship, despite the standard warning, usually addressed to statistical analyses rather than qualitative research like Graeber’s, that correlation is not causation.

Graeber’s definition does not help us much to further clarify the relation between debt and violence: “[a] debt (…) is just an exchange that has not been brought to completion. It follows that debt is strictly a creature of reciprocity and has little to do with other sorts of morality” (p. 121, see also p. 191). The alternative principles of Graeber’s moral universe of economic relations, besides exchange, consist of: communism, in a very basic sense, which is about sharing within a community, “from each according to their ability, to each according to their need” (p. 94); and hierarchy, with its obligations among unequal groups (p. 109). Various mixtures of these principles apply to different contexts and characterize different societies. Graeber’s preference is clear: “[C]ommunism is the foundation of all human sociability. It is what makes society possible” (p. 96). It is threatened, he thinks, because the exchange logic of debt has a tendency to crowd out the other moral concerns. As many critics of capitalism from Marx to Schumpeter and beyond have pointed out before, it may very well be that solidarity and other collective norms weaken if notions of self-interest come to dominate the moral landscape. But even the narrow morality of reciprocity among presumed
equals (p. 103) would seem to provide a strong barrier against the kind of horrors Cortés and his men engaged in vis-à-vis the Aztecs. The key to understand Cortés lies precisely in those mechanisms that allowed him to pursue his greed without treating the indigenous population as equals.

In *The Conquest of America*, Tzvetan Todorov makes this point when he states that “[t]he more remote and alien the victims, the better: they are exterminated without remorse, more or less identified with animals.” Curiously, Graeber uses Todorov as one of his main sources on Cortés – but he refuses to engage with his arguments that it was religiously based racism and the weakness of Spain’s law in the colonies, rather than the financial exigencies of debt, that made the behavior of Cortés and others like him possible. “The desire for wealth and the impulse to master – certainly these two forms of aspiration to power motivate the Spaniards’ conduct; but this conduct is also conditioned by their notion of the Indians as inferior beings, halfway between men and beasts. Without this essential premise, the destruction could not have taken place.”

**Conditions of inequality and debt**

Here we may have one general qualification under which conditions the institution of debt can turn into a destructive force: when it operates in systems of hierarchy where those engaged in exchanges are fundamentally unequal. Under modern capitalism, the most relevant formal inequality is the one between natural and legal persons, individuals and corporations, where the latter usually enjoy many privileges, notably in terms of liability, bankruptcy provisions, taxation, access to law-makers and the legal system. The recent mortgage crises in the US, Ireland or Spain can serve as contemporary examples: debt-laden homeowners become subject to forced repossessions whereas financial firms that speculated with the mortgages are being bailed out by the state. The official argument – that some corporations are essential for the survival of the economic system (and the less official implication that common people are not) – proves the point that we are not dealing with exchanges among equals based on reciprocity.

Graeber seems to be aware of this when he writes on his last page: “As it turns out, we don’t “all” have to pay our debts. Only some of us do” (p. 391). In the very beginning of his book, he also relates how the British debtors’ prisons “[i]n the 1720s, (...) (...) were regularly divided into two sections” (p. 7), a “full comfort” one for the aristocrats, and a miserable one for the commoners. But instead of further investigating the institutionalization of inequality among economic actors, the author sticks to his conviction that it is the quantification of obligations, the cold logic of exchange among equals, which makes debt a source of evil. It almost seems as if Graeber takes liberalism’s core claims too much at face value, whereas, in the real world, they have been perverted ever since John Locke became entangled in the enclosures in England, American slavery and colonialism.

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**Bibliography:**

12 Todorov 1984, p. 144.
13 Ibid., p. 146.
14 Lindblom 1977.


