



# Review essay

## Histories of debt

### *Debt: The First 5000 Years*

David Graeber

MELVILLE HOUSE, 2011

### *The Closed Commercial State: Perpetual Peace and Commercial Society From Rousseau to Fichte*

Isaac Nakhimovsky

PRINCETON UNIVERSITY PRESS, 2011

### *Before the Deluge: Public Debt, Inequality, and the Intellectual Origins of the French Revolution*

Michael Sonenscher

PRINCETON UNIVERSITY PRESS, 2007

Reviewed by James Stafford

#### **The ubiquity of debt**

Debt is everywhere in our political discourse; the single social relation that links the multiple, intersecting crises of the world economy, and one which imposes the most crippling restrictions on the political agendas of social democrats (Sen, 2011). Three recent works, each (in their way) representative of some lively streams in contemporary academic and political practice, might help us to understand what's really at stake in our current condition, by building discussions of debt and money in to meditations on history and political theory.

Michael Sonenscher and Isaac Nakhimovsky are both involved in an ongoing effort to reappraise the eighteenth century discipline of political economy and its relationships with moral philosophy and constitutional theory, a field that has emerged in coincidence with a revival of political interest in Adam Smith and the retreat of classical Marxism from the academy (for example: Hont and Ignatieff, 1983; Rothschild, 1998; Hont, 2005; Robertson, 2005; Phillipson, 2010; Reinert, 2011). The intellectual history of debt is revealed to be indispensable to the understanding of the representative governments that we now take to be distinctively 'modern'.



The radical anthropologist and alterglobalisation activist David Graeber is certainly in agreement with the claim that the analytical innovations of the eighteenth century 'still ought to command our attention' (Hont, 2005). As critics have noted (Begg, 2012), *Debt* largely skips the nineteenth century in its ambitious account of the cultural origins of the modern era's recurrent debt crises. Comprehensive structural and historical explanation of the condition of the modern world economy is not Graeber's aim, however. Rather, *Debt* offers an expansive critique of one view of human nature and economic relations that Graeber sees crystallising in the European Enlightenment, and which still exerts a destructive hold on the modern political imagination through the field of classical political economy. 'To tell the history of debt ... is also necessarily to reconstruct how the language of the marketplace has come to pervade every aspect of human life – even to provide the terminology for the moral and religious voices raised against it' (Graeber, p. 89).

This reading, like all possible interpretations of Graeber's impossibly elusive and ambitious work, is somewhat tendentious. For one thing, it requires us to focus overwhelmingly on the first half of the book, which establishes the dimensions of his moral critique, rather than the second, that takes his re-examination of credit, currency and society and allows it to play out through oscillating periods of 'hard' specie money (when war demands that troops are paid in something anonymous) and invisible credit money, when cosmopolitan trade can be managed on secure foundations of institutional and interpersonal trust, and protections for debtors are strengthened (Graeber, pp. 45-50). But, more generally, it's genuinely difficult to work out how any of these deceptively readable, fascinating chapters fit together. This is not so much a linear argument as a network of mutually reinforcing propositions, which intersect unpredictably at various stages of Graeber's hazy, colloquial exposition. The style could be considered engaging or maddening, according to taste.

Caveats aside, Graeber does seem to make some claims that might enable us to start to pin him down. For while he engages in an extensive exploration of the evolution of debt, debt collection, and the debt-laden language of religious 'redemption' during the 'Axial Age' of ancient empires and world religions, his most proximate modern target is an idea that he detects in Adam Smith. The Scottish 'founder' of political economy ostensibly argued 'that there was something called "the economy"', which operated by its own rules, separate from moral or political life, that economists could take as their field of study' (Graeber, pp. 27-8). *The Wealth of Nations*, according to Graeber, was a 'utopian' project, which set out to ignore the violent, political foundations of modern commerce and ascribe normative value to a society of self-interested exchange.

This is a disappointingly dated picture of Smith, and one which even a quick perusal of the third book of the *Wealth of Nations* – which specifically differentiates between a 'natural progress of opulence' based on an imaginary model exchange society and the 'unnatural and retrograde order' of really existing European history – will swiftly dispatch (Smith, 1976; for something more than a perusal: Hont, 2005). But if Graeber's is a misreading, it is also a very common and influential one; not least for the very practitioners of modern neo-classical economics that *Debt* also aggressively critiques (Graeber, pp. 22-8). Intellectual history can fascinate with its insights when it reminds us that our received visions of important figures and ideas are probably inaccurate, but it can also bore with its naivety when it is too precious about the misappropriation of treasured past masters. The interest in reading two recent works on the intellectual history of eighteenth century political economy in parallel with Graeber's *Debt* lies not, therefore, in picking historical holes in his use of particular long-dead authors. Rather, we might aim to use Sonenscher and Nakhimovksy to evaluate the novelty, and possible implications, of Graeber's critique of the powerful modern vision of a world of commercial nation states bequeathed to us by the



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European Enlightenment. First, however, it's necessary to dig a little deeper into Graeber's rather familiar critique of commercial societies and their attendant moral codes.

### From Graeber to Rousseau

Graeber's book begins with an extended meditation 'on the experience of moral confusion.' Why is it that we regard the repayment of debts – the fulfillment of contracts – as such a fundamental moral principle, one that trumps our compassion for others? The slightest contemplation of the levels of suffering imposed on a society like Greece, Chile or Madagascar in the quest to return them to 'solvency' should be enough to persuade many (if not all) that the correct course of action is to write the bad loans off. Yet at the opening of his book, Graeber finds himself attempting to explain the misery caused by third world debt to 'a perfectly decent woman' (an activist lawyer, no less!) who declares 'surely one has to pay one's debts' as a self-evident moral principle. Similarly, there is no *a priori* reason why the US government could not have transferred money to its failing banks via debtors in negative equity, clearing their mortgages at the same time as protecting depositors (Graeber, pp. 1-17). Something is stopping us from taking collective decisions that are manifestly for the good of humankind. What is it?

For Graeber, the answer lies in the reduction of human morality to a matter of contractual fulfillment. 'Isn't paying one's debts what morality is supposed to be all about?' he asks.

Giving people what is due to them. Accepting one's responsibilities. Fulfilling one's obligations to others, just as one would expect them to fulfill their obligations to you. What could be a more obvious example of shirking one's responsibilities than renegeing on a promise, or refusing to pay a debt?

But do we merely 'owe' things to others and aim to 'make it up to them' exactly? We certainly don't treat those closest to us that way. In our social and family lives, we are the sum not of our obligations but of our relationships. It would be unconscionable to demand money of a relative who passes us salt at a meal, or for a parent to issue an invoice to a grown-up child for the costs of their rearing (Graeber, p. 92). This 'everyday communism' calls into question the historical models of the development of currency and credit that classical economics give us. According to Graeber, there is nothing intrinsic about the human propensity to 'truck, barter and exchange'. Human beings have not progressed from isolated indigence, via barter to currency and ultimately to credit. Instead, they have moved from networks of credit based on trust within the communitarian economy of the family and clan, through to an oscillating cycle between credit and specie money within large-scale exchange economies (Graeber, pp. 21-41). The motor of the process and its ensuing oscillations has been violence. This is the only means through which individuals can become so 'disentangled' from webs of mutual solidarity and commitment that it becomes possible to envisage them as subject to a fixed, impersonal obligation, that should be honoured whatever the costs to the debtor (Graeber, p. 163). The point of entry for this conception lay in the use of human beings themselves as security for debts, as part of complex systems of ritual justice and intermarriage in clan societies (Graeber, pp. 158-9).

These can be subverted from within, by ambitious chieftains seeking to expand their entourage at any cost by increasing the number of bodies bound to them, or from without, by the arrival of an advanced mercantile power. Both of these processes can result in the devolution of small 'human' economies into slaveholding societies, with



indebtedness as an imperative leading to the pawning away of one's family, and ultimately oneself, into slavery. There is a strange parallelism between the anonymity of the slave, ripped from the relational contexts that make her a recognisable human being, and the peerlessness of the sovereign ruler – or, indeed, the absolutely solvent individual, not indebted to anyone. According to Graeber, the modern conception of freedom as a form of 'self-ownership' can only arise from the context of ancient slavery: to be one's own master, rather than subject to another. But freedom as self-*dominium* doesn't exculpate us from networks of debt. Once human beings start thinking of themselves in this way, they can begin to imagine that Hobbes's state of nature is a realistic picture of society without the state. 'If we insist on defining all human interactions as matters of people giving one thing for another,' argues Graeber

then any ongoing human relations can only take the form of debts. Without them, no-one would owe anything to anybody. A world without debt would revert to primordial chaos, a war of all against all; no-one would feel the slightest responsibility for one another; the simple fact of being human would have no significance; we would all become isolated planets who couldn't even be counted on to maintain our proper orbits. (Graeber, p. 126)

A summary can't really do justice to the empirical richness of Graeber's account, or to the indeterminate relationship between his deployment of anthropological studies of Africa and of histories of Sumerian Mesopotamia or medieval Ireland and Wales, each of which provides a rich account of the pernicious social effects of the interaction of 'human economies' with principles of patriarchy and 'honour' (Graeber, pp. 127-65). But here, in outline, is a very familiar story: the alienation of humanity from its 'natural' sentiments of pity and compassion by a cumulative process driven by the evolution of property relations, which results from the subversion of the natural community of goods by the ambitious and vainglorious. At a very elemental level, the story is Biblical in origin; it speaks of a progress from a state of natural moral purity into a fallen world of ambition and debasement. Its most powerful modern exposition, however, lies in the narrative presented in the conjectural history of civilisation given by Jean-Jacques Rousseau in his second discourse, *On the Origin of Inequality* (Rousseau, 1984 [1755]). Rousseau, like Graeber, takes issue with Hobbes by asserting that a certain progress of civilisation is necessary before violence, pride and property can make a 'war of all against all' conceivable. Unlike Graeber, however, Rousseau also made an attempt to articulate some institutional strategies for restoring a degree of stability and legitimacy to the corrupted world he saw around him, largely found in his *Social Contract* and *Government of Poland* (Rousseau, 1997 [1762, 1772]). Both Sonenscher and Nakhimovsky suggest that Rousseau was not alone among his contemporaries in his ambiguous assessment of the moral condition of modern societies, or in his sophisticated attempts at reform.

### The first European debt crisis

The eighteenth century was as preoccupied with the relationship between credit and the state as the twenty-first. According to Michael Sonenscher, public debt appeared to be 'Janus-faced'. It could help to integrate and stabilise a state by linking the economy and politics together, ensuring that the competitive, acquisitive individualism needed to foster dynamic economic innovation and an expanding division of labour could be reconciled with something approaching patriotism. But by binding governments up in a web of



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financial obligations, it could also restrict their freedom of movement: the very moral principles – the honouring of contract – that held society together could only be violated by a sovereign authority at great peril to the freedom of its subjects.

This ambiguity was most pithily captured in David Hume's notorious prediction: 'either the nation must destroy public credit, or public credit will destroy the nation' (Hume, 1987 [1752]). Hume's meaning was specific. Successive iterations of his essay 'Of Public Credit' revealed a darkening take on the prospects for Britain and other European states in an era of escalating modern warfare (Hont, 2005). The exponential increase of public debt this entailed would ultimately require one of two possible resolutions: either the state must default and plough the money saved from interest payments into defence (the 'natural' death), or it should honour its obligations to its creditors until a less indebted enemy overwhelms it (the 'violent' death). His formulation, Sonenscher argues, suggested an ambiguity of lasting significance (Sonenscher, pp. 4-5).

Is the 'natural death' a possible option? Sonenscher explains that the eighteenth century developed an apocalyptic picture of what would happen to Europe if a great power – effectively, either Britain or France – chose to default in this way. An abrogation of public debt would be a tyrannical act of expropriation by the state. The shock to confidence that it would send through the financial system would rapidly produce violent social conflict over an unequal division of property, collapsing (like the Social Wars of ancient Rome) into a Caesarist military despotism armed with all the resources of a modern commercial economy. A default by Britain or France would be followed by a bloody social revolution and general European war. The striking thing about this account is just how accurate it was as a prediction of the eighteenth century's future. Sonenscher suggests that the constitutionalist moment of the French Revolution – the period between the debt default of 1787 and the Terror of 1793-4 – can be regarded as an interregnum; a desperate effort by politicians seized of the dangers of a collapse in public credit to re-order French society before the long-awaited *deluge* arrived.

The Terror, Revolutionary Wars, and Napoleon were, therefore, widely anticipated. French intellectuals had been preoccupied by public debt since long before the final crisis of the 1780s, as they engaged in a much broader speculative discussion about commercial modernity and reform of France's fiercely hierarchical aristocratic monarchy. This necessarily embraced fundamental questions in modern natural law and moral philosophy: to what extent are human beings naturally sociable, and what is therefore necessary to hold a large territorial state together? How could a society based on commercial competition amongst its members maintain the communal identity and loyalty necessary to ensure its survival over time – what contemporaries called 'virtue'? (Sonenscher, pp. 1-22).

At least in relation to public debt, this discussion began with the astonishing career of the Scottish financier John Law. Law, having failed to sell his paper-money strategy for economic growth to Scottish elites during the debate on the union with England in 1705-6, was put in charge of France's finances in 1719-20 (Murphy, 1997). Law aimed to eliminate entirely specie-money from the French economy, steadily inflating away inequality by decreasing the relative value of landed property, and expanding, integrating and deepening domestic markets by providing a steady flow of state-backed currency. Sonenscher provides a powerful reading of the scheme as a sort of 'levelling up': using the instruments of modern finance to reinstate social equality in a France that contemporaries, like the hugely influential bishop and allegorical writer François Fénelon, regarded as hopelessly corrupted by luxury, urbanisation, war and rural depopulation. The benefits of public debts as an instantiation of the social contract among competitive individuals would be complemented by the diffusion of the benefits of modern economic growth. Inflation offered an



alternative to radical austerity and expropriation of the rich, preserving existing property rights while reducing the inequality that threatened social cohesion (the Physiocrats' elaborate system of land taxation was, according to Sonenscher, predicated on similar lines) (Sonenscher, pp. 108-20, 206-7). *Before the Deluge* places Law's scheme at the start of a century-long conversation, conducted largely in France but with important British, German and American dimensions, about the nature of public credit and its interaction with emerging systems of constitutional government and commercial society. His immediate defenders – including Voltaire – recognised the potential of Law's scheme to institute 'national luxury' among France's population, by which they seem to have meant equality at a higher level of material prosperity than the proponents of neo-Roman patriotism were prepared to countenance (Sonenscher, pp. 159-65). In this context, both Rousseau's radical critique of commercial society, and the ambiguous relationship between this critique and his own models for legitimate modern governments, are presented as surprisingly nuanced challenges to a rich tradition of economic and political theorising in eighteenth century France (Sonenscher, p. 253).

The central figure in Sonenscher's history, however, is the revolutionary politician and political theorist Emmanuel Joseph-Sieyès. In his contributions to the extensive debate on the authority of the post-Revolutionary National Assembly, his constitutional proposals for Napoleon's years as First Consul, and extensive unpublished manuscripts, Sonenscher detects a highly ambitious attempt to formulate a constitution resilient enough to maintain its integrity, even in the event of a public debt crisis. A complex, pyramidal system of election would ensure that the unity of the state would be personified by a single sovereign representative, even as the plurality of its internal interests and economic structures was represented through the government and political parties (Sonenscher, pp. 67-94; see also Sieyès, 2003 [1789]). The constitution would contain a vital backstop; a sovereign who came into action only in moments of extreme national crisis, to stabilise the situation with unquestionable legitimacy, preventing the 'natural death' of public credit spinning off into the dissolution of society. While the 'industrialism' of Sieyès's contemporary Jean-Baptiste Say placed hopes for economic growth in an expanding division of labour rather than a domestic expansion of paper money, public credit for use in war still lurked as a dangerous potential test for the systems of constitutional government both espoused (Sonenscher, pp. 346-8).

A crucial additional context to these debates was the problem of international relations. One attraction of Law's system to contemporaries was that it would take France out of a competitive system of international commerce that sought to maintain positive trade balances as a means of attracting gold and silver to a state, to spend on military forces. Sonenscher's Cambridge colleague Isaac Nakhimovksy's work explores the lasting legacy of these French debates in Prussia at the turn of the nineteenth century, through his examination of the political economy of the philosopher Johann Gottlieb Fichte. Fichte advocated a complete withdrawal from international trade by the great powers, and the full exploitation of the power of fiat money and a command economy to unlock the productive potential of an advanced division of labour in a large state, without entangling it in dangerous commercial competition with others. Against Immanuel Kant's cosmopolitan vision of an (eventual) perpetual peace sustained by commerce between republics governed in accordance with principles of justice, Fichte advocated a reduction of markets to national states, removing the potential of commerce to encourage international competition and war (Nakhimovsky, pp. 108-27).

Once commerce was safely contained within the boundaries of a national state, meaningful freedom could be given to workers in an industrial society. Rousseau had struggled with the dependency on others created by the switch from a state of nature to a civil



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society of law, property, and the division of labour: once we are dependent on others for our security and sustenance, what is there to guarantee our freedom? Fichte's political economy was orientated around a right to work as an essential component of the social contract in a commercial society. Because full employment was the only real guarantee of individual liberty, a closed command economy was essential to ensure that civil society was bearable for its inhabitants. For those without landed property, property in labour was all that mattered. The guarantee of full employment was the only legitimate way to unlock the promise of commercial modernity (Nakhimovsky, pp. 130-66).

### A paucity of solutions

Eighteenth century political economy emerges, therefore, as a much more theoretically sophisticated idiom than it is normally suspected to be. The question for Graeber's book – and the wider currents of political opinion it represents – is whether the anthropological-historical critique he presents of the Enlightenment really demolishes anything much beyond the most obvious fallacies of neo-classical economics. If we live in a fallen world (and it's useful, sometimes, to suspect that we might), then it's an invaluable critical resource to have a fully updated account of our fall, and an awareness of its contingency. But if it is indeed a fall, the fall *has happened*. If states and the economies they incubate are the product of ambition and conquest, not contract, then we are still stuck with them. This is the really fundamental insight Rousseau and his eighteenth century followers had: it is very difficult to retreat to some pre-state form of social organisation – to exculpate the possibility of violence from our social relations and retreat to families and communes – without endangering the foundations of modern prosperity. To put this question back to Graeber: can we dissociate debt from violence, or at least the underlying possibility of violence, while still sustaining a division of labour sufficiently sophisticated to sustain living standards in large territorial states with advanced industrial economies? Do we have to choose between violence with commerce, or small self-organised communities with a much less advanced division of labour and consequently the capacity for self-organisation without law?

The eighteenth century thought not: that's why Sieyès, Fichte and others developed elaborate legal frameworks and economic possibilities for restoring equality and independence to individuals living in market societies ruled by sovereign authorities with a monopoly of violence. The goal of this exercise was to give human beings the physical and material security to live truly moral lives and make moral choices, which was only possible once subsistence was guaranteed (Nakhimovsky, pp. 155-6). These institutions were ultimately legal in character, resting strongly on the slave-derived notion of human freedom as 'self-ownership' that Graeber wishes to question. A philosophical defence of this idea lies beyond the scope of the books under review. But it's certainly fair to use them to ask whether this conception of legal personhood – anonymised and 'disentangled' though it may be – is not the *only* feasible way to guarantee some basic rights to individuals living in large commercial states. By definition, not all the citizens of France, or the US, or Britain, or Brazil, can know each other in a manner that enables them to form a relational economy of 'everyday communism'. We have therefore internalised normative liberal conceptions of personhood and of rights, and we tend to want to use the state and its coercive and legal frameworks to enforce them. Can we trust to spontaneously generated social norms and a relational social order to do that *in every case*? Can we trust people (not just people in general, but *every single person*) not to abuse power, if there isn't a higher power to stop them? After all, Graeber's 'everyday communism' descends into inhuman debt economies because of the actions of human beings. We need some institutional mechanisms to keep



control of that process so that it operates along lines we find morally acceptable, and which (moreover) are likely to guarantee our safety and survival. *Debt* does not provide them, placing it in disappointing contrast with some equally radical critiques of the political economy of modern societies that do at least think about the *principles* that would underpin meaningful reform (e.g. Boltanski and Chiapello, 2006).

Similarly, while the solutions of a Sieyès or a Fichte might now appear outlandish and improbable, they at least thought seriously about what a solution *might involve*. Graeber's closing call for a general debt jubilee does not seem to be a serious proposal, but a 'way of reminding ourselves' that debt is a human arrangement and can be altered at will. 'If democracy is to mean anything,' Graeber concludes, 'it is the ability to all agree to arrange things in a different way' (Graeber, p. 390). This is hard to deny. Working out how to agree, and what needs arranging, is rather more complex. The 99 per cent do not think as one (Runciman, 2012). Into the conceptual void rush some dangerous implications: that 'human' economies are always better than commercial ones, that because the modern state has a violent historical foundation it can't ever do any good, and that a genuine social contract of reciprocal agreements to guarantee political, social and economic rights is not only unachievable, but undesirable. We should recoil from these. The eighteenth century's account of politics was more sophisticated than we thought. In some important respects, the case against it remains unproven.

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