SoS

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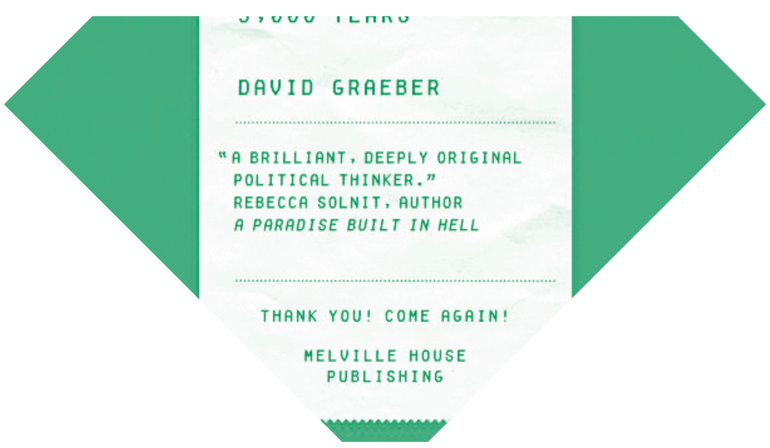
What is detb? —part 2—

PP: Let's move onto economic theory then. Economics has some pretty specific theories about what money is. There's the mainstream approach that we discussed briefly above; this is the commodity theory of money in which specific commodities come to serve as a medium of exchange to replace crude barter economies. But there's also alternative theories that are becoming increasingly popular at the moment. One is the Circuitist theory of money in which all money is seen as a debt incurred by some economic agent. The other – which actually integrates the Circuitist approach – is the Chartalist theory of money in which all money is seen as a medium of exchange issued by the Sovereign and backed by the enforcement of tax claims. Maybe you could say something about these theories?

DG: One of my inspirations for 'Debt: The First 5,000 Years' was Keith Hart's essay 'Two Sides of the Coin'. In that essay Hart points out that not only do different schools of economics have different theories on the nature of money, but there is also reason to believe that both are right. Money has, for most of its history, been a strange hybrid entity that takes on aspects of both commodity (object) and credit (social relation.) What I think I've managed to add to that is the historical realization that while money has always been both, it swings back and forth – there are periods where credit is primary, and everyone adopts more or less Chartalist theories of money and others where cash tends to predominate and commodity theories of money instead come to the fore. We tend to forget that in, say, the Middle Ages, from France to China, Chartalism was just common sense: money was just a social convention; in practice, it was whatever the king was willing to accept in taxes.

PP: You say that history swings between periods of commodity money and periods of virtual money. Do you not think that we've reached a point in history where due to technological and cultural evolution we may have seen the end of commodity money forever?



Debt: The First 5,000 Years, book written by David Graeber

DG: Well, the cycles are getting a bit tighter as time goes by. But I think we'll still have to wait at least 400 years to really find out. It is possible that this era is coming to an end but what I'm more concerned with now is the period of transition.
The last time we saw a broad shift from commodity money to credit money it wasn't a very pretty sight. To name a few we had the fall of the Roman Empire, the Kali Age in India and the breakdown of the Han dynasty… There was a lot of death, catastrophe and mayhem. The final outcome was in many ways profoundly libratory for the bulk of those who lived through it – chattel slavery, for example, was largely eliminated from the great civilizations. This was a remarkable historical achievement. The decline of cities actually meant most people worked far less. But still, one does rather hope the dislocation won't be quite so epic in its scale this time around. Especially since the actual means of destruction are so much greater this time around.

PP: Which do you see as playing a more important role in human history: money or debt?

DG: Well, it depends on your definitions. If you define money in the broadest sense, as any unit of account whereby you can say 10 of these are worth 7 of those, then you can't have debt without money.
Debt is just a promise that can be quantified by means of money (and therefore, becomes impersonal, and therefore, transferable.) But if you are asking which has been the more important form of money, credit or coin, then probably I would have to say credit.

PP: Let's move on to some of the real world problems facing the world today. We know that in many Western countries over the past few years households have been running up enormous debts, from credit card debts to mortgages (the latter of which were one of the root causes of the recent financial crisis). Some economists are saying that economic growth since the Clinton era was essentially run on an unsustainable inflating of household debt. From an historical perspective what do you make of this phenomenon?

DG: From an historical perspective, it's pretty ominous. One could go further than the Clinton era, actually – a case could be made that we are seeing now is the same crisis we were facing in the 70s; it's just that we managed to fend it off for 30 or 35 years through all these elaborate credit arrangements (and of course, the super-exploitation of the global South, through the 'Third World Debt Crisis'.)

As I said Eurasian history, taken in its broadest contours, shifts back and forth between periods dominated by virtual credit money and those dominated by actual coin and bullion. The credit systems of the ancient Near East give way to the great slave-holding empires of the Classical world in Europe, India, and China, which used coinage to pay their troops. In the Middle Ages the empires go and so does the coinage – the gold and silver is mostly locked up in temples and monasteries – and the world reverts to credit. Then after 1492 or so you have the return world empires again; and gold and silver currency together with slavery, for that matter.

What's been happening since Nixon went off the gold standard in 1971 has just been another turn of the wheel – though of course it never happens the same way twice. However, in one sense, I think we've been going about things backwards. In the past, periods dominated by virtual credit money have also been periods where there have been social protections for debtors. Once you recognize that money is just a social construct, a credit, an IOU, then first of all what is to stop people from generating it endlessly? And how do you prevent the poor from falling into debt traps and becoming effectively enslaved to the rich? That's why you had Mesopotamian clean slates, Biblical Jubilees, Medieval laws against usury in both Christianity and Islam and so on and so forth.

Since antiquity the worst-case scenario that everyone felt would lead to total social breakdown was a major debt crisis; ordinary people would become so indebted to the top one or two percent of the population that they would start selling family members into slavery, or eventually, even themselves.

Well, what happened this time around? Instead of creating some sort of overarching institution to protect debtors, they create these grandiose, world-scale institutions like the IMF or S&P to protect creditors. They essentially declare (in defiance of all traditional economic logic) that no debtor should ever be allowed to default. Needless to say the result is catastrophic. We are experiencing something that to me, at least, looks exactly like what the ancients were most afraid of: a population of debtors skating at the edge of disaster.

And, I might add, if Aristotle were around today, I very much doubt he would think that the distinction between renting yourself or members of your family out to work and selling yourself or members of your family to work was more than a legal nicety. He'd probably conclude that most Americans were, for all intents and purposes, slaves.

PP: You mention that the IMF and S&P are institutions that are mainly geared toward extracting debts for creditors. This seems to have become the case in the European monetary union too. What do you make of the situation in Europe at the moment?

DG: Well, I think this is a prime example of why existing arrangements are clearly untenable. Obviously the 'whole debt' can't be paid. But even when some French banks offered voluntary write-downs for Greece, the others insisted they would treat it as if it were a default anyway. The UK takes the even weirder position that this is true even of debts the government owes to banks that have been nationalized – that is, technically, that they owe to themselves! If that means that disabled pensioners are no longer able to use public transit or youth centers have to be closed down, well that's simply the 'reality of the situation,' as they put it.

These 'realities' are being increasingly revealed to simply be ones of power. Clearly any pretence that markets maintain themselves, that debts always have to be honored, went by the boards in 2008. That's one of the reasons I think you see the beginnings of a reaction in a remarkably similar form to what we saw during the heyday of the 'Third World debt crisis' – what got called, rather weirdly, the 'anti-globalization movement'. This movement called for genuine democracy and actually tried to practice forms of direct, horizontal democracy. In the face of this there was the insidious alliance between financial elites and global bureaucrats (whether the IMF, World Bank, WTO, now EU, or what-have-you).

When thousands of people begin assembling in squares in Greece and Spain calling for real democracy what they are effectively saying is: "Look, in 2008 you let the cat out of the bag. If money really is just a social construct now, a promise, a set of IOUs and even trillions of debts can be made to vanish if sufficiently powerful players demand it then, if democracy is to mean anything, it means that everyone gets to weigh in on the process of how these promises are made and renegotiated." I find this extraordinarily hopeful.

PP: Broadly speaking how do you see the present debt/financial crisis unravelling? Without asking you to peer into the proverbial crystal-ball – because that's a silly thing to ask of anyone – how do you see the future unfolding; in the sense of how do you take your bearings right now?

DG: For the long-term future, I'm pretty optimistic. We might have been doing things backwards for the last 40 years, but in terms of 500-year cycles, well, 40 years is nothing. Eventually there will have to be recognition that in a phase of virtual money, safeguards have to be put in place – and not just ones to protect creditors. How many disasters it will take to get there? I can't say.

But in the meantime there is another question to be asked: once we do these reforms, will the results be something that could even be called 'capitalism'?

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MORE INFORMATION & REACTIONS

David Graeber interviewed in "naked capitalism"

www.schoolofsuccess.net

#SoSdebt

HINDER FOREIGN STUDENTS FINANTIATION

nuffic

nuffic

Association

Netherlands Organisation
for International Cooperation
in Higher Education.

ROOD

ROOD

Organisation

According to a survey by ROOD, youth organization of the Dutch Socialist Party, international students who rent a room through housing agency DUWO in The Hague and Delft are being exploited. More than 250 responses indicate that the rent which DUWO requires them to pay is sky high, especially in comparison to the rent paid by Dutch students.

DUO

Education Service Department

Organisation

Organisation by the Dutch ministry of Education, Culture and Science for foreigners who plan to take up a study or start a career in the Netherlands.

IB-Groep

Responsible for student loans

bit.ly/HrMnk3

ScienceGuide

Applications from UK students for places on courses starting in September have more than doubled compared with the same time last year, thanks to Maastricht's high profile in the British media.

As university tuition fees in the UK rise to £9,000 this year, British students are increasingly looking abroad to do their degree.

Are British students moving to The Netherlands merely to limit the size of their debt?

bit.ly/KMpTZz

deVerdieping Trouw

Universities plan to abolish student grants suggesting a student loan system for all students instead of just for masters' students.

NCIATION

BURDEN SHIFT FROM GOVERNMENT TO STUDENTS

ABOLITION OF STUDENT GRANTS