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The Power of Money: Debt and Enclosure

What originally appeared as a means to promote production [i.e., money] becomes a relation alien to the producers. As the producers become more dependent on exchange, exchange appears to become more independent of them, and the gap between the product as product and the product as exchange value appears to widen. Money does not create these antitheses and contradictions; it is, rather, the development of these contradictions and antitheses which creates the seemingly transcendent power of money.

-Karl Marx, *Notebook 1* (1857)

Q. Why do the IMF and WB, which are, after all, just glorified banks that lend money, charge interest, and engage in foreign exchange manipulations, have such "transcendental" powers, as you claim?

A. Here is my argument: The WB and the IMF are the coordinators of flows of money, the payments of debt and the determination of interest rates among the states of the world. And money, debt and interest are essential for the survival or extinction of governments today. *Therefore* the WB and IMF have enormous power.

The previous section showed how the WB and IMF became the money mechanics of the world, but what of the second premise of the argument? Why is money so important? In one sense it is obvious--just try to do without it--but *why* it is obvious is *not* obvious. For most of human history, money either it did not exist (before roughly the 7th century BC) or it was of marginal importance for most people on the planet (until roughly the 19th century AD). Why is it so important now?

Many economists now tell a sweet tale, brimming with reason, about money in order to explain why money is indispensable to rational social life. Come, listen:

Money becomes vital only in societies where buying and selling (commodity exchange) affects every aspect of life. Simple commodity exchange (or barter) has a notorious flaw: some one might want to exchange A for B, but no one in the vicinity who owns B might want to exchange it for A. This lack of coincidence of desire (which has within it the presupposition that people who produce A are not in communication with or are hostile to the desires of those who produce B) is often taken to be the motive force for the development of money. Barter also has very high "transaction costs" (since it takes much time, energy and risk for sellers to find suitable buyers); the institution of money (which cuts down on time, energy and risk) in a network of commodity exchangers "saves" *everyone* an enormous "cost." Since everyone is better off, then it is reasonable to accept money once it is introduced. This the way the origin of money is discussed in "economics." [The "transaction cost" approach to telling the tale of money is one of the most sophisticated; for a now classic exposition of this approach see (Clower 1967)]

But this economist's fairy tale poses more questions than answers. For example, is the cost of money clearly less than barter?, why has "everyone" become buyers and sellers?, and finally, why have the hypothetical people in the tale become so distant or hostile to each other?

Let us take them in order.

Q. Is the social cost of the money system less than that of a barter system?

A. Money too has its "transaction costs," as that most voluminous yet most penurious writer on the topic of money, Karl Marx, wrote: "*Money can overcome the difficulties inherent in barter only by generalizing them, making them universal.*" (Marx 1973) As people who live in a monetary society, we can well attest to the fact that the lack of coincidence of desires often occurs with a vengeance where money predominates. For those with money are often not interested in spending it on any particular commodity

(they hoard it or try to get more money with it) and those without money often have nothing to sell to get it. These mutually antagonistic "failures of coincidence" have enormous costs: from depressions, famines, and slavery to police, prisons, and execution chambers to banks, stock markets, and all sorts of expensive "financial services." (de Brunhoff 1973) How much *they* cost and *who* suffers the cost is not often quantified by the tellers of the tale of the rationality of money, but certainly this cost is enormous, and the billions who suffer the cost are rarely those who tell the tale.

The money system's priests always present it as an abstract but purely rational reality, as not only the ideal language of commodities but as the truly universal mode of human coordination transcending the vast and endless multiplying varieties of human intercourse on the planet. They say: "only the irrational can refuse it." But it is perfectly rational to survey the *total cost* of the money system and conclude that it is much greater than the alternatives.

Q. Why is it then that "everyone" is involved with the money system, if it is not based on an utterly transcendental reasonability, i.e., if its costs can be greater than its benefits?

A. Most people can find in their genealogy or in their own lives some point when their ancestors or they themselves were forced from lands and social relations that provided subsistence without having to sell either one's products or oneself, i.e., they suffered *Enclosure*. Without these moments of force, money would have remained a marginal aspect of human history. These moments were mostly of brutal violence, sometimes quick (with bombs, cannon, musket or whip), sometimes slower (with famine, deepening penury, plague), which led to the terrorized flight from the land, from the burnt-out village, from the street full of starving or plague-ridden bodies, to slave ships, to reservations, to factories, to plantations. This flight ended with "producers becoming more dependent on exchange" since they had no other way to survive but by either selling their products or selling themselves or being sold. Thus did "exchange become more independent of them," its transcendental power arising from the unreversed violence that drove "everyone" into the monetary system.

It often is money itself that serves as the pretext for this expropriating violence, for unpaid debt has frequently been the basis for being taken into slavery, or losing one's land, or giving up "a pound of flesh." For those on the margins of a monetary society, debt can be a way to try to buffer for a while the demands of surviving in a monetary system or to try to enter into the system with some strength. But since these debtors are on the margin, when conditions change and expectations prove faulty, repayment becomes impossible. The power of money then becomes positively Jehovah-like, all escape is blocked, and the debtor is ruined, i.e., everything he/she had to subsist is taken away by banks, the police or the debt collector's goons, and what was to have been a way to "promote production" becomes "alien to the producers."

This scenario happened often in the past to individuals and groups, but recently there have been *New Enclosures* where unpayable national debt is used by the IMF and WB and complicitous national governments to change laws that restricted the expropriation of land that provided some guarantees of subsistence to workers. The classic example of this New Enclosure was the Salinas government's repeal of Article 27 of the Mexican Constitution in 1992 in accordance to the SAP that had been put into place in the mid-1980s under the guidance of the WB and IMF. Before Article 27's repeal, Mexican farm workers had the right to claim some of the land they were working on and no one could buy the land they owned, now they have no such legal claims and they can be forced to sell their land because of bad loans.

The essence of these Structural Adjustment Programs (SAPs) in Mexico and in the more than 80 other countries, then, is to make it impossible for anyone to retreat from the monetary system and make them totally subject to the "transcendental power of money."

Q. Once one is forced into a monetary system why does it often appear impossible to create other alternatives?

A. Clearly there is a whole array of powerful (and armed) organizations that immediately threaten such attempts (from police, to death squads, to armies), but there appears to be another more reasonable and even more inexorable force blocking the escape from money, the famous "flaw" of non-monetary social exchange: the lack of coincidence of desires. The continued existence of money depends on this lack of coincidence of desires while the money system and its agents develop and deepen this lack in their relentless effort to convince everybody that collective discussion and understanding of desires can never lead to coincidence. The cultivation of hostility, suspicion, competition and fear of scarcity (*especially* the scarcity of money) creates the preconditions for everyone to depend on money for exchange (with all *its* flaws). These preconditions are also consequences of the monetary system's production and reproduction so that the only terror worse than money is its lack.

The WB's and IMF's power, therefore, lies not only in their ability to directly threaten governments, political parties, labor unions, indigenous organizations that attempt to escape the circuit of money with a commodity blockade and to subtly suggest a subsequent violent invasion by contras, the UN "humanitarian" army, or former colonial forces. The Bank's and Fund's power depends upon the "transcendental power of money" itself which it is their sworn duty to develop throughout the planet *ad infinitum*. Hence their innate, instinctual hostility to the use of land (or any other potentially "free space," e.g., the field of linguistic exchange, electromagnetic frequencies, the high seas, the atmosphere, the past) for the development of anti-monetary forms of social coordination, so that human beings can again gain confidence in creating fatal (for the money system) coincidences of desire.

Consider the WB's new policy towards the "cultural property" of indigenous people in, for example, the Amazon Basin or the rainforest of southern Mexico. Places of religious, traditional and artistic importance have been loci where people, especially indigenous people, have coordinated together the widest spectrum of their needs and desires (including plotting war against invaders), often without having to pay an admission fee. But now the WB is now committing itself to investigate what goes on in these places and to transforming the "good" ones into investment opportunities.

In keeping with this new "respect for indigenous cultures," the WB issued its 1992 Operational Directive on Cultural Property. The following is a WB description of this directive:

"Cultural property" refers to sites, structures, or remains with archaeological, historical, religious, cultural or aesthetic value. It is Bank policy to protect and, where feasible, to enhance a country's cultural property through its policy dialogue, lending operations, and economic and sector work. The operational directive will be grounded in the recognition that maintaining a society's cultural values is important for the sustainability of its development, particularly where those values are reflected in cultural property of national or regional significance. (World Bank 1992b: 108)

Thus, the WB is now arrogating into its hands the very places that are often used by people to gather together to plan struggles against SAPs. Under the cover of a newly discovered concern for the indigenous peoples, it is trying to turn these sites of free coordination into places of monetary "value" and "significance" (the dimensions of which its experts will decide, in consultation with the indigenous communities, of course). In this touching display of multicultural awareness, the WB shows itself on par with the Nazis who were also concerned not to lose the invaluable "indigenous knowledge" of the Central European Jews, so that they gathered the best Jewish scholars together and had them construct a "Museum of the Extinct Species" in Prague. After cataloguing, interpreting, and placing the beautiful artifacts of the Prague ghetto in the Museum's archive according to their Nazi masters' specifications, the scholars were taken out and shot.

Bibilography

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