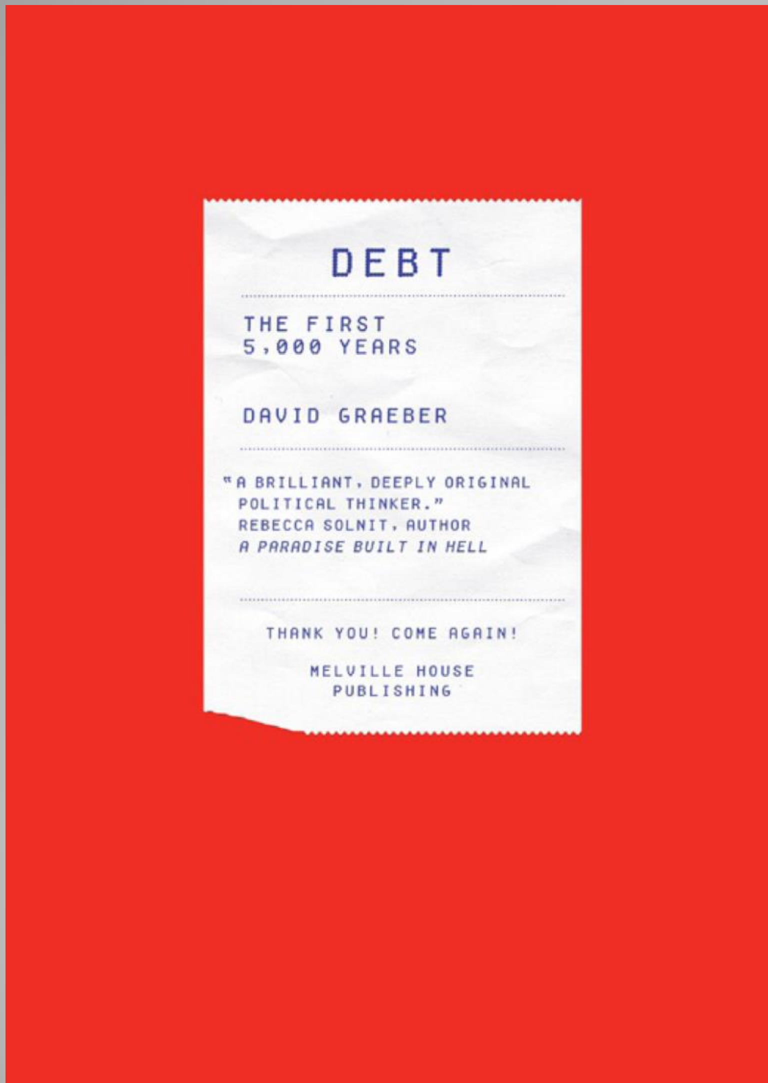
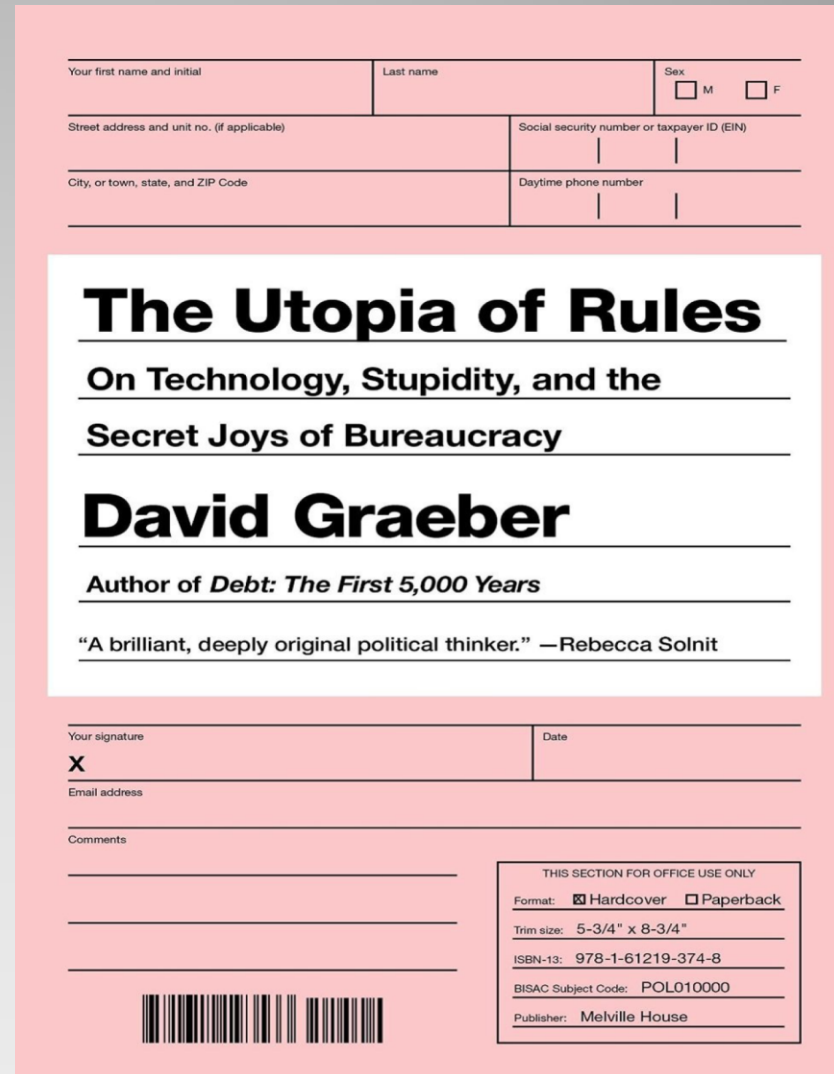
# David Graeber and the Meaning of Markets

Grenoble 2015

12-11-2015

David Cayla, Granem, Univ. Of Angers


DEBT
THE FIRST 5,000 YEARS
DAVID GRAEBER
"A BRILLIANT, DEEPLY ORIGINAL POLITICAL THINKER."
REBECCA SOLNIT, AUTHOR
A PARADISE BUILT IN HELL
THANK YOU! COME AGAIN!
MELVILLE HOUSE PUBLISHING


Your first name and initial
Last name
Sex
M
F
Street address and unit no. (if applicable)
Social security number or taxpayer ID (EIN)
City, or town, state, and ZIP Code
Daytime phone number
The Utopia of Rules
On Technology, Stupidity, and the
Secret Joys of Bureaucracy
David Graeber
Author of Debt: The First 5,000 Years
"A brilliant, deeply original political thinker." —Rebecca Solnit
Your signature
X
Date
Email address
Comments
THIS SECTION FOR OFFICE USE ONLY
Format: Hardcover Paperback
Trim size: 5-3/4" x 8-3/4"
ISBN-13: 978-1-61219-374-8
BISAC Subject Code: POL010000
Publisher: Melville House

## The "Graeber Paradox"

"This is a great trap of the twentieth century: on one side is the logic of the market, where we like to imagine we all start out as individuals who don't owe each other anything. On the other is the logic of the state, where we all begin with a debt we can never truly pay. We are constantly told that they are opposites, and that between them they contain the only real human possibilities. But it's a false dichotomy. States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we would recognize today."

D. Graeber (2011) *Debt: The First 5,000 Years*, chapter 3

- **States vs. Markets: A Very Convenient Dichotomy**

| THE STATE | THE MARKET |
|---|---|
| Organization | Order |
| Centralized information system | Decentralized information system |
| Concrete rules (directed toward a specific end) | Abstract rules (emerge from behaviors) |
| *Ex-ante* coordination device. | *Ex-post* coordination device |

**An Austrian Approach**

## A “False” Dichotomy?

- The State vs. Market dichotomy prevents scholars from studying their similarities.
- A Smithian free-market vision: Trade is a natural need for humans and market / barter is the natural way to do so.
- The “myth of barter”: “this story played a crucial role […] in the very idea that there was something called “the economy,” which operated by its own rules, separate from moral or political life”. (Graeber 2011, chap. 2)
- The market is natural / The State is artificial

# An Alternative Story (Graber 2011)

Say a king wishes to support a standing army of fifty thousand men. Under ancient or medieval conditions, feeding such a force was an enormous problem—unless they were on the march, one would need to employ almost as many men and animals just to locate, acquire, and transport the necessary provisions. On the other hand, if one simply hands out coins to the soldiers and then demands that every family in the kingdom was obliged to pay one of those coins back to you, one would, in one blow, turn one's entire national economy into a vast machine for the provisioning of soldiers, since now every family, in order to get their hands on the coins, must find some way to contribute to the general effort to provide soldiers with things they want. Markets are brought into existence as a side effect. (Graeber 2011, chap. 3)

- **An Alternative Story (Graber 2011)**
  - The market is the consequence of the appearance of coins that were used in order to support the state (military and administration).
  - The appearance of markets changed the social and cultural life of traditional societies by destroying “human economies”.
  - In a market economy, the “exchange” moral system prevails over “communism” and “authority”.
  - To be enforced, a market economy needs the institutionalized violence procured by the state.

## Why Markets and States are similar

- The public bureaucracy and the market are both a way to destroy personal relationships in transactions.
- Because they are blind and impersonal, they are not the product of a specific society. They are *non-social institutions*.
- Private and public bureaucracies are more complement than substitute. They both form a system: the “total bureaucracy” (Graeber 2015)

- **Why Markets and States are different**
  - Graeber 2015: A *game* is an “utopia of rules” vs. *playing* is creating rules / games.
  - Because the state is sovereign, it creates games (Graeber 2015).
  - However, the market is not a game, because competition does not exist in real markets. Capitalism is about monopoles (Graebe 2011, 2015) – so there is no rule to follow.
  - But Graeber is wrong about competition…

# Why Markets and States are different

"As it is, it is one of the great paradoxes of economic science that every act of competition on the part of a businessman is evidence, in economic theory, of some degree of monopoly power, while the concepts of monopoly and perfect competition have this important common feature: both are situations in which the possibility of any competitive behavior has been ruled out by definition." (McNulty 1968, p. 641)

- Monopoly is not the opposite of competition: competition is about *behavior*.

The masters, being fewer in number, can combine much more easily: and the law, besides, authorises, or at least does not prohibit, their combinations, while it prohibits those of the workmen. (Smith 1776, Book 1, chap. 8)

- **Why Markets and States are different**
  - Public institutions have no competitors: because they are sovereign, they creates games and rule the market.
  - Private institutions must follow the rules and “play the game” of competition.
  - Private and public bureaucracies, although similar in the way they work internally, are in fact very different by their nature and functions.

- **So What is Keynesian Economics?**
  - For Graeber, the market is a tool created by states and used by a global bureaucratic class to extract profits from economic activities.
  - This “total bureaucracy” is a coherent system that rests on both private and public bureaucracies.
  - Therefore, state regulation on the market does not have any meaning. The only effect of increasing public bureaucracies is an increase of private bureaucracies.

# Two conceptions of the state

- Graeber: the state is a repressive system that can regulate the market… for the best interests of a bureaucratic class.
- The three pillars of the Keynesian state:
  - **Regulation** of factor production markets (labor and financial.
  - Discretionary **interventions** to solve economic crisis
  - Public **production** of social goods (education, social security…)

- **The Keynesian State is a Sovereign State**
  - The Graeber state is ordo-liberal: it is a neutral and impartial referee that can only regulate markets without “playing” the markets.
  - The Keynesian state is sovereign: it is creative and able either to use markets in order to achieve social goals, to impose its rules to markets, or to get rid of markets and substitute public production.
  - The Keynesian state is a way to reintroduce social interactions into “non-social” institutions.