If the history of progress has been written as a history of the emergence of the autonomous, possessive and self-possessed individual, it was the history of indebtedness that underlay this teleology. The latter history has subsisted in the shadow of forgetfulness…. (Banerjee 2000: 423)

The technology of debt was internationalized long before the state’s power to tax was capitalized on the basis of a permanent national debt. As we saw in Chapter 2, the key rupture with the past was the creation of the Bank of England and the permanent national debt that stretched English money beyond the limitations of gold and silver coinage. The move also anchored the emergence of an international credit system based on sterling and the capitalization of colonialism. The new paper currency issues remained linked to a metallic substance during this period, but the tether was extended so that the value of paper notes in circulation was never fully backed by the metallic horde at the Bank of England and other provincial banks that would spring up during the Industrial Revolution. With varying degrees of success, this institutional innovation was later adopted by other nations that remained free of colonial rule. It helped to mitigate (never totally solve) the scarcity of money problem that had so riddled England and much of the European continent in an era of colonial plunder, slavery, long-distance trade, and the exploitation of a new energy source, that is, coal. The perpetual debt became a way of permanently locking in the relationship between private creditors and the power of the state.
to regulate commercial relations, tax its population, fight foreign wars, and quell domestic rebellion during a tumultuous time of social transformation and resistance. It also guaranteed a “normal rate of return” to capital since the ownership of government debt was assumed to be a far safer investment than risking one’s money in foreign trade. As Marx understood,

As with the stroke of an enchanter’s wand, [the public debt] endows barren money with the power of breeding and thus turns it into capital, without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry or even in usury. The state creditors actually give nothing away, for the sum lent is transformed into public bonds, easily negotiable, which go on functioning in their hands just as so much hard cash would. (1887: 529)

In other words, not only did the public debt of nations become the key benchmark and the heart of a growing credit industry but investors never truly gave anything away since they could always sell their claim onto others or borrow based on the fact that their bonds were an asset. If not, they collected their money back with interest over time. As Ferguson (2006) has demonstrated, owning a small share of state power through government bonds was a lucrative enterprise during this era and one of the key routes to the accumulation of a private fortune. The Rothschilds are an extreme case in point, but they were not the only beneficiaries of “national” debts accumulated to fund wars (Ferguson 1998). However, while the benefits of holding government debt were not simply the purview of well-known historical capitalists, ownership—like financial knowledge—was still heavily skewed toward the few. According to Ferguson, “as a percentage of the population of England and Wales, bondholders were … a tiny and dwindling élite: from 2.7 percent of the population when Napoleon I was defeated to just 0.9 percent when the same fate befell Napoleon III” (2006: 195). As Ferguson notes, since the debt was largely funded by regressive forms of taxation, servicing the interest on the public debt represented
“an astonishingly inequitable system of transfers from the poor majority to the bondholding minority” (2006: 195).

In this chapter we aim to historically illustrate both the amplification and spatial expansion of debt as a technology of power during the era of European colonialism and resistance and how this legacy extends to the present day. By starting from the point of view of the powerful—of superior force and violence in the quest for differential accumulation—we want to demonstrate how networks of indebtedness reconfigured political communities for the benefit of creditors and capitalists and how this continued on after formal colonialism started to come to an end in fits and starts after the Second World War. Over time, arguably, debt has become a more effective tool of wealth transfer and social transformation than war—though, of course, the two are intertwined in complex ways as the origins of the permanent public debt in England make clear. Since we cannot hope to provide a comprehensive study in such a short volume, what we intend to do is examine what we think are some of the most insightful and significant aspects of debt being mobilized as a technology of organized differential power. We begin by examining how the imposition of imperial taxation regimes or what we call “imperial monetization” (always backed by force and punishment) contributed to the constitution of new forms of agency geared for the capitalist world market. Unlike Graeber and Braudel, we do not see the market as something separate from capitalism but the very precondition for the emergence of capitalization and debt as a technology of organized power. As numeric computational power processes, capitalization and debt can only work through price, and where contracts, transactions, and practices cannot be priced, bought, and sold, the capitalization of debt as technology of power breaks down immediately. Put another way, the market is not space outside of capitalization or debt but the chief enabling mechanism for the accumulation of differential power represented in money (Nitzan and Bichler 2009: 306). We then move on to examine how “national” debts were created and administered in the colonies by focusing on the nascent United States of America and Haiti. We then turn to explore the impact decolonization movements in
Africa and Asia had on these historical structures and the major events leading up to the debt crisis of the 1980s in what today is referred to as the Global South. We conclude the chapter with a brief examination of the sovereign debt crisis in the so-called heartland of global capitalism.

Imperial monetization, transformation, and resistance

European colonial encounters during the so-called age of exploration revealed modes of life, cultural practices, and systems of meaning that were different from those experienced in Christian Europe. Outside Europe, different forms of money and exchange were observed, but in many instances, gold and silver—the main monetary sources coveted by the Europeans—were more likely to be used in decoration for status than as a medium of exchange to be accumulated or invested. In a way, this fact demonstrated that the European fascination with gold and silver as the only “real” money was little more than a socially constructed fetish—albeit, an extremely powerful one. In other words, preconquest populations had established methods and rituals of social reproduction not premised upon capitalist markets and the accumulation of (metallic) money as an end in itself. It is hardly surprising, then, that the colonized were not keen to abandon their generational traditions of social reproduction in order to meet the demands of imperialists for labor, gold and silver, and other goods that could be commodified. As such, one of the key problems faced by the Europeans in achieving differential accumulation in the colonies was native resistance to imperial policies. To be sure, as Rodney (1972: 165) points out in the case of Africa, many West Africans on the coast willingly participated in the colonial money economy introduced by the Europeans, with the transatlantic slave trade being the most obvious example of local involvement (see also Blackburn 2010). However, while some reaped benefits by participating in the growing world market for human energy (slavery) and goods, the vast majority preferred to continue with their own practices of social reproduction
outside of capitalist markets. The evidence is more than decisive on the matter given the persistent resistance to colonial policy experienced virtually everywhere Europeans sought to impose their will and the series of punishments and disciplines that were inflicted on recalcitrant social forces that refused to comply with the transformative practices initiated by colonial administrators and businessmen (Stavrianos 1981: 282, 367ff; Miller et al. 1995; Brown 2014). Capitalist markets do not spring up spontaneously, as Marx (1887) and Polanyi ([1944] 1957) rightly recognized and Graeber (2011) confirmed in his recent study. Capitalist markets were socially constructed by the powerful in the quest for differential power and accumulation in an increasingly monetized world order of near constant warfare.

Outside the direct application of violence—including genocidal practices—one of the chief ways traditional forms of social reproduction were transformed, and in many instances destroyed, was through the imposition of imperial taxation regimes. As some early political economists understood—and Marx later emphasized and criticized—taxation was not only the most effective method (outside of direct violence) for enforcing wage-labor but also an efficient technology of expropriation—that is, a mechanism for transferring ownership from direct producers and concentrating it in the hands of capitalists (1887: 530). This time-worn technology of power, applied in the European heartland to fund “national” debts amassed to finance dynastic wars and fund the savagery of for-profit colonial projects, would be imposed anew in the colonies. The evidence of taxation being used as an imposed debt obligation with transformative effects is best illustrated by the case of colonial Africa, where it was applied near ubiquitously regardless of the colonizer (Rodney 1972; Stavrianos 1981: 300ff; Wray 1998: 57ff; Bush and Maltby 2004; Forstater 2005). Let us consider some examples in the context of colonial enterprise.

As suggested above, one of the fundamental problems faced by colonialists was how to obtain the necessary labor to make their newly acquired lands or mines profitable. Appropriating land through violence and fraud was one thing, recruiting a labor force loyal to
colonial projects, quite another altogether. Even when the local communities were promised wages for work, they more often than not declined the offer. The natives had little need for wages when they could reproduce their own livelihoods outside of the colonial market. One of the main ways this imperial “problem” was overcome was for colonial administrators to impose a cattle, hut, or head (poll) tax on the local population that had to be paid in the currency issued by the colonizer. Since failure to pay the required tax was met with strict punishment, those who complied found themselves converting part of their land into cash crops (e.g., cotton, groundnuts, flowers) that could be sold for the imperial currency needed to settle their tax debt to the sovereign authorities. Forstater (2005: 60–61), Marks (in Oliver and Sanderson 1985: 456), Killingray (1986), and others have documented punishments including: the burning of huts, shooting, the seizure of cattle and goods, fines, prison labor, and public shaming. For example, tax debtors in Burkina Faso who refused payment were forced to chant the prayer Puennam co mam ligidi or translated—“God, give me money”—throughout the day under the scathing heat of the tropical sun. Others would be forced to run around the administrative building while carrying their wife, or—in the case of polygamous relationships—wives, on their backs. Wives would then have to take a turn piggy-backing their husband around the building. Where growing cash crops proved more difficult, Africans had to turn to wage-labor in order to satisfy their need for colonial currency. With the prospect of inevitable crop failures from time to time as well as the arbitrary nature of taxation, many struggled to pay their taxes in relatively scarce colonial currency. In order to avoid punishment, many Africans resorted to local moneylenders who were often more than happy to extend usurious loans to producers in return for collateral (land) they often assumed when debts could not be repaid. Tax debt was a forcing house for the concentration of property in fewer hands just as much as it was the motive force compelling Africans to work for their colonial masters. Indeed, perpetual tax debt on top of credit taken from moneylenders created a permanent force of wage-laborers since taxation made money a necessity to avoid punitive measures.
The final way in which tax debt operated as a technology of power was through the corvée system. Instead of imposing a tax to be paid in colonial money, a certain amount of labor was demanded by locals to discharge the tax. In many instances this was a preferred practice of labor recruitment since it could even operate in an environment where money was scarce (Oliver and Sanderson 1985: 527). The tax was paid back in hours and days worked for others rather than one’s own family or the community and the work often involved considerable migration. But whichever way debt was mobilized in its specificity as a technology of power, one thing is certain: its operation had transformative effects on social relations and served the colonists by severing the colonized from their previous patterns of social reproduction. What is more, an uneven regime of economic growth and environmental transformation was being increasingly thrust upon local communities through imperial monetization brought on by taxation. In our theorization of debt as a technology of organized power, the concept of “imperial monetization” means at least two things. First, the term captures the process whereby imperial or colonial powers impose their monetary system upon a society that coordinated their economic interdependence and social reproduction in some other fashion. Over time, this meant the juridical sabotage or banning of alternative forms of currency used by Africans such as the Maria Theresa thaler (dollar), manillas, and cowries (Ofonagoro 1979; Ubah 1980; Uche 1999; Mwangi 2001; Helleiner 2002a; Hermann 2011). For colonial policy to be effective, imperial money was to be made exclusive and the practice of accounting a weapon (Annisette and Neu 2004). Second, imperial monetization also refers to the process whereby debts are contracted in an imperial or colonial currency. This second role accomplishes two goals: first, it helps expand the imperial money supply through the extension of new loans to foreigners to pay for capital imports from Europe. These loans effectively capitalized the exploitive capacity of the colonies and their ability to repay debt to creditors (e.g., cash crops, mines, infrastructural projects, and later fossil fuels). Engels noticed this relationship in a supplement to volume three of Marx’s *Capital:*
Then colonisation. Today this is purely a subsidiary of the stock exchange, in whose interests the European powers divided Africa a few years ago, and the French conquered Tunis and Tonkin. Africa leased directly to companies (Niger, South Africa, German South-West and German East Africa), and Mashonaland and Natal seized by Rhodes for the stock exchange. (quoted in Marx 1981: 1047)

What this passage suggests is that the riches of the colonies and the radical changes in social relations imposed on indigenous forces were effectively being capitalized by investors in the stock markets of Europe. Second, the extension of these loans often resulted in the creation of unrepayable “national” debts owed to foreign interests in the foreign currency borrowed. We will discuss this role and its implications in greater detail in the last two sections of this chapter.

Yet imperial monetization was not without its contradictions and we should be mindful not to theorize it as a universal law being applied as a linear and unwavering strategy despite its eventual ubiquity before national independence movements. For example, many European traders preferred to continue the practice of barter trade with local traders. There appears to be two primary reasons why this was so. First, barter established personal relationships between traders, and the Europeans could take advantage of price differentials in goods—often dictated by themselves and an early form of unequal exchange. Second, it was thought that if African traders entered the monetized world they would out-compete and potentially out-accumulate their European counterparts (Hermann 2011). In other words, continuing to use barter as a principal form of trade was one way for individual firms to sabotage local competing interests. However, colonial administrators understood that these private forms of barter were not helpful in advancing a uniform and exclusive standard of colonial money, and where possible, they challenged rogue traders.

It is of course true, to some extent, as more sympathetic scholars of imperialism are wont to emphasize, that taxes were often used to finance public works of one kind or another. For example, infrastructure
projects such as the setting up of railroads, hospitals, ports, and dykes were said to benefit local populations despite the fact that they largely benefited private capitalists. In this view, colonial taxation was largely a collective project of mutual benefit in the age-long quest to better standards of living and to “civilize” the natives through Western commercial growth and modes of life. But as more critical scholars have pointed out, whatever biopolitics were at play—that is to say, at least in this context, whatever attempts to improve life by directing infrastructural projects—they were likely ancillary to the primary drive of imposing new forms of capitalist social reproduction on populations increasingly policed by an apparatus of imperial discipline, punishment, and surveillance (Wray 1998: 60). We should recall, as Rodney reminds us, that debt-funded “public works” also included “building castles for governors, prisons for Africans, barracks for troops, and bungalows for colonial officials” (1972: 166).

The imposition of debt-taxes on colonial populations in Africa is illustrative of the Chartalist or state theory of money that argues, following the original formulation of Knapp, that a sovereign or ruler pays for its goods and services in a definite form of money, which is accepted by the providers of those goods and services because this particular form of money is needed to service the imposed or imputed taxes (Wray 2002, 2004). Wray summarized what this process entailed for more orthodox accounts of money’s origins:

the case of the colonial governors may be a more powerful test of the taxes-drive-money thesis than is readily apparent, for here is a case in which taxes are imposed by an external authority whose only legitimacy in the eyes of the population might be threat of use of force… However, the power to tax and to define the form in which the tax would be paid set in motion the process of monetization of the economy. The important point is that “monetization” did not spring forth from barter; nor did it require “trust”—as most stories about the origins of money claim. (1998: 61)

In other words, the monetization and transformation of African social reproduction was no spontaneous affair stemming from the natural
propensity of Africans to “truck, barter and trade” with their imperial masters, but a direct colonial imposition backed by force. It was not long before “taxation heightened popular aggravation and figured prominently in movements of protest and rebellion” (Wright in Oliver and Sanderson 1985: 590). Of the numerous examples of tax rebellions, revolts, and riots to draw on as illustrations from in the colonies, we only outline two in summary below (for a compendium see Burg 2004).

**The Deccan riots**

Long before the twenty-first-century epidemic of peasant suicides in rural India, the practice of lending money to peasant cultivators by a small class of creditors pervaded the village community. As a caste, however, their power had been limited by the way in which social power was divided in rural society. Until 1828, when the British colonial administration started to administer market reforms in Maharashtra, moneylenders—or vanis—extended money to a village community in the hope of making a return on their capital. Crucially, these loans were not collateralized, allowing for a historically unique (and perhaps strange) cooperation between moneylenders and cultivators. The constitution of this interdependence rested in the fact that the power of the vanis was restricted in at least two important ways. First, before colonial rule, vanis could not expropriate peasant land to repay debts because land was held by the village and could not be alienated. Second, as Metcalf remarked, “the state, on its part, gave the moneylender no assistance in the recovery of debts. If not actively hostile, it was apathetic, and left the creditor to collect his due as best he could” (1962: 390; see also Kumar 2011: 614). With the onset of more market-oriented governance from 1828, these relations of force would be realigned by three colonial innovations that unleashed debt as a technology of power on village cultivators. First, the British performed surveys on the land and accorded private property titles to individual cultivators rather than to the village as a whole. This act not only individualized property ownership but also valued or “priced” the land held by farmers. Second,
a colonial legal apparatus was erected to enforce private property rights. Third, believing their two previous initiatives would spur greater agricultural productivity, successive colonial administrators applied ever-heavier direct taxation on the cultivators. While rural farmers did borrow money in times of crop failure or to pay for marriages, feasts, and social ceremonies, Metcalf (1962) has argued that the overwhelming reason cultivators borrowed from the vanis was because of the debt they owed in taxes to the colonial administration. Now, when the vanis extended credit under British rule, they demanded that cultivators advance their land as collateral. As debts mounted due to usurious interest rates, poor harvests, declining terms of trade, mounting taxes, or some combination thereof, the vanis used the court system to enforce their contracts with debtors. As a consequence, more and more cultivators lost possession of their land. Kumar noted what these agrarian changes meant “the dispossessed peasant was forced to live as a landless laborer, often on those very fields which he had formerly cultivated as an independent proprietor” (2011: 619). What made matters even more unjust was the fact that the entirety of the land was often seized when only a few payments were in arrears. Increasingly, land was being concentrated in the hands of the wealthier few as happened elsewhere where mass indebtedness pervaded rural society. By 1875, dispossession, indebtedness, and burdensome taxes were so widespread throughout the Deccan that cultivators directed their anger at the vanis and rioted. As Kumar argued, the object of these riots was “to obtain and destroy the bonds and decrees possessed by the moneylenders” in order to destroy them (2011: 634). As long as the moneylender gave up his debt-obligations and accounting records peacefully, little harm was done to his person or property. Where records were not given up so easily, violence typically ensued. Over time, the riots subsided but widespread indebtedness remained. Fearing another revolt, colonial administrators eventually put in place measures to protect cultivators from moneylenders, though these actions came after fifty years of British rule and unmistakable transformations in previous forms of rural social reproduction and power relations.
Debt as Power

The Bambatha Rebellion

Another key moment in the resistance to colonial taxation is the Bambatha Rebellion, an armed revolt in the Natal region of South Africa personalized by the name of its minor Zulu leader. A colonial hut tax had already been imposed on married African men in Natal but it was often their sons who migrated to the cities or mines to earn money to pay the tax (Redding 2000: 38). By 1887, the previously independent political state of Zululand had been militarily defeated and came under the control of British colonial administrators. Much of the available arable land in the region was confiscated by white settlers and the hut tax was imposed on Zulu men. Defeat in battle was made worse by a series of natural calamities that killed cattle and ruined crops. In this dire situation, many were drawn to the gold and diamond mines, where they could earn better wages with which to pay or contribute to the hut tax of their father. But this posed a problem for white agricultural settlers who wanted to recruit African labor for their farms. Under pressure from white settlers, colonial officials introduced a £1 poll tax on all African men above eighteen years of age—an application of power facilitated by a census that had been taken of the region in 1905. While some were ambivalent about the new tax, others viewed the levy as accelerating and compounding changes in precolonial social relations. Once again, previous forms of social reproduction were being disturbed at the household level by a debt-tax—what Tilly called the “invasions of small-scale social life” (1990: 25). By 1906, Bambatha along with other Zulu chiefs and tribesmen refused to pay the new tax and after a skirmish with authorities that led to the death of two colonial officers, martial law was declared by the colonial administration in Natal. After some minor attacks against colonial forces, Bambatha and his forces were held up in Mome Gorge, where they were eventually hunted like dogs and gunned down by the thousands (Zulus spears and shields being largely ineffective against steel and gunpowder). As Pakenham put it, “the Zulus learnt a bitter lesson about the realities of power” that day (1992: 649). Arguably, the lesson they learned was that British rule
and debt in the form of a poll tax was backed by the power of heavy artillery and machine guns. While records vary, it is estimated that 3,000–4,000 Zulus were killed, 5,000–7,000 imprisoned, and 4,000 or so flogged by colonial authorities. Huts were also razed to the ground throughout the conflict (Marks 1970; Stuart 1913; Pakenham 1992: 649; Redding 2000). The rebellion’s leader, Bambatha, was eventually captured, killed, and decapitated. When the governor of Natal sought to commemorate the victory with a medal in the honor of the dozen or so white men who had fallen, none other than Winston Churchill replied that it would be better to strike a new copper coin with Bambatha’s head on it as a more appropriate symbol of the colonizer’s sacrifice in blood. Imperial monetization not only encountered resistance but proposed to strike its victims upon its coins!

The birth of the “national” debt in the colonies

As in the case of imperial monetization through enforceable tax debt, we do not have the space to examine the proliferation and amplification of “national” debts. Demonstrating the near ubiquity of the phenomenon, there are currently only four countries in the world without national debts: Brunei, Liechtenstein, Palau, and Niue. The reader can be forgiven if they are unfamiliar with these countries since they are largely negligible to the global economy, where sovereign debt now stands at $58 trillion and mounting by the second. The United States of America and Japan make up just under half of all sovereign debt ($25 trillion). But while we cannot offer a full historical account of the development of “national” debts here, we investigate the creation of “national” debts in: (1) colonial America before and after its revolutionary war with imperial Britain, and (2) the indemnity largely forced on a newly independent republic of Haiti founded by a successful slave revolution. As we shall see, and as addressed in Chapter 2, a key facet of instituting a “national” debt is not only that it was initially capitalized by a small coterie of private social forces but also that it was meant to be
Debt as Power

permanent. Without this institutional permanence, debt could not act as a technology of organized power mobilized by the few for their own private accumulation. At the liberal end of the critiques of imperialism, Hobson captured the essence of debt being mobilized as a technology of power inside and outside Europe:

The creation of public debts is a normal and a most imposing feature of Imperialism… It is a direct object of imperialist finance to create further debts, just as it is an object of the private money-lender to goad his clients into pecuniary difficulties in order that they may have recourse to him. Analysis of foreign investments shows that public or State-guaranteed debts are largely held by investors and financiers of other nations; and recent history shows, in the cases of Egypt, Turkey, China, the hand of the bond-holder, and of the potential bond-holder, in politics. This method of finance is not only profitable in the case of foreign nations, where it is a chief instrument or pretext for encroachment. It is of service to the financial classes to have a large national debt of their own. The floating of and the dealing in such public loans are a profitable business, and are means of exercising important political influences at critical junctures. (Hobson 2005: 108, emphasis added)

In other words, the national debt as a technology of power has an internal and external dimension. Internal insofar as it was used as a weapon against subordinate social forces to limit certain political possibilities. The modern corollary is clear enough: in the age of so-called neoliberal austerity, the national debt is used to justify the reconfiguration of power relations between state and society through privatizations, cutbacks in social spending (wages, infrastructure, pensions), and increases in tax and public service provisions (user fees). In its external or international dimension, the financiers of creditor nations can essentially reconfigure the established patterns of social reproduction of indebted countries when they fail to service debts and have insufficient power to defend their national sovereignty. We will discuss this below but it is largely accomplished by advisors and “experts” effectively commandeering the fiscal and monetary policy of the state to ensure debt repayment. There is little doubt that domestic
elites are often complicit in the project. The United States of America reflected both these dimensions before and after its revolutionary war against Imperial Britain.

The birth of the United States national debt

The British colonization of North America was a profit-seeking endeavor sponsored by the Crown but largely financed by private initiative. Indeed, Richard Hakluyt’s *Discourse Concerning Western Planting* (1584) can be read as one of the first “company prospectuses” aimed at convincing the Crown and investors of the benefits of Western colonization (Micklethwait and Wooldrige 2003: 18–19). How convincing this tract was is unclear, but a Western colonial project was soon sanctioned and proceeded in one of two ways. First, wealthy individuals (mainly around London) interested in the accumulation of money formed joint-stock trading companies and petitioned the Crown for an exclusive charter to certain tracts of North American land and trade. These “grants of land made by England served as centers of monopoly power to the companies” (Curtis 2014: 481). What this means is that the colonial enterprise was a capitalized project with the capitalization of colonial firms largely contingent on their monopoly privileges and their ability to make profit for their investors. This involved removing, killing, and swindling the native population out of their ancestral lands, and as we will see, debt was mobilized as an effective technology of power here too. The second way North America was colonized was by proprietorship. This was simply the act of the Crown granting land to individuals or a small band of individuals as either a favor or to resolve royal debts. For example, King Charles II granted what we today call Pennsylvania and Delaware to William Penn in return for cancelling a £16,000 debt that was owed to his father (Curtis 2014: 484). Debt and capitalization, then, were motive forces for English colonialism. They would also play an integral role in the founding of a new nation free of imperial control and its national debt.
Before the American War of Independence (1775–83) and the coming into force of the Constitution of the United States (1789), there were two inescapable facts of colonial life among the settlers: the ubiquity of debt at all levels of society and the scarcity of money for trade and the settlement of debt. Mann captured the daily reality of indebtedness: “debt cut across regional, class, and occupational lines. Whether one was an Atlantic merchant or a rural shopkeeper, a tidewater planter or a backwoods farmer, debt was an integral part of daily life” (2003: 3). There were of course different types of debt found in the thirteen colonies and five main sources of currency for which debt could be incurred or settled: (1) furs and wampum; (2) commodity money or “Country Money” such as tobacco, indigo, wheat, and maize; (3) foreign coins, particularly of Spanish and Portuguese origin; (4) British coinage; and (5) various types of paper money or colonial scrip (Davies 2002: 459). Depending on the transaction, these mediums of exchange were all potentially useful. However, the scarcity of money problem largely resulted from the fact that gold and silver (as in Europe and elsewhere) were treated as the only “real” money. Since there were no domestic mines of gold and silver discovered early on in British North America, colonists had to rely on trade in order to attract coined money or bills of exchange redeemable for sterling (Ferguson 1954: 158; Davies 2002: 458). However, since the colonies were heavily dependent on imports from Britain for conveniences and luxuries, they suffered chronic shortages of currency since more money was being paid to British merchants than was earned abroad by selling domestic cash crops like tobacco. Moreover, money was required for domestic transactions and internal development, and there was not enough specie to facilitate the potential capacity of domestic trade. With a dearth of specie, the colonists turned to paper currency as a primary medium of exchange. There were two ways in which paper money could be issued: (1) colonial legislatures could print and spend the paper currency into the economy, mainly to finance the expense of war, and/or (2) they could set up a loan office or land bank to lend to farmers at low interest based on the security of the farmer’s land.
(Ferguson 1954: 168). By most accounts, these paper notes eased internal and some external transactions and spurred what we would today call economic growth. It could also be used to pay taxes and, in places, purchase land. For most intents and purposes, the colonial scrip issued by the thirteen legislatures was considered legal tender or acceptable to meet financial obligations.

At first, London tolerated the paper currency since there was a recognized dearth of gold and silver in the colonies to facilitate trade. However, by 1751 the Parliament was pressured by creditors and mercantile interests to pass an act restricting paper money. Specifically, these interests wanted to ban legal tender laws that would allow settlers to settle their debts in colonial scrip (Ferguson 1954: 177). The act did just that but only applied to New England, where creditors were worried about being paid in depreciated currency. By the time the French and Indian War was terminated in favor of imperial Britain (1754–63), more paper currency south of New England had been emitted. The scrip was issued to help pay for the prolonged conflict, but now that peace had resumed, merchants and creditors feared that they would be forced to accept depreciated paper for sterling debts (Greene and Jellison 1961: 486; Sosin 1964: 175). Their concerns were heard, and in 1764, another currency act was passed banning legal tender laws in the remaining provinces. Elite colonists protested against the currency acts but British officials would not repeal the legislation. This forced the provinces to seek a number of compromises, some of which were successful in resolving the scarcity of money problem. Still, without legal tender laws, debts to British creditors and merchants now had to be paid in sterling unless otherwise agreed. This caused considerable financial difficulties in New Jersey, Virginia, the Carolinas, and Georgia in the decade before the American Revolutionary War. To be sure, at the First Continental Congress (1774), the Currency Act of 1764 was listed as one of the many violations of colonial rights (Greene and Jellison 1961: 518). While the currency issue may not have been a leading impetus for taking up arms against Britain, Greene and Jellison (1961) have convincingly argued that it was certainly a major grievance. As we will argue below, the other
major grievances were also largely connected to debt and the desire for pecuniary accumulation among colonial elites.

The historiography of the American Revolution and the subsequent political settlement are vast. However, up until the work of Charles Beard (1913), most scholarly accounts were celebratory or, in Curtis’ words, “chauvinistic” (2014: 475). In these renditions, the founding fathers were heralded as political geniuses who compromised to achieve a more perfect union than the Articles of Confederation allowed (for a critical reading of the events leading up to the Constitution, see Di Muzio in Gill and Cutler 2014: 81–94). To do so they had to overcome the antifederalists who were skeptical about protecting the interest of citizens and their liberties within a large rather than a small territorial unit.7 Building on the politico-economic observations Madison scribed in Federalist 10, Beard’s thesis argued that the constitutional settlement was primarily a work of men with financial vested interests trying to protect their property vis-à-vis their lesser counterparts (1913: 31–51). A constitution that authorized a national government would not only be able to secure unequal property in the present but also provide the organized force (rather than the disparate force of the Continental Congress under the Articles of Confederation) required to open up further avenues for the accumulation of wealth west of the Appalachians. At first, the most damaging charges launched against Beard’s thesis was that it was overly deterministic (that is, to say it was derived from economic interests solely), and the founders did not always seem to vote in their immediate economic interests. Current historians share some of this critique but argue that given the political-economy of the time and the goal of the federalists, Beard was correct to focus on the financial or economic interests of those arguing for a new “national” government (Holton 1999; 2004; 2005b; Curtis 2014). Given the discourse of the antifederalists and the popular social forces that were politicized during the revolution, things certainly could have been otherwise. But they were not. As one of the most prominent historians of the period argued, the federal Constitution was designed not only to “transfer power from the many to the few” but to secure unequal property, power, and
privilege well into the future (Wood 1969: 516 citing Richard Henry Lee; see also Nedelsky 1990: 2). But the ratification of the Constitution was not the only strategic move made by federalists. Under Hamilton’s initiatives, the new political settlement was to be backed up by a national debt and a for-profit, government-sponsored “national” bank. To understand why, we have to consider the situation leaders of the revolution found themselves in and what they wished to accomplish with the creation of an independent, centralized government.

The first major grievance of colonial elites, many of whom were deeply in debt to British creditors and merchants for their lifestyle, was the Royal Proclamation of 1763 and the Quebec Act of 1774 (Morris 1962: 15; Curtis 2014: 456–457). The Proclamation of 1763 was “a royal decree forbidding settlement or the purchase of Indian lands west of a line drawn along the crest of the Appalachians” (Ferguson 1979: 32). The primary reason for the decree was the considerable debt Britain had incurred fighting the French and Indian War from 1754 to 1763 (part of the broader Seven’s Years War internationally). London thought that if colonists continued to press westward by usurping or purchasing Indian lands, this would provoke further wars with the Indians and thus produce even more debt. They also wanted to protect Indian hunting grounds from settlement since British merchants had a lucrative business trading with the Indians of the interior. “In effect, the Proclamation denied wealthy merchants, landowners and their companies access to vast tracts of land that could have been resold to settlers or used in the production of cash crops” like tobacco (Holton 1999: 3ff; Di Muzio 2014: 88). Since land was the primary source of wealth before the fossil fuel revolution, the decree placed a strict limit on the further accumulation of money and economic growth by exploiting western land inhabited by native tribes. The Quebec Act and additional land reform measures, which followed over a decade later, only compounded these problems by granting the Ohio Country to the province of Quebec, thereby nullifying land claims made by the thirteen colonies to the region. What made matters worse was not only the fact that native land was to be commodified and was viewed as a future profit-making
enterprise but also the fact that the ownership and sale of new lands was virtually the only way in which politically connected plantation owners could repay their mounting debts to British merchants. Indeed, by 1766, a parliamentary committee found that about £4.5 million was due to British merchants in America with nine-tenths of the debt accounted for by Southern planters (Sosin 1964: 175 nt. 4; Friedenberg 1992: 149; Holton 1999: 35–36; cf. Evans 1962). Breen records why these new acts would have disturbed Southern planters so:

… the great planters … used their positions on the governor’s council or in the House of Burgesses to patent huge tracts of western lands…. The great planters held on to some choice pieces of property…but most of it was resold … at considerable profit…. This cozy system lasted until the early 1750s when the French and Indian War, coupled with tighter imperial controls over the granting of western lands, cut the gentry off from one of its major sources of income. (Breen 1985: 35–36)

According to Holton (1999), Bouton (2001), and Curtis (2014), the pressure of debt and the loss of the ability to appropriate, improve, or sell indigenous land in the west were enough to motivate key figures like Washington, Jefferson, Mason, and Lee to play key leadership roles in the armed struggle against imperial Britain.

But if debt was mobilized as a technology of power by British merchants against their colonial brethren, it was reapplied by the North American aristocracy of landowners and merchants to Native American tribes. Indeed, outside direct violence, one of the main ways that Indian communities lost their land was by going into debt to merchant settlers or colonial governments. If and when they could not repay these debts (and they typically could not, as more and more of their hunting grounds were being depleted of resources), then land was appropriated by creditors or colonial officials. In a private letter to William Henry Harrison, who was to negotiate treaties with Indians under Jefferson, the new president was candid about Indian policy under his administration:

To promote this disposition to ex-change lands, which they [native Indians] have to spare and we want, for necessaries, which we have
to spare and they want, we shall push our trading uses, and be glad to see the good and influential individuals among them run in debt, because we observe that when these debts get beyond what the individuals can pay, they become willing to lop them off by a cession of lands… In this way our settlements will gradually circumscribe and approach the Indians, and they will in time either incorporate with us as citizens of the United States, or remove beyond the Mississippi. The former is certainly the termination of their history most happy for themselves; but, in the whole course of this, it is essential to cultivate their love. As to their fear, we presume that our strength and their weakness is now so visible that they must see we have only to shut our hand to crush them … Should any tribe be fool-hardy enough to take up the hatchet at any time, the seizing the whole country of that tribe, and driving them across the Mississippi, as the only condition of peace, would be an example to others, and a furtherance of our final consolidation.  

This could not be a clearer statement of how debt is to be mobilized as a weapon of the powerful in order to expropriate the native population from their ancestral lands. The impetus to do this was made significantly more acute after the American Revolutionary War and the constitutional settlement because the new government itself was in considerable debt to wealthy patriots and foreign creditors. As Banner notes, this relationship was well understood by the Continental Congress before a federal government was introduced:

Federal and state governments also had large money debts. In the short run they needed assets that could be sold to pay creditors. In the longer run, if they hoped to be able to borrow in the future, they would need a conspicuous stream of income to entice creditors to lend. The most obvious source of money in both the present and the future was the sale of public land. “The public creditors have been led to believe and have a right to expect,” the Continental Congress concluded, “that those territories will be speedily improved into a fund towards the security and payment of the national debt.” But the government had to acquire land before it could sell land, and the only people from whom land could be acquired were the Indians. (2005: 127)
With imperial Britain defeated, the new federal government was free to pass its own legislation opening up the western frontier for further land speculation and settlement. These initiatives, as the quote suggests, were intimately tied to the creation of a national debt that used western lands as a security (Williams 1966: 134). Still, private social forces also leveraged the power of the national debt to assist in their acquisition of profit. For example, in the 1790s, Panton, Leslie and Co. began purchasing and consolidating the small and diffuse debts of southern tribes. Once they had a pool of debt (undoubtedly discounted from their original issuers), the firm used their power to petition the national government for a deal. According to Banner, by 1805 their efforts were successful. The federal government paid the Indian debt capitalized by the company and in return added about 8 million acres of indigenous land to the national coffers (2005: 126). Something very similar also happened with the outstanding debts incurred by the state and union governments in financing their war with imperial London.

With a dearth of specie, the only way in which the American Revolutionary War could be financed was through the issuance of paper money, most of which was issued as debt of some kind by state legislatures or the union government. After the war (1783), the fiscal situations of the victorious provinces were in disarray and a severe depression resulted from a lack of specie and the scarcity of money and credit. Desperate for hard money to pay taxes and to settle debts that were often incurred to support families while in battle, many farmers and other middling settlers were forced to sell their land. Being forced to sell land to meet tax and additional debt payments ignited one of the most infamous resistance movements in postrevolutionary America: Shay’s Rebellion (1786–7). The goal of the 2,000-strong farmer rebellion was to shut down courthouses that were responsible for hearing the pleas of creditors and sanctioning the sale of land for debt and tax payments. Since a number of state militia were supportive of the movement, wealthy property owners of Massachusetts were forced to finance their own private army to suppress the revolt (Smith 1948; Szatmary 1980; Brown 1983).
Yet another way in which desperate settlers aimed to get by was by selling army certificates they had received in payment for military service to the revolutionary governments. Desperate for money to pay taxes or afford their livelihood in a period of economic depression, many soldiers and widows sold their certificates to wealthy speculators at what was often an extreme discount. While the debates are not definitive, there is considerable evidence to suggest that what made matters worse was the knowledge that an organized force of propertied interests were going to vie for a national government with the power to tax in order to meet the revolutionary debt and hold democracy at the state level in check because of debtor relief programs and the desire to overcome the scarcity of currency through the issuance of paper money (Ferguson 1954; Bogin 1989; Mann 2003: 176; Holton 2004; Wright 2008). While some of the war debt was capitalized to weaken the British Empire by enemies from France, Spain, and the United Provinces, the overwhelming majority of debt issues from the revolutionary period were owned by domestic social forces (Davies 2002: 467). How widespread revolutionary debts were held by the end of the war is a matter of considerable dispute; and given that a series of fires in the treasury destroyed federal records, it is unlikely that we will ever get definitive proof of the original distribution of ownership (Ferguson 1954: 35). However, there is strong evidence to suggest that most of the debt repayments did not go to the initial holders of the debt but to a small number of speculators who concentrated government securities in their own hands by buying up claims at considerable discounts. This was done in the anticipation that a central government with the power to tax would eventually come to fruition and pay back the debt at face value (Ferguson 1954; Mann 2003: 176; Wright 2008: 124). There is little doubt that one of the chief concerns of the men who met at the Philadelphia Convention was how to finance the debt accumulated during the war (Wright 2008: 81). Suspicious of distant and centralized power, the Articles of Confederation purposely created a weak federated government without the power to tax—one of the chief reasons why Continental dollars depreciated in.
Although they only had a mandate to suggest needed changes to the
Articles of Confederation, those present at the conference embarked
upon creating a strong national constitution that would take the
power of money creation and debt relief out of the hands of state
legislatures. These legislatures had often proved too democratic and
sympathetic to the needs of their constituents, and where they were
not, protests typically ensued creating instability and disrespect for
To be sure, addressing the national debt problem and curtailing the
rights of states were not the only goals of the framers. But here we
are concentrating on the effects of the Constitution as it pertains to
debt as a technology of power, and the constitutional settlement and
its institutional development accomplished some very important goals
in the service of the powerful. When thinking about the initiatives
we list below, the reader would do well to recall the progressive thesis
that there were really two American revolutions: the first, a popular
struggle of diverse social forces that fought against imperial Britain,
and the second, counter-revolution by colonial elites who wanted
to stem the radicalism and democratic spirit of the revolution once
victory was claimed for the former colonies (for an overview of
this historiographical tradition, see Morris 1962: 20ff; Wood 1969:
483ff; Fresia 1988; Tise 1998). While the elite counter-revolutionary
program was never without contestation, the propertied men of the
Philadelphia Convention achieved considerable success in creating
the foundations of an empire premised upon unequal property and
slavery with a national debt and privately capitalized “public” bank at
its center.

The important constitutional initiatives that locked in debt as an
organized technology of power were as follows. Article 1, Section 8
gave power to the Congress to “lay and collect taxes, duties, imposts
and excises”—a power never granted to the Continental Congress by
the state governments. With the power to tax, the Congress could
now officially enforce the collection of money to repay rich creditors
of the revolutionary war debt and future debt incurred by war. As
Brown (1989: 1) detailed, up until the Great Depression most of the debt contracted by the US government was due to war or the preparation for war. Article 1, Section 10 effectively removed the power of state legislatures to create money and forced states to accept gold and silver as the only legal tender for debts. Since Americans were fonder of their local and state legislatures because they were more proximate centers of democratic power, this was a massive blow to democracy and led toward the centralization of monetary power. Section VI of the Constitution could not have been a clearer gift to the speculators who had busied themselves purchasing US debt paper at deep discounts from desperate farmers and soldiers. It stated that “all debts contracted and engagements entered into, before the adoption of this constitution, shall be as valid against the United States under this constitution.” The technical details of financing what would become a consolidated “national” debt were not worked out by Secretary of the Treasury Alexander Hamilton until 1790. Hamilton’s first initiative was to boost the creditworthiness of the new government by announcing that all debts issued by the Continental Congress would be honored to present, rather than original, holders. This, no doubt, delighted speculators and increased the value of their securities. Hamilton’s second initiative was to assume all state debts and aggregate them under one federally funded “national” debt. This move helped to pacify state resistance to the centralization of financial power by unburdening them of the responsibility to impose unpopular taxes. By 1804, even private debts of wealthy colonists were absorbed under the “national” debt, a trick, as we shall see in the following section, played by international bankers during the so-called Third World Debt Crisis of the 1970s and 1980s (Henry 2003; Curtis 2014: 456). Third, to raise revenue to service interest on the national debt, Hamilton introduced taxes on imports and particularly wine, spirits, tea, and coffee. This tax was regressive since it shifted the burden of taxation away from income and property and applied to the rich and poor alike. But while this new tax helped to finance the burgeoning national debt, most speculators understood that the real prize held by the federal government was
the ability to appropriate and dispense native lands to favorites. If the power of the federal government was capitalized through its national debt, it was the power of the government to enforce the destruction of native forms of social reproduction and capture their land. Two further initiatives are worth mentioning. In 1792, the Coinage Act was passed, making the American silver dollar the official money of account in the United States and juridically (though not in practice until much later) banning all other forms of foreign money from interior circulation. Finally, Hamilton thought to erect a national bank on the model of the Bank of England to hold Treasury deposits and service the interest on government debt (Sylla 1998; Cowen 2000; Konings 2011: 28). Although there were slight differences with the Bank of England (Wright 2008: 155), the first Bank of the United States (BUS) was a for-profit, capitalized chartered bank owned by a majority of private shareholders (Rothbard 2002: 68ff). The BUS was capitalized at $10 million, with the federal government paying in $2 million and outside investors the remainder. Investors could also use their outstanding government bonds to purchase shares in the new bank. Thus the national debt was born of war and the power of private creditors. Over the coming centuries, through continental expansion into native and Mexican territory and extracontinental wars powered by fossil fuels, the national debt would grow to become the world’s largest. When debt is understood as a technology of power, is it any wonder to find that the world’s most powerful nation is also its most indebted?

Colonization, decolonization, and national debts

We discussed the creation of a national debt in the United States in some detail not only because it was modeled on the union of state power and private finance as in England but also because it turned out to be one of the most successful at leveraging the power of the state in the pursuit of war, social transformation, and capitalist accumulation. If the level of capitalization is a measure of investor
confidence in the ability of any organized corporate force to shape
and reshape the terrain of global social reproduction and world
politics, then at least since the Second World War, investors have
squarely placed their confidence with the US government and its
military apparatus to enforce change and maintain world order
(Arrighi 1994; Di Muzio 2007).

Unlike the United States, which managed to extricate itself from
the imperial grip of Britain, most other states acquired their “national”
debts during the process of empire building and, more often than
not, under the colonial gun of infrastructural projects for resource
extraction. As yet, there is no comprehensive study on the emergence of
national debts worldwide, but from our initial research we can make at
least two theoretical observations based on historical evidence. First,
“national” debts, particularly in the colonies, have their beginnings
in the colonial practice of making “colonies pay for their own
exploitation and conquest” (Anghie 2005: 172). Typically, this meant
that the government would assume large capital investments primarily
made by foreign business interests so that resources could be extracted
and sold to external markets for private profit (Rodney 1972: 209).
Given that this required “structural adjustment” of previous forms of
social reproduction, the colonies were often forced to finance their
own policing and colonial foreign policy. Nehru discussed this in his
study of British rule in India:

Thus India had to bear the cost of her own conquest, and then of her
transfer (or sale) from the East India Company to the British Crown,
for the extension of the British Empire to Burma and elsewhere, for
expeditions to Africa, Persia, etc., and for her defence against Indians
themselves. She was not only used as a base for imperial purposes,
without any reimbursement for this, but she had further to pay for
the training of part of the British Army in England—“capitation”
charges these were called. Indeed India was charged for all manner
of other expenses incurred by Britain, such as the maintenance of
British diplomatic and consular establishments in China and Persia,
the entire cost of the telegraph line from England to India, part
of the expenses of the British Mediterranean fleet, and even the
receptions given to the Sultan of Turkey in London. (1946: 305; see also Stavrianos 1981: 124 for additional expenses “incurred” by the colonial government)

These measures and others were financed by heavy taxation on the majority of the population: a peasantry increasingly squeezed and brought to the brink of survival.\textsuperscript{14}

Second, if “national” debts did not result from foreign investments and colonial administration charged to the state coffers, they were often enforced upon a population as an indemnity through force of arms. The examples of Haiti and China are perhaps the most prominent. Before Haiti became the first black republic to dot the world map, the country was the imperial possession of France and known as Saint-Domingue (from 1697). Since the native population was decimated by Spain’s initial colonial encounter, African slaves were imported to work the coffee and sugar plantations owned by Europeans. A rigid and brutal racial and class structure emerged, but one that did allow some slaves to earn their freedom. By the time the slaves took up arms against their oppressors, Haiti was France’s wealthiest colonial possession, producing 60 percent of the world’s coffee and 40 percent of its sugar. By 1804, and despite continued European attempts to crush the revolution in its infancy, the slaves won their independence. However, in an Atlantic world replete with slavery, Haiti was politically and economically isolated. To gain international recognition from France, Haitian leaders agreed to pay France reparations for the loss of its property to the tune of 150 million francs in gold. This was an incredible sum to pay and to do so Haiti had to take “out huge loans from American, German and French banks, at exorbitant rates of interest. By 1900, Haiti was spending about 80\% of its national budget on loan repayments. It completely wrecked their economy. By the time the original reparations and interest were paid off, the place was basically destitute and trapped in a spiral of debt.”\textsuperscript{15} The legacy of debt combined with spates of corrupt leadership and natural disasters exacerbated by extreme resource exploitation have made Haiti the poorest country in the Western Hemisphere.
China also fell victim to debt as a technology of power more than once. By the turn of the twentieth century, Chinese social relations had been profoundly disturbed by the opium trade, recurrent war, and encroachments by commercial and Christian interests. Defeat in the first and second Opium Wars (1839–42 and 1856–60), the first Sino-Japanese War (1894–5), and the Boxer Rebellion (1900–1) not only brought national humiliation but increasing indemnities: “To pay the £30 million indemnity following the defeat by Japan, the Chinese were forced to make loans that cost them £100 million to repay. Likewise the $333 million Boxer indemnity required annual installment payments that absorbed almost all of the imperial government’s income” (Stavrianos 1981: 325). To ensure repayment, colonial forces expropriated the post office and customs houses and essentially ran them as “debt collection agencies for foreign creditors” (King 2006: 665). China continued to pay the indemnity to its colonial invaders until the chaos of the Second World War interrupted payments. Thus, before more sustained and organized forms of resistance to imperialism began after the Second World War, “national” debt was piled up by imperial administrators: (1) for investment projects typically related to the extraction of resources, (2) for colonial administration including pacification of the population through trained and armed professionals, and (3) by forcing weaker counterpart to accept punitive indemnities that they had little power to resist given alternative options.

Neocolonialism, the debt crisis, and neoliberalism

The social rights activist Desmond Tutu once intoned that “when the missionaries came to Africa they had the Bible and we had the land. They said ‘Let us pray.’ We closed our eyes. When we opened them we had the Bible and they had the land” (Gish 2004: 101). Tutu forgot to add that the Bible came with a “national” debt. As we will argue in this section, the “national” debt is a technology of power in
permanent operation and just as effective as the Gatling gun in acting as a forcing house for the world market of differential accumulation and capitalist power.

Given the violence mobilized against anticolonial independence movements, there is considerable evidence to suggest that imperial powers were not rushing to relinquish their colonial possessions. However, the savagery of the Second World War left former colonial powers significantly weakened, only to find that the world they once ruled had shifted toward the United States and a weakened, but industrialized, Soviet Union. The moral or ethical landscape, albeit slowly and never entirely, was also transforming, making it more difficult to rule by brute force alone. Still, counter-revolutionary assassinations and violence of unimaginable proportions were inflicted upon independence leaders, social activists, and revolutionary movements in the hope of maintaining a world order for capitalist power that had been forged for centuries (Marcuse 1972; Blum 2004; Prashad 2007; Shaw 2011). According to Stavrianos, the shift toward decolonization after the Second World War “did not signify that independent status was granted gratuitously or indiscriminately” (1981: 665). He argues that three factors played a role in the timing of decolonization: (1) the economic and military power of the imperialist country—the stronger the country the more likely it could grant political independence while maintaining economic control; (2) the role of the United States and the Soviet Union and their level of involvement through war, technical advice, or the sale of arms; and (3) the political aims of the groups vying for independence—the more socially revolutionary, the more these forces were met with “extreme repressive measures” (Stavrianos 1981: 665–666). Since the creation of the United Nations, eighty former colonies have been granted formal political independence. But for most countries, nothing profound had radically changed in their economic situations. If we are to believe Stavrianos, the wave of decolonization and political independence experienced after the Second World War was really played out on the international stage twice. The first time after Latin American nations gained their independence in the nineteenth century, and the second, when the peoples of Africa, Asia, and parts
of the Asia-Pacific received theirs in the twentieth century (1981: 177ff and 623ff). But if the newly decolonized of both centuries were now politically independent, their national debt told an altogether different story: one of continued foreign domination by the owners of Anglo-American banks. In other words, the price tag for independence was the acceptance of a quantifiable national debt to be diligently serviced, largely by earning foreign exchange through international trade (Nyerere 1985). For those not blinded by or serving imperial control, this new articulation of power was labeled neocolonialism by Kwame Nkrumah (1965). Stravrianos marked out the subtle difference between the two systems of rule: “if colonialism is a system of direct domination by the application of superior power, then neocolonialism is a system of indirect domination that cedes political independence in order to preserve economic dependence and exploitation” (Stavrianos 1981: 456). Economic dependence and exploitation is anchored, we argue, in the structural power of the national debt largely amassed and owed in foreign currency. One particularly revealing example arrived just before 1994 and the transformation to majority rule in apartheid South Africa. The elite white minority and transnational creditors feared that the African National Congress (ANC) was largely an unknown quantity with an overly progressive social agenda. The privileged whites dreaded the possibility of high taxes for reparations, rampant inflation due to social spending, and a redistribution of wealth from whites to blacks and the rich to the poor. To overcome these threats and to appease international and domestic creditors, the ANC agreed to tie its hands while in power. The chief way this was done was by agreeing to a loan from the International Monetary Fund that was, according to Bond, not needed. The real purpose of the loan was to ensure policy continuity:

In December 1993, the first act of the Transitional Executive Committee (a government-in-waiting combining the ANC and the ruling National Party) was to borrow $850 million from the IMF, ostensibly for drought relief, although the drought had ended 18 months earlier. The loan's secret conditions were leaked to Business Day in March 1994, presumably to establish confidence in financial markets that the election in April 1994 and the subsequent transfer of power would be
characterized by a continuity in economic policy. These conditions included… lower import tariffs, cuts in state spending, large cuts in public-sector wages… [and]… intense pressure by IMF managing director Michel Camdessus to reappoint both finance minister Derek Keys and Reserve Bank governor Chris Stals, the two main stalwarts of National Party neo-liberalism. (Bond 2003: 68)

What this passage suggests is that debt was applied as a technology of power to ensure budgetary restraint and IMF supervision over the new government’s fiscal policy. Not only did the ANC assume the national debt of the old apartheid regime—debs that had been accumulated, in part, to repress and at times terrorize the African population—but the ANC sacrificed its own program of reconstruction and development aimed at ameliorating the deplorable conditions experienced by the majority of its citizens disempowered by decades of racist rule (Cheru 2001). South Africa, however, is not alone in having its fiscal hands tied thanks to the national debt, the power of international capital markets, and IMF surveillance.

The use of debt as a technology of power was intensified in the post–Second World War era when, influenced by the world religion of “development,” governments were encouraged to borrow to finance industrialization, infrastructure, and foreign-made arms (Rist 2008: 21). As George (1988: 21ff) notes, the military hardware imported by the Third World was typically used by privileged elites to repress their own populations. In other words, debt contributed to the militarization of the developing world. According to Stavrianos, the debt load of developing countries skyrocketed from “$19 billion in 1960, to $64 billion in 1970 and to $376 billion in 1979” (1981: 448). Today there are 129 developing countries accountable to the World Bank’s Debt Reporting System. Using data from 2010, their total external stock of debt is now $4 trillion, up from $1.9 trillion in 1995 despite some cancellation of debt through the Heavily Indebted Poor Country initiative of the 2000s. Brazil, Russia, India, and China account for 40 percent of all external debt. Not surprisingly, the yearly
interest charge has risen from $85 billion in 1995 to $155 billion in 2010 (World Bank 2012: 40). If we include principal repayments, the developing world collectively paid $582 billion to their creditors in 2010, up from $205 billion in 1995. Put simply, not only do the debts owed to foreign creditors continue to mount but so do the interest payments: they are perpetual and rising. In his revealing exposé on economic hit men, John Perkins suggests that this was exactly the point of clandestine US policy in the postwar world: entice foreign leaders into accepting debts so large that future governments would be forever unable to repay them (2004: xi). This debt not only enriched the owners of American firms in engineering, construction, oil and gas, and arms manufacturing but they also, insofar as the loans were made in US dollars, gave the US government and its corporations significant leverage over indebted countries across the world (Henry 2003). But this did not just happen by economic hit men and private bankers extending excessive loans to foreign governments. The mountain of debt that triggered the Third World Debt Crisis of the 1980s was intensified by massive inflation in oil prices and US interest rates (George 1988: 27ff). While the following discussion will be controversial for some, there is convincing evidence to suggest that this inflation was orchestrated and strategic rather than unforeseeable and accidental (Oppenheim 1976–7).

By the time the Second World War ended in 1945, the United States was the unquestionable global superpower. Not only did the United States come out of the war with its factories and businesses unharmed but warfare stimulated the domestic economy and attracted considerable foreign capital. By the end of the war, the United States was the largest creditor nation in the world. What also benefited the United States and the Allies were the massive onshore oil deposits found within the continental United States. Whereas Hitler effectively ran out of oil, the Allies swam to victory on a sea of American oil (Yergin 1992; Hayward 1995). As Yergin noted in his historical study of oil and international power, it was the First World War that focused strategic minds on the future of warfare and geopolitical power:
The Great War had made abundantly clear that petroleum had become an essential element in the strategy of nations; and the politicians and bureaucrats, though they had hardly been absent before, would now rush headlong into the center of the struggle, drawn into the competition by a common perception—that the postwar world would require ever-greater quantities of oil for economic prosperity and national power. (1992: 185)

The connection between oil, economic development, and international power is well understood despite the resource curse literature and mounting environmental contradictions. While fossil fuel energy is not a sufficient cause for development, it is certainly necessary and vital for economic growth (UNDP 2000; Wrigley 2010). Until the 1970s, the United States had it in spades. How oil plays a special role in the international monetary order is of crucial importance for our analysis of debt as technology of power.

By at least 1944, the Allies were more or less assured of victory against the Axis powers and started to prepare for international commerce in the postwar order. At a conference in Bretton Woods New Hampshire, plans were developed for an International Bank for Reconstruction and Development (commonly referred to as the World Bank). The bank was to help with the reconstruction of Western Europe, but as time went on, its remit widened to include “developing” countries with lower GDP. The International Monetary Fund was also created at the conference and was tasked with facilitating global trade by financing, what were thought to be at the time, temporary balance of payment deficits. Because of the long history of Europeans coveting gold as the only “real” money and the fact that most of the gold of the world had amassed in the United States thanks to two world wars, a new gold standard was proposed under IMF supervision. In this scheme, the US dollar was pegged to gold at $35 dollars to one troy ounce. In turn, member states of the IMF pegged their currencies to the US dollar at a relatively fixed and stable rate. Many believed that these fixed rates would help eliminate currency risk for international business and therefore facilitate corporate planning and economic
growth. This system did not last long, however. The reason was that, in some senses, the United States never stopped fighting the Second World War. Primarily as a result of its prolonged war in Indochina, the country started to experience routine balance of payments deficits by the early 1970s. The United States was moving fast at becoming the world’s largest debtor nation with twin deficits in its current and budget accounts. France was the first to realize that the United States had flooded the world with so many dollars that it did not have enough gold to back the currency in circulation. When Britain asked to cash in its reserves for gold, the Nixon administration unilaterally severed the link between the dollar and gold. The administration understood that the dollar had effectively become the world’s reserve currency so that a “pure capitalist credit-money system” was virtually inevitable given the contradictions of the dollar (Ingham 2004: 77–78; see also Konings 2011: 89ff). How the Nixon administration managed this situation and the controversy surrounding it is of considerable interest from the perspective of debt as a technology of power.

US strategists not only knew that the dollar was the de facto world’s reserve currency but also understood that demand for the currency would remain high given the size of the US securities market, financial innovation by Wall Street and in Eurodollar market, and the fact that a range of internationally traded commodities were denominated in US dollars (Konings 2011: 123). The most important commodity was, of course, oil—the essential ingredient needed by all nations to propel industrial development and a “modern” consumer economy (Clark 2005: 30). By 1971 or so, the production of conventional oil in the United States had peaked, so it was incredibly important for the United States, as a growing debtor nation, that oil remain denominated in dollars rather than a basket of currencies as some Middle Eastern bureaucrats thought to do (Spiro 1999: 110). Saudi Arabia agreed to keep the numeraire for crude petroleum in dollars and the Organization for Petroleum Exporting Countries (OPEC) followed suit. By 1973, the price of oil skyrocketed and by the end of 1974 was up by 400 percent. While orthodox history blames this increase in oil prices on the Arab
Debt as Power

oil embargo that followed the Yom Kippur War, there is substantial evidence to suggest that the price increase was desired by the Nixon administration and that Kissinger did his best to facilitate the war between Israelis, Syrians, and Egyptians by misrepresenting intentions to all parties (Oppenheim 1976–7; Kubursi and Mansur 1994: 313–327; Gowan 1999: 21–22; Engdahl 2004: 136; Clark 2005: 30).19 Even if some scholars do not want to contemplate the notion that oil prices were strategically rigged, the effects of the 850 percent increase in the cost of oil from 1973 to 1980 are rather clear: (1) petrodollars flooded into major US banks and the City of London due to the weak financial system in the Middle East; (2) this had the effect of recapitalizing the major banks, allowing them to loan more funds abroad while at the same time financing the current account deficit of the United States; (3) a portion of these petrodollars were used to purchase US treasuries (thereby helping to drain reserves) and considerable amounts of military hardware, which further militarized the Middle East; (4) the price increase plunged the industrial economies into a period of stagflation—a condition of rising prices, slow growth, and high unemployment;20 and finally (5) the price increase made oil much more expensive for countries with weaker currencies (Gowan 1999: 21–22; Clark 2005: 30ff).

Although economists have debated the source of the Great Inflation of the 1970s, it is pretty clear from the data that the massive inflation in the cost of oil was tightly correlated with the drastic increases in the consumer price index.21 Seemingly to combat inflation, Paul Volcker, then chairman of the Federal Reserve, took a radical step and raised the federal funds rate to astonishing levels—as high as 21 percent.22 The interest rate became a weapon. Unemployment climbed, but by 1983 inflation started to sink. We have little space for a full investigation here, but it is worth asking a question, keeping in mind that the price of oil was the main driver of inflation: how does increasing the cost of money do anything whatsoever to quell oil prices? If anything, high interest rates would have made the cost of oil far more expensive for those countries who had to borrow dollars to purchase oil. And
this is precisely what happened to countries of the developing world dependent on oil imports: they had to borrow to meet their oil needs. In other words, these counties now had to pay not only the inflated cost of oil but the inflated cost plus interest on debts incurred from oil! The Volcker Shocks are all the more troubling when Nitzan’s empirical research has convincingly demonstrated that economic growth and inflation are inversely correlated historically (Nitzan 2001: 253ff).

In other words, in boosting interest rates to epic proportions, the Federal Reserve was helping to increase inflation rather than defeat it. This is a fact consistent with the basic math of interest tables for debt and in line with Rowbotham’s (1998) claim that broad inflation is the result of a debt-based monetary system. The reason is simple: businesses ultimately push the cost of borrowing onto customers, increasing the price of goods and services. Lucky for Volcker, with unemployment skyrocketing, the beginning of a merger boom, and oil prices coming down in the early 1980s, inflation started to abate in the capitalist heartland and the financial press lionized him. But if things were returning to “normal” in the United States, the Volcker Shocks had served to inflate the debt of virtually every developing country—countries that often had to take new loans just to service mounting interest payments (George 1988; Hall 1988: 12). Usury used to be applied at the level of the individual, but it was now being applied at the level of entire populations as a permanent technology of imperial power. From the perspective of capital as power, interest is a weapon of redistribution, pure and simple, and the “debt crisis,” exacerbated uncontrollably by heavy interest rates, was to serve as probably the greatest redistribution scheme in world history. The mirror image of it is found at the micropolitics of everyday debt in the credit card industry where banks prefer revolvers: customers who service their minimum monthly payments but never pay off their cards in full. Just like developing countries have to take out new loans to service old debts (therefore always increasing the total debt burden), so too do individuals take on new credit cards to service old ones. In this way, interest becomes perpetual, precisely the design of the
first permanent “national” debt under the supervision of the Bank of England. Whatever the exact design of the US Treasury and Federal Reserve during the Volcker Shocks, the idea that the persons running these institutions did not know that elevating interest rates to such proportions would exacerbate a debt crisis in the developing world is patently untenable. An important piece of evidence to this effect is the fact that in the debt crisis of the 1980s, the US administration “intervened heavily to prevent [debt restructuring or default] by offering financial assistance to bail out private investors and by tying this assistance to the adoption of tough IMF structural adjustment programmes in debtor countries” (Helleiner 2005: 952). And this brings us to what we call the debt–neoliberalism–restructuring nexus.

The literature on neoliberalism is vast and cuts across the social sciences. In such a short work like this, we cannot hope to fully engage the literature here. However, we share Cahill’s analysis that the turn toward neoliberalism cannot be fully explained by policy makers grabbing on to a new set of ideas inspired by Hayek, Friedman, a legion of right-wing think tanks, and the Chicago School more generally (Cahill 2013; Cahill 2014). Our hypothesis is that insofar as neoliberalism can be conceived of as a set of policy prescriptions akin to the Washington Consensus, as coined and enumerated by Williamson (1990: 5–20), its origins are fundamentally rooted in the debt-based monetary system. This is why—we suggest—that despite the Keynesian interlude, there are so many points of contact between austerity, expropriation, dispossession, environmental exploitation, the oppression of workers and the obsession with economic growth in the capitalist past and present. The differential accumulation of power in a debt-based money system constantly requires redistribution from debtors to creditors—be they individuals, nondominant corporations, or entire nation-states. The debt crisis that began in the 1980s and the debt crisis currently in the capitalist heartland are evidence of this fact insofar as entire political-economies have been and are daily being restructured as debt-repayment machines with: (1) drastic cuts in social spending and the sack of public workers; (2) newly minted and increasing “user fees” for public services; (3) the
privatization of public assets; (4) increases in taxes for the majority (mostly indirect, so applied regressively); (5) the creation of special export zones to encourage foreign investment in cheap labor; and (6) the wholesale destructions of environments and ecosystems that take place when nature is commodified to pay back debt. The crucial thing to note is that, despite all these measures, more debt is forever piling on. In the next chapter we explore some of the most important consequences of debt as a technology of power in greater detail.