

THE CHANNEL KEEPS IT · CHAPTER TWO

The Gift Is Never Free

Chapter Two of The Channel Keeps It

Ammanuel Santa Anna

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ABSTRACT

On a beach in the Trobriand Islands, early in the twentieth century, a man holds a necklace of red shell discs. It is valuable, and everyone on the island knows its name and the names of the people who have held it. He will not keep it. Within a year or two he will hand it to a partner on another island, who will hand it on again, and in time it will travel the whole ring of islands and come back past him, going the other way round, as the armshells go round the other way, from hand to hand. The anthropologist Bronisław Malinowski described this circuit, the kula , in 1922, and the thing that struck him was that the most prized objects in the islands were prized precisely because they could not be held for long.

CHAPTER TWO

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A necklace that has to leave

On a beach in the Trobriand Islands, early in the twentieth century, a man holds a necklace of red shell discs. It is valuable, and everyone on the island knows its name and the names of the people who have held it. He will not keep it. Within a year or two he will hand it to a partner on another island, who will hand it on again, and in time it will travel the whole ring of islands and come back past him, going the other way round, as the armshells go round the other way, from hand to hand. The anthropologist Bronisław Malinowski described this circuit, the *kula*, in 1922, and the thing that struck him was that the most prized objects in the islands were prized precisely because they could not be held for long.[1]

Three years later the French sociologist Marcel Mauss read Malinowski's account beside reports from Polynesia, the Pacific Northwest, ancient Rome, India and Germanic law, and wrote the essay that founded the modern study of the subject. *Essai sur le don* appeared in *L'Année sociologique* in 1925.[2] Its subtitle asks about the form and reason of exchange in what Mauss, in the vocabulary of his time, called archaic societies. Its answer, stated plainly, is that a gift is never free.

That is the opposite of how the word is used now. A free gift is the phrase on a cosmetics counter. A gift economy, in the popular version, is a place where people give without expecting anything back. Mauss found nothing of the kind. He found three obligations, binding as law: the obligation to give, the obligation to receive, and the obligation to give back. Refusing to give was a declaration of hostility. Refusing to receive was an insult. Failing to return was a loss of standing that could, in some of the societies he read about, cost a person their rank or their freedom.

Ecstatic Economics opens its own account of the gift on the same Trobriand beach and reaches a sentence that sounds, at first, like the popular version. "Wealth was not something you *had*. It was something you *moved*." Read closely, it is Mauss's point and not the cosmetics counter's. Movement is an obligation. The necklace has to leave.

This chapter sets out where the idea came from, corrects the two myths that have grown up around it, and follows it into economics, where George Akerlof gave it a name in 1982 that the discipline could not ignore.

What Mauss actually found

Mauss was Émile Durkheim's nephew and his closest collaborator, and the *Essai* is a sociologist's essay rather than a fieldworker's: he did not visit the islands. He read. That limitation matters, and later anthropologists have argued with his readings ever since, most famously over his interpretation of the Maori idea of the *hau*, the spirit he believed travelled with a gift and wanted to return home. But the central structure he drew has held for a century because it keeps turning up in places he never looked.

The three obligations are the structure.

The first, to give, is about entering relationship. A gift opens a line between two parties that did not exist before. It is an offer, and like any offer it carries risk: the giver has put something of value into the hands of someone who may not answer.

The second, to receive, is about accepting the line. Mauss gave examples where refusing a gift amounted to refusing the relationship and, with it, the peace. This is the obligation modern organisations neglect most, and the one this book returns to most often. A gift that is not received has not yet become part of any exchange. It is still sitting in the giver's hands, and the giver knows it.

The third, to reciprocate, is the one that makes the system run. A return gift, made later and usually not of the same thing, closes one loop and opens the next. The giver of the return becomes, for a time, the one who is owed. In this way the two parties remain in relationship, alternately creditor and debtor, for as long as they keep going.

The fourth element Mauss described is time. A gift is not a trade conducted slowly. The delay is the point. If the return comes at once, and in kind, the relationship has been settled and can end, as a purchase ends. If the return comes later, and in a different form, the parties remain in each other's debt, alternately, for as long as they keep going. A shop wants the account closed. A gift wants it open.

Ecstatic Economics draws the same contrast in the language of the body. "When you buy something in a market transaction," it asks, "what do you feel?" and answers that the transaction is complete and the strangers go their separate ways. The gift, by contrast, "creates a bond." Mauss would have said that the bond is an obligation, and that the warmth and the obligation are the same thing seen from inside and outside.

The anthropologist Mary Douglas, who wrote the foreword to the 1990 English translation, gave it the title "No free gifts", and argued that a gift which does nothing to bind people is a contradiction in terms.[3] That title is the correction this book starts from. The gift economy, read properly, is not an economy without strings. It is an economy made of them.

The barter myth, and the one beside it

A second myth sits next to the first, and it is older. It is the story most introductory economics textbooks still tell about the origin of money: first people bartered, a fish for a pot, then the inconvenience of finding someone who wanted your fish and had a pot led them to invent a medium of exchange. Adam Smith told a version of it in 1776. It is tidy, and the anthropological record does not support it.

The Cambridge anthropologist Caroline Humphrey, reviewing the evidence in 1985, wrote that no example of a barter economy, pure and simple, had ever been described, let alone the emergence from it of money.[4] Barter does occur, but mostly between strangers, or between people who expect never to meet again, or after money has collapsed. Inside a community, what the record shows is credit and gift: obligations remembered, returned later, in kind or otherwise. David Graeber built much of his 2011 book *Debt: The First 5,000 Years* on Humphrey's finding.[5]

The two myths share a shape. Both imagine an original economy of isolated individuals who owe each other nothing once a swap is done. The gift-economy myth romanticises that individual as a free giver. The barter myth makes the same individual a calculating trader. Mauss's evidence describes neither. It describes people who are already in relationship, and an economy that keeps them there.

This matters for a leader, and not as history. Both myths survive inside organisations. The barter myth survives in the belief that every contribution can, in principle, be priced, and that an unpriced contribution is a market failure waiting to be corrected. The gift myth survives in the belief that goodwill is boundless and costless, and can be drawn on indefinitely without being returned. Leaders who hold the first belief build incentive schemes that crowd out what they reward. Leaders who hold the second exhaust their most generous people and are surprised when those people leave. Both are making the same mistake about what a gift is.

Ecstatic Economics is careful on this point in a way the popular literature is not. "Gift economies were not utopias," it says. "The potlatch could be coercive — a form of competitive generosity that sometimes impoverished communities." And a few lines later, on what the book is and is not proposing: "We are not romanticizing." The practical question, it says, is not how to return to a gift economy, a question it calls "both historically impossible and intellectually lazy." It is how to reintroduce the gift principle into economies that have lost it.

That is the right question, and it is the one the rest of this book answers.

Akerlof and the cash posters

For most of the twentieth century, economists left the gift to the anthropologists. The labour market, in the standard model, was a market like any other: wages adjust until the number of people who want work equals the number of jobs, and anyone unemployed at that wage has chosen not to work at it. The model

had trouble explaining why, in real economies, firms paid more than they needed to and unemployment persisted.

In 1982 George Akerlof, who would share the Nobel Memorial Prize in Economic Sciences in 2001 for a different paper, published "Labor Contracts as Partial Gift Exchange" in the *Quarterly Journal of Economics*.[6] He began with a small sociological study. In 1953 the sociologist George Homans had described a group of young women working as cash posters at a utility company, recording customers' payments on ledger cards.[7] The company set a standard rate of work. The women consistently exceeded it, though their pay did not depend on doing so, and those who could have done less did not. Homans read their behaviour through the norms of the group. Akerlof read it as an exchange.

His proposal was that the firm and the workers trade gifts. The firm gives a wage above what the market would require, and above the minimum it could get away with. The workers give effort above the minimum the job requires, the standard below which they would be dismissed. Neither gift is enforced by the contract. Each is offered in the expectation, not the guarantee, of the other. And the size of each depends on what the group regards as a fair day's work for a fair day's pay.

The abstract puts the consequence in a sentence: "In order to affect those norms, firms may pay more than the market-clearing wage." Firms that do this form what Akerlof called the primary labour market. Firms that pay only the market rate form the secondary one. Unemployment persists because the gift wage is above the level that would clear the market, and firms paying it have reason not to cut it.

Two features of Akerlof's argument are easy to overlook and turn out to matter a great deal.

The first is that the gift is made to a group, and returned by a group. The cash posters did not each strike a private bargain with the firm. They shared a sense of what a fair day's work was, and that shared sense set the level of effort. A leader who thinks of discretionary effort as an individual's response to an individual incentive has missed the unit of analysis. Chapter 4 returns to this, because the laboratory evidence on reciprocity says the same thing in a different vocabulary.

The second is that the gift is relative to a reference point. A wage is a gift only if it exceeds what people expected, and what they expect depends on what they think is fair, which depends in turn on what others are paid, what the firm can afford and what it has paid before. The same wage can be a gift in one firm and an insult in another. That is why, as Chapter 5 shows, a firm that wants a wage to be received as a gift must first close any gap between what people are paid and what they believe they are owed. A gift laid on top of an unfairness is read as part of the unfairness.

Akerlof's paper was theory. It offered a reason for something observed and a mechanism that could be tested. It could not show, by itself, how strong the effect is, how long it lasts, or whether workers in a given firm read a higher wage as a gift at all. Those are empirical questions, and the experiments that tried to an-

swer them are the subject of the next three chapters. What the paper did was bring Mauss's third obligation into the centre of economics.

Why the obligation is the gift

There is a temptation, reading Mauss and Akerlof side by side, to see the obligation as the shadow of the gift: the gift is the good part, the obligation the cost. Santa Anna's book resists that reading, and so does the evidence.

Consider what happens when the obligation is removed. A gift that requires nothing in return, from a stranger, with no relationship before or after, is a transfer. Transfers are valuable, and some of the most important things a society does, such as relief after a disaster, are transfers. But they do not build anything between the parties. Mauss's whole argument is that the obligation to reciprocate is what turns a transfer into a relationship. Remove it, and what remains is charity or a handout, with the asymmetry of status that both carry.

The book's own working of this point is a sentence about circulation, set in italics: *"wealth that does not circulate is not wealth. Prosperity that does not connect is not prosperity. The gift must always move."* The last clause is Lewis Hyde's, from his 1983 book *The Gift*, and the book credits Hyde for it.[8] The first two are Santa Anna's, and they say the thing Mauss said in a different vocabulary. Circulation is not a nice extra on top of the gift. It is what the gift is.

In his unpublished book *Consciousness Is the New Oil*, Santa Anna gives the domestic version, and it is useful because it is so ordinary. "Think of a potluck dinner, where everyone brings a dish to share. No one keeps score, yet everyone leaves nourished—this is the essence of a gift economy." No one keeps score. But everyone brings a dish. A person who came to every potluck empty-handed would not be invited for long, and everyone at the table knows it without anyone saying so. The obligation is there, and it is held by the room rather than by a ledger.

This is the precise sense in which this book uses the gift. Not as the absence of exchange, and not as generosity in the abstract, but as an exchange whose terms are held by relationship rather than by enforcement, and whose returns come later, in kinds the giver does not specify. That is a demanding thing to design. It is also something firms and households already do, usually without noticing.

The two questions Mauss left open

Mauss left two questions that the twentieth century spent its time on.

The first was whether reciprocity is a feature of particular societies or a feature of people. The experimental economists of the 1990s, Ernst Fehr above all, took that question into the laboratory, and their answer is

the spine of Chapter 4. It turns out to be both: every group studied has reciprocity, and every group has its own setting for it.

The second was what happens when the gift meets the market: when a payment, a fine or a bonus is introduced into a relationship that ran on obligation. The answer is uncomfortable, and it is the subject of the next chapter.

For a leader, this chapter's practical point is narrow. Every organisation already runs a gift economy alongside its contracts. The discretionary effort, the favour between teams, the late call answered, the knowledge shared with a new colleague: none of it is in the contract, and all of it is returned or withheld according to whether the people giving it feel the line is open. The work is to see it. The tool below is a way to look.

The Trobriand necklace is still the image. It is valuable because it moves, and the person holding it knows the movement is owed.

The Tool: The Three Obligations Audit

A one-hour exercise for a leader with a team, or a household with its members. It names where the gift economy already runs, and where one of Mauss's three obligations has stopped.

Before you begin. Take a sheet of paper and draw three columns: *Give*, *Receive*, *Return*. Choose one relationship to audit: a team and its manager, two departments, a firm and its suppliers, two partners in a household, a parent and a grown child.

1 · List the gifts (15 minutes).Write down everything that passes between the two parties that is not required by contract, job description or explicit agreement. Be concrete: "she stays to finish the close on month-end without being asked"; "they send us the draft forecast before it is final"; "he cooks on Sundays". Aim for at least eight items in each direction.

2 · Mark the obligation each one is in (10 minutes).For every item, ask which of the three columns it currently sits in.- *Give*: offered, with no sign yet of whether it is received.- *Receive*: accepted and acknowledged, in words or in practice.- *Return*: has been answered, later and in some form, by the other party.Most items will sit in *Give*. That is the first finding.

3 · Find the stopped loops (10 minutes).Circle any item that has sat in *Give* for more than three months without being received or returned. These are the places where one party is still giving and the other has not noticed. Mauss would call this a relationship drifting toward insult. Write one line for each: what would receiving it look like?

4 · Find the refused gifts (10 minutes).List anything that was offered and declined, explicitly or by being ignored: an idea not taken up, help turned down, an invitation not answered. For each, write who refused and whether the refusal was ever explained. Unexplained refusals close lines.

5 · Find the return that has become a price (10 minutes).Mark any item where a gift was once answered by a gift but is now answered by a payment, a bonus, a rule or a tracking system. Note the date the change happened. The next chapter explains why this column matters most.

6 · Choose one loop to close (5 minutes).Pick one stopped loop from step 3. Decide one act of receiving: a specific acknowledgement, to a named person, this week, that names the gift exactly. Not a thank-you for "all your hard work", but "the forecast you sent on Tuesday let us move the order before the price changed".

Keep the sheet. Repeat the audit in a quarter. The number of items in *Return* is the measure.

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