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History: Where Western Civilization Took a Wrong Turn
By Michael Thursday, July 7, 2022 History of the Near East, Speeches No tags Permalink

A presentation to the Building bridges around David Graeber's legacy conference, Paris, Friday July 7, 2022

It may seem strange to invite an economist to give a keynote speech to a conference of the social sciences. Economists have been characterized as autistic and anti-social in the popular press for good reason. They are trained to think abstractly and use a priori deduction based on how they think societies should develop. Today's mainstream economists look at neoliberal privatization and free-market ideals as leading society's income and wealth to settle at an optimum equilibrium without any need for government regulation especially not of credit and debt.

The only role acknowledged for government is to enforce the "sanctity of contracts" and "security of property." By this they mean the enforcement of debt contracts, even when their enforcement expropriates large numbers of indebted homeowners and other property owners. That is the history of Rome. We are seeing the same debt dynamic at work today. Yet this basic approach has led mainstream economists to insist that civilization could and should have followed this pro-creditor policy from the very beginning.

The reality is that civilization could never have taken off if some free-market economist had got into a time machine and travelled back in time five thousand years to the Neolithic and Bronze Age. Suppose that he would have convinced ancient chieftains or rulers how to organize their trade, money and land tenure on the basis of "greed is good" and any public regulation is bad. If some Milton Friedman or Margaret Thatcher had persuaded Sumerian, Babylonian or other ancient rulers to follow today's neoliberal philosophy, civilization could not have developed. Economies would have polarized as Rome did, and as today's Western economies are doing. The citizens would have run away, or else backed a local reformer or revolutionist to overthrow the ruler who listened to such economic advice. Or, they would have defected to rival attackers who promised to cancel their debts, liberate the bondservants and redistribute the land.

Yet many generations of linguists, historians and even anthropologists have absorbed the economic discipline's anti-social individualistic world view and imagine that the world must always have been this way. Many of these non-economists have unwittingly adopt their prejudices and approach ancient as well as modern history with a bias. Our daily discourse is so bombarded with the insistence by recent American politicians that the world is dividing between "democracy" with "free markets" and "autocracy" with public regulation that there is much fantasy at work about early civilization.

David Graeber and I have sought to expand the consciousness of how different the world was before Western Civilization took the Roman track of pro-creditor oligarchies instead of palatial economies protecting the interests of the indebted population at large. At the time he published his Debt: The First Five Thousand Years in 2011, my Harvard group of assyriologists, Egyptologists and archaeologists was still in the process of writing the economic history of the ancient Near East in a way that was radically different from how most of the public imagined it to have occurred. David's and my emphasis on how royal Clean Slate proclamations cancelling debts, liberating bond-servants and redistributing the land were a normal and expected role of Mesopotamian rulers and Egyptian pharaohs was still not believed at that time. It seemed impossible that such Clean Slates were what preserved liberty for the citizenry.

David Graeber's book summarized my survey of royal debt cancellation in the ancient Near East to show that interest-bearing debt originally was adopted with checks and balances to prevent it from polarizing society between creditors and debtors. In fact, he pointed out that the strains created by the emergence of monetary wealth in personal hands led to an economic and social crisis that shaped the emergence of the great religious and social reformers.

As he summarized "the core period of Jasper's Axial age ... corresponds almost exactly to the period in which coinage was invented. What's more, the three parts of the world where coins were first invented were also the very parts of the world where those sages lived; in fact, they became the epicenters of Axial Age religious and philosophical creativity." Buddha, Lao-Tzu and Confucius all sought to create a social context in which to embed the economy. There was no concept of letting "markets work" to allocate wealth and income without any idea of how wealth and income would be spent.

All ancient societies had a mistrust of wealth, above all monetary and financial wealth in creditor hands, because it generally tended to be accumulated at the expense of society at large. Anthropologists have found this to be a characteristic of low-income societies in general.

Toynbee characterized history as a long unfolding dynamic of challenges and responses to the central concerns that shape civilizations. The major challenge has been economic in character: who would benefit from the surpluses gained as trade and production increase in scale and become increasingly specialized and monetized. Above all, how would society organize the credit and debt that was necessary for specialization of economic activities to occur and between "public" and "private" functions?

Nearly all early societies had a central authority in charge of distributing how the surplus was invested in a way that promoted overall economic welfare. The great challenge was to prevent credit leading to debts being paid in a way that impoverished the citizenry, e.g., through personal debt and usury and more than temporary loss of freedom (from bondage or exile) or land tenure rights.

The great problem that the Bronze Age Near East solved but classical antiquity and Western civilization have not solved was how to cope with debts being paid especially at interest without polarizing economies between creditors and debtors, and ultimately impoverishing the economy by reducing most of the population to debt dependency. Merchants engaged in trade, both for themselves and as agents for palace rulers. Who would get the profits? And how would credit be provided but kept in line with the ability to be paid?

Public vs. private theories of how land tenure originated

Ancient societies rested on an agricultural base. The first and most basic problem for society to solve was how to assign land tenure. Even families who lived in towns that were being built up around temples and civic ceremonial and administrative centers were allocated self-support land much like Russians have dachas, where most of their food was grown in Soviet times.

In analyzing the origins of land tenure, like every economic phenomenon, we find two approaches. On the one hand is a scenario where land is allocated by the community in exchange for corvée labor obligations and service in the military. On the other hand is an individualistic scenario in which land tenure originated by individuals acting spontaneously by themselves clearing land, make it their own property and producing handicrafts or other products (even metal to use as money!) to exchange with each other.

This latter individualistic view of land tenure has been popularized ever since John Locke imagined individuals setting out to clear the land apparently vacant wooded land with their own labor (and presumably that of their wives). That effort established their ownership to it and its crop yield. Some families would have more land than others, either because they were stronger at clearing it or had a larger family to help them. And there was enough land for everyone to clear ground for planting crops.

In this view there is no need for any community to be involved, not even to protect themselves from miliary attack or for mutual aid in times of flood or other problems. And there is no need for credit to be involved although in antiquity that was the main lever distorting the distribution of land by transferring its ownership to wealthy creditors

At some point in history, to be sure, this theory sees governments enter the picture. Perhaps they took the form of invading armies, which is how the Norman ancestors of landlords in John Locke's day acquired English land. And as in England, the rulers would have forced landholders to pay part of their crops in taxes and provide military service. In any case, the role of government was recognized only as "interfering" with the cultivator's right to use the crop as he saw fit presumably to trade for things that he needed, made by families in their own workshops.

My Harvard-sponsored group of assyriologists, Egyptologists and archaeologists have found an entirely different genesis of land tenure. Land rights seem to have been assigned in standardized plots in terms of their crop yield. To provide food for these community members, late Neolithic and early Bronze Age communities from Mesopotamia to Egypt allocated land to families in proportion to what they needed to live on and how much they could turn over to the palace authorities.

This tax yield turned over to palace collectors was the original economic rent. Land tenure came as part of a quid pro quo with a fiscal obligation to provide labor services at designated times of the year, and to serve in the military. It thus was taxation that created land-tenure rights, not the other way around. Land was social in character, not individualistic. And government's role was that of coordinator, organizer and forward planner, not merely predatory and extractive.

Public vs. private origins of money

How did early societies organize the exchange of crops for products and most important, to pay taxes and debts? Was it simply a spontaneous world of individuals "trucking and bartering," as Adam Smith put it? Prices no doubt would have varied radically as individuals had no basic reference to cost of production or degrees of need. What happened as some individuals became traders, taking what they produced (or other peoples' products on consignment) to make a profit. If they traveled large distances, were caravans or ships needed and the protection of large groups? Would such groups have been protected by their communities? Did supply and demand play a role? And most important, how did money emerge as a common denominator to set prices for what was traded or paid in taxes and to settle debts?

A century after Adam Smith, the Austrian economist Anton Menger developed a fantasy about how and why ancient individuals may have preferred to hold their savings in the form of metals mainly silver but also copper, bronze or gold. The advantage of metal was said to be that it did not spoil (in contrast to grain carried around in one's pocket, for instance). It also was assumed to be of uniform quality. So pieces of metal money gradually became the medium by which other products came to be measured as they were bartered in exchange in markets in which governments played no role at all!

The fact that this Austrian theory has been taught now for nearly a century and a half is an indication of how gullible economists are willing to accept a fantasy at odds with all historical records from everywhere in recorded world history. To start with, silver and other metals are not at all of uniform quality. Counterfeiting is age-old, but individualist theories ignore the role of fraud and hence, the need for public authority to prevent it. That blind spot is why U.S. Federal Reserve Chairman Alan Greenspan was so unprepared to cope with the massive junk-mortgage bank crisis peaking in 2008. Wherever money is involved, fraud is omnipresent.

That's what happens in unregulated markets as we can see from today's bank frauds, tax evasion and crime that pays very, very well. Without a strong government to protect society against fraud, lawbreaking, the use of force and exploitation, societies will polarize and become poorer. For obvious reasons the beneficiaries of these grabs seek to weaken regulatory power and the ability to prevent such grabitization.

To avoid monetary fraud, silver and subsequently gold coinage from Bronze Age Mesopotamia down through classical Greece and Rome was minted in temples to sanctify their standardized quality. That is why our word for money comes from Rome's temple of Juno Moneta, where Rome's coinage was struck. Thousands of years before bullion was coined, it was provided in metal strips, bracelets and other forms minted in temples, at standardized alloy proportions.

Purity of metals is not the only problem with using bullion money. The immediate problem that would have confronted anyone exchanging products for silver is how to weigh and measure what was being bought and sold and also to pay taxes and debts. From Babylonia to the Bible we find denunciations against merchants using false weights and measures. Taxes involve a role of government, and in all archaic societies it was the temples that oversaw weights and measures as well as the purity of metallic metals. And the denomination of weights and measures indicate their origin in the public sector: fractions divided into 60ths in Mesopotamia, and 12ths in Rome.

Trade in basic essentials had standardized customary prices or payments to the palaces or temples. Taxes and debts were the most important used for money. That reflects the fact that "money" in the form of designated commodities was needed mainly to pay taxes or buy products from the palaces or temples and, at the end of the harvesting season, to pay debts to settle such purchases.

Today's neoliberal economic mainstream has created a fairy tale about civilization existing without any regulatory oversight or productive role for government, and without any need to levy taxes to provide basic social services such as public construction or even service in the military. There is no need to prevent fraud, or violent seizure of property or the forfeiture of land tenure rights to creditors as a result of debts. But as Balzac noted, most great family fortunes have been the result of some great theft, lost in the mists of time and legitimized over the centuries, as if it were all natural.

These blind spots are necessary to defend the idea of "free markets" controlled by the wealthy, above all by creditors. This is claimed to be for the best, and how society should be run. That is why today's New Cold War is being fought by neoliberals against socialism fought with violence, and by excluding the study of history from the academic economics curriculum and hence from the consciousness of the public at large. As Rosa Luxemburg put it, the fight is between socialism and barbarism.

Public vs. private origins of interest-bearing debt
Interest rates were regulated and stable for many centuries on end. The key was ease of calculation: 10th, 12th or 60th.

Babylonian scribes were trained to calculate any rate of interest as a doubling time. Debts grew exponentially; but scribal students also were taught that herds of cattle and other material economic output tapered off in an S-curve. That is why compound interest was prohibited. It also was why it was necessary to cancel debts periodically.

If rulers had not cancelled debts, the ancient world's takeoff would have prematurely suffered the kind of decline and fall that impoverished Rome's citizenry and led to the decline and fall of its Republic leaving a legal system of pro-creditor laws to shape subsequent Western civilization.

What makes Western civilization distinctly Western? Has it all been a detour?
Civilization could not have developed if a modern Milton Friedman or kindred Economics Nobel Prize winner had gone back in time and convinced Hammurabi or the Egyptian pharaoh to just let individuals act by themselves and let wealthy creditors reduce debtors to bondage and then to use their labor as an army to overthrow the kings and take over government for themselves, creating a Roman-style oligarchy. That is what Byzantine families tried to do in the 9th and 10th centuries.

If the "free enterprise" boys had their way there would have been no temple coinage or oversight of weights and measures. Land would belong to whomever could grab, foreclose on or conquer it. Interest would have reflected whatever a wealthy merchant could force a needy cultivator to pay. But to economists, everything that occurs is a matter of "choice." As if there is no outright need to eat or to pay.

An economic Nobel Prize was awarded to Douglass North for claiming that economic progress today and indeed throughout all history has been based on the "security of contracts" and property rights. By this he means the priority of creditor claims to foreclose on the property of debtors. These are the property rights to create latifundia and reduce populations to debt peonage.

No archaic civilization could have survived for long by following this path. And Rome did not survive by instituting what has become the distinguishing feature of Western Civilization: giving control of government and its lawmaking to a wealthy creditor class monopolizing the land and property.

If an ancient society had done this, economic life would have been impoverished. Most of the population would have run away. Or else, the Thatcherite/Chicago School elite would have been overthrown. The wealthy families that sponsored this grabitization would have been exiled, as occurred in many Greek cities in the 7th and 6th centuries BC. Or, discontented populations would have walked out and/or threatened to defect to foreign troops promising to free the bondservants, cancel their debts and redistribute the land, as occurred with Rome's Secessions of the Plebs in the 5th and 4th centuries BC.

So we are brought back to David Graeber's point that the great reformers of Eurasia rose at the same time that economies were becoming monetized and increasingly privatized an epoch in which wealthy families were increasing their influence over how city-states were run. Not only the great religious reformers but the leading Greek philosophers, poets and dramatists explained how wealth is addictive, and leads to hubris that leads them to seek wealth in ways that injure others.

Looking over the sweep of ancient history, we can see that the main objective of rulers from Babylonia to South Asia and East Asia was to prevent a mercantile and creditor oligarchy from emerging and concentrating ownership of land in their own hands. Their implicit business plan was to reduce the population at large to clientage, debt bondage and serfdom.

That is what occurred in the West, in Rome. And we are still living in the aftermath. Throughout the West today, our legal system remains pro-creditor, not in favor of the indebted population at large. That is why personal debts, corporate debts, public debts and the international debts of Global South countries have mounted up to crisis conditions threatening to lock economies into a prolonged debt deflation and depression.

It was to protest this that David helped organize Occupy Wall Street. It is obvious that we are dealing not only with an increasingly aggressive financial sector, but that it has created a false history, a false consciousness designed to deter revolt by claiming that There Is No Alternative (TINA).

Where Western civilization went wrong
We have two diametrically opposed scenarios depicting how the most basic economic relationships came into being. On the one hand, we see Near Eastern and Asian societies organized to maintaining social balance by keeping debt relations and mercantile wealth subordinate to the public welfare. That aim characterized archaic society and non-Western societies.

But the Western periphery, in the Aegean and Mediterranean, lacked the Near Eastern tradition of "divine kingship" and Asian religious traditions. This vacuum enabled a wealthy creditor oligarchy to take power and concentrate land and property ownership in its own hands. For public relations purposes, it claimed to be a "democracy" and denounced any protective government regulation as being, by definition, "autocracy."

Western tradition indeed lacks a policy subordinating wealth to overall economic growth. The West has no strong government checks to prevent a wealth-addicted oligarchy from emerging to make itself into a hereditary aristocracy. Making debtors and clients into a hereditary class, dependent on wealthy creditors, is what todays economists call a "free market." It is one without public checks and balances against inequality, fraud or privatization of the public domain.

It may seem amazing to some future historian that the political and intellectual leaders of today's world hold such individualistic neoliberal fantasies that archaic society "should" have developed in this way without recognizing that this is how Rome's oligarchic Republic did indeed develop, leading to its inevitable decline and fall.

Bronze Age debt cancellations and modern cognitive dissonance

So we are led back to why I was invited to speak here today. David Graeber wrote in his Debt book that he was seeking to popularize my Harvard group's documentation that debt cancellations did indeed exist and were not simply literary utopian exercises. His book helped make debt a public issue, as did his efforts in the Occupy Wall Street movement.

The Obama administration backed police breaking up the OWS encampments and did everything possible to destroy awareness of the debt problems plaguing the U.S. and foreign economies. And not only the mainstream media but also academic orthodoxy circled their wagons against even the thought that debts could be written down and indeed needed to be written down to prevent economies from falling into depression.

That neoliberal pro-creditor ethic is the root of today's New Cold War. When President Biden describes this great world conflict aimed at isolating China, Russia, India, Iran and their Eurasian trading partners, he characterizes this as an existential struggle between "democracy" and "autocracy."

By "democracy" he means oligarchy. And by "autocracy" he means any government strong enough to prevent a financial oligarchy from taking over government and society and imposing neoliberal rules by force. The ideal is to make the rest of the world look like Boris Yeltsin's Russia, where American neoliberals had a free hand in stripping away all public ownership of land, mineral rights and basic public utilities.