

Privatization: Economic Progress—or Devolution?

by Dr. Michael Hudson

Pots and statues from antiquity do not tell much about social institutions that produced them. Bronze Age written records are laconic, consisting mainly of receipts and accounts from the public temples and palaces; such documents take their economic context for granted, rather than explaining it. Nevertheless, much important research is being done by scholars trying to infer a plausible context for just what kinds of societies made those transactions within the temples, palaces and private households. Their conclusions, presented at the recent N.Y.U. symposium, stand at odds with many now-orthodox economic assumptions.

The symposium found general agreement that from Bronze Age Mesopotamia down through biblical times in the Levant, classical Greece and Rome, each society progressed through broadly similar (but by no means identical) experiences as they commercialized their economic life. The "wild card" proved to be how they handled interest-bearing debt, and the limits they placed on debt bondage and forfeiture of the land to foreclosing creditors.

In antiquity, as today, debt was the major economic lever of privatization. But whereas today's privatizations stem mainly from public debt pressures forcing governments to sell off lands and forests, mineral resources and public utilities, there were no public debts in antiquity. Temples and the palace typically were creditors, especially in Bronze Age Mesopotamia. However, private debts with the land pledged as collateral led to its forfeiture for arrears. Personal indebtedness catalyzed the process of transferring subsistence lands to absentee owners, even in an epoch when the outright sale or alienation of land was prohibited.

Economists have long been notorious for taking private property as an elemental and original institution in human experience. This assumption is a carry-over of the Social Contract theories of John Locke and Adam Smith. No role is played in these theories by the idea of land originally held by communal groupings and allocated to members who bore a military responsibility and other public obligations attached to the land. Whatever does not belong to the palaces and temples has generally been deemed "private" *ipso facto*. Yet the idea of private property as understood in modern times developed relatively late.

The temples of Sumer (and in time, the palaces) were the major profit-seeking entities. All the basic elements of modern enterprise—including the charging of land-rent and interest, developing standardized production runs, weights and measures, and monetary exchange standards—were innovated by the Sumerian temples in the fourth and third millennia BC. The non-public communal sector, meanwhile, functioned mainly on a subsistence basis.

Why were entrepreneurial techniques first developed by public institutions, above all by the Sumerian temples? Indeed, why was there public enterprise in the first place, rather than autonomous private enterprise to be taxed or otherwise made subject to social overrides? Why did civilization take the seeming detour represented by the Sumerian temples and, later, the palaces?

The fact that the first commercially organized enterprise is found in Sumer's temples as early as the fourth millennium BC indicates that the state is not inherently antithetical to private property. It seems that public enterprise was needed as a catalyst.

Evidently some social blocks had to be overcome by creating the techniques of commercial enterprise—rent-yielding land, interest-bearing debt, account-keeping and production planning—to generate economic surpluses at least nominally for the community at large (in Sumer's case, the city-temple) rather than for purely personal gain. This community-wide social purpose is what seems to have made gain-seeking socially acceptable; in traditionally organized chiefdoms it was considered "bad manners" to take a surplus for oneself. Sumerian cities needed to generate exports to obtain foreign metals, stone and other

Part I raw materials. The city-temples solved this problem by putting widows and orphans, the sick and infirm to work in temple weaving workshops and other public welfare/workfare hierarchies.

Every early society ended up privatizing its land, industry and credit systems. Some did this in ways that protected traditional social values of equity and freedom; others, such as Rome, did it in such a way as to polarize and indeed, pauperize its society.

Three types of landed property emerged in southern Mesopotamia's cradle of enterprise: communal land (periodically reallocated according to widespread custom); temple land endowments, sanctified and inalienable; and palace lands, acquired either by royal conquest or direct purchase (and often given to relatives or other supporters). Of these three categories of land, "private" property (alienable, subject to market sale without repurchase rights by the sellers, their relatives or neighbors) is first found emerging within the palace sector. From here it gradually proliferated through the public bureaucracy, among royal collectors and the Babylonian *damgar*, "merchants." However, it took many centuries for communal sanctions to be dissolved so as to allow the new appropriator to use it as he wished, free of royal or communal oversight.

Modern advocates of private enterprise argue that gain-seeking individuals manage resources more efficiently than do public agencies. Yet no such economic rationale was developed to support antiquity's property transfers. Just the opposite: For century after century the acquisition of land by public officials or merchants was reversed repeatedly and indeed, almost regularly, by royal Clean Slates cancelling personal debts (including back taxes) and returning the land to its traditional holders. Rulers sought to maintain a free land-tenured body of citizens to serve in the infantry and provide *corvée* labor services. Loss of land rights would have meant a loss of citizenship and also military rank. Hence, rulers had an interest in avoiding social polarization between large landholders and uprooted landless individuals. Clean Slates also deterred the consolidation of a wealthy aristocracy as economic rivals to the palace.

In Roman times the Stoics denounced personal gain-seeking, hoping to return to what they imagined to have been a Golden Age—the Bronze Age—of social altruism. But by late antiquity the memory of royal Clean Slates to restore economic order and equity had faded. The rich themselves were Stoics, and although they tended to preach in favor of a return to a broader distribution of land and economic self-reliance, they did not actively back this in practice. Pliny claimed that the vast *latifundia* estates had ruined Italy, much as Isaiah (5:8f.), a half-millennium earlier, had decried the great landlords "who add house to house and join field to field, till no space is left and you live alone in the land." But as Christianity became the "political correctness" of its day, it removed the Judaic Jubilee Year from its original Near Eastern context, postponing it until the Day of Judgment. This effectively turned the Pentateuch's core of debt and land-tenure legislation into a utopian, even otherworldly ideal.

Why were the warnings of Isaiah and Pliny not heeded? Why were they on the losing side? Was there a choice? The answers are to be found

SUMER	3500 BC
Early Dynastic	
2700	
Sargonic	
2400	
Ur III	
BABYLONIA	2000
Isin-Larsa	
1800	
Babylonian	
NUZI	1600
UGARIT,	1200
MYCENAEAN	
PALACES	
CLASSICAL	800
GREECE	Athens
ROME	500

more in the forces of social power than in a reasoned economic rationale. Throughout antiquity, political and military forces were deemed more important to social efficiency than economic ones. Land traditionally was to be used to support a self-sufficient citizenry, which originally comprised the armed forces and supplied public labor services. Yet from Bronze Age Babylonia through the Roman empire, privatization led to fiscal, economic and military collapse as local subsistence lands were cut away by outsiders (creditors, royal collectors, war chieftains and merchants.)

Babylonian texts illustrated how rapidly debts mounted out at the customary 20% interest rate, doubling in five years—and multiplying 64 times every 30 years. Rulers such as Hammurapi who lived long enough to celebrate their 30th anniversary on the throne proclaimed Clean Slates, as they did at the first New Year festival after they took the throne (and when circumstances warranted it at other times).

In antiquity, therefore, the public sector was not the enemy of economic freedom and private enterprise. Not only did most of civilization's entrepreneurial techniques begin in the Sumerian temples, but rulers preserved widespread economic liberty by periodically annulling the overgrowth of agrarian debt, freeing debt bondmen and

restoring to their customary holders lands (and hence, citizenship status) that had been forfeited for debt arrears. The policy finds its final expression in the Biblical Jubilee Year of Leviticus (ch. 25). What hitherto was a royal act was sanctified as the centerpiece of Judaic religion. The Jubilee Year restored the *status quo ante* by wiping out the overgrowth of agrarian debt, freeing debt bondmen, and restoring subsistence lands to the cultivators who had forfeited them to creditors. In these respects, Biblical economic law represents the last major repository of Bronze Age Near Eastern practices.

One result of privatization of the land was a rural exodus of men uprooted from their land. In 18th-century England this rural exodus following the enclosures of the commons provided a key element of the Industrial Revolution, in the form of cheap urban labor. But in archaic times there was little industrial wage labor market.

Manual labor in Mesopotamia's temples and palaces was composed of persons who could not make a go of things on the land, mainly because of physical infirmity or the misfortune of having lost their husbands and/or fathers through war, and not been incorporated into the households of relatives. (Skilled craftsmen were formed into company-type unions run by the palace, not by the craftsmen themselves.) Much of the displaced labor joined floating vagrant bands of migratory workers who either found work as mercenaries or became *hapiru* (landless poor, c. 1600-1400 BC) pressing out of Mesopotamia into the Levant. Thus, the result of rural uprooting was to create a military force, unlike the industrial labor force found in post-feudal Europe.

Privatization represented more than merely a shift of resources from public to private hands. This shift went hand in hand with economic polarization, fiscal crises, and the inability to field an army of land-tenured soldiers. Often the process involved civil warfare, such as the overthrowing of landed aristocracies by popular tyrants in 7th-century BC Greece, the popular walkout in Judah under Zedekiah (*cf.* Jer. 34; c.590 BC), contemporary to Solon's cancelling the rural debts and banning debt-slavery in Athens in 594 BC, and the reputed refusal

by Romans to fight behind Coriolanus until their debts were annulled or they were promised lands of their own.

Privatization in feudal Europe often took the form of seizure of lands by individuals through force or legal stealth (as in England's enclosures of the Commons), but there is little evidence of this in the Bronze Age. There were three major types of privatization, each with its own set of dynamics.

The first real "privatizer" turns out to have been the palace ruler. Rulers acted in an ambiguous capacity, treating royal property—and even that of the temples, which they took over in time—as their own, giving it to family members and supporters. In this respect "private" property, disposed of at the discretion of its holder, can be said to have started at the top of the social pyramid, in the palace, and spread down through the royal bureaucracy (including *damgar* "merchants" in Babylonia) to the population at large.

Bronze Age Mesopotamian rulers are found acquiring property mainly by purchase (with tribute money), but royal appropriation of land within the ruler's own community was strictly circumscribed. When the Israelite king Ahab sought to obtain Naboth's vineyard, for instance, he was constrained to operate within the bounds of popular tradition, dictating that kings could obtain property only by voluntary sale, or by confiscating it as punishment for a capital crime.

A derivative form of private ownership developed as rulers gave away land to family members (as dowries), or companions, mainly military leaders in exchange for their support. The recipients of this land tended to free themselves from the conditions placed on what they could do with the land and the fiscal obligations associated with such land. As early as the Bronze Age, such properties and their rents are found managed autonomously from the rest of the land. Likewise, the modern system of private landholding was catalyzed after England's kings assigned property to the barons in exchange for military and fiscal levies which the barons strove to shed, as can be traced from the Magna Carta in 1215 through the Uprising of the Barons in 1258-65.

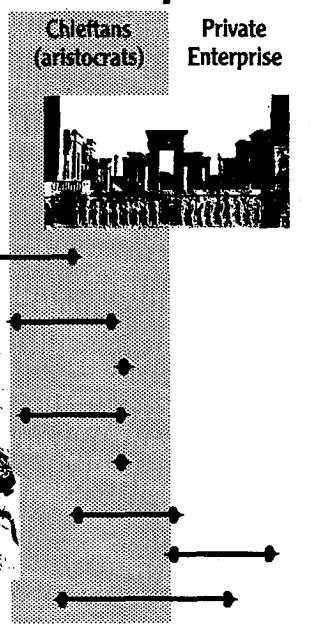
Much as modern privatization (de-accessioning national patrimonial assets) often follows from the collapse of centralized governments, as in the former socialist states and third world kleptocracies, so in antiquity the dynamic tended to follow from a falling apart of centralized palace rule. Royal properties were seized by new warlords, or sometimes simply kept by the former royal managers, e.g. the Mycenaean *basilae*, not unlike how Russia's bureaucrats (the *nomenklatura*) have privatized Soviet factories and other properties in their own names.

A third kind of privatization occurred in the case of communal lands obtained by public collectors and merchants—above all through the process of interest-bearing debt and subsequent foreclosure. Ultimately, subsistence lands in the commons passed into the market, to be bought by those who had surplus to invest.

As private creditors and merchants appropriated the land in each region, they did not themselves take on the *corvée* labor, military or tax obligations, but shifted these onto the expropriated sectors of the population. Antiquity's privatizations thus went hand in hand with a fiscal crisis not unlike those of modern-day America and Britain, Latin America and the former Soviet sphere. Landlords managed to cast off the social obligations originally attached to their property, starving the public sector for funds. The fiscal problem was aggravated by the fact that the public sector was no longer self supporting as industrial enterprise passed out of the large public institutions (the Sumerian temples, emulated by the palace workshops in northern Mesopotamia and the Levant).

It is at this point that states were obliged to begin taxing the population. The taxes were used to hire mercenaries in place of the peasantry that was losing its lands (most notoriously in Rome), and to purchase from private suppliers the services and goods that formerly were produced by public institutions and the community's land.

Locus of Enterprise



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