

Privatization: Economic Progress — or Devolution? by Dr. Michael Hudson

The problems caused by debt and privatization have long been known. They are the central points of the economic history of Rome as written by Livy and Dionysius of Hallicarnassus, and they are the central points of Solon's Athens and Lycurgan Greece as told by Plutarch, Aristotle and other early historians. They are also the core of biblical law, as well as forming the centerpiece for Hammurapi's laws, c. 1750 BC, and those of earlier rulers. However, what long have seemed to be ancient records actually were, in their own time, relatively late reconstructions. Thus the story of debt and privatization has come to be rewritten on the basis of what can be more securely confirmed by modern historiography.

During the early centuries of privatization there was no "market economy," in the sense of an economy whose resources are allocated by price-clearing, self-equilibrating markets. Interest rates and rent rates remained fixed for centuries. When adjustments were made, they were more by royal, religious or political intervention than by commercial forces.

The new archaeological reading confirms that land tenure and the collection of land-rent were the most important economic phenomena of every ancient society, along with the attaching of interest-bearing debt claims to the land. This central role of *rentier* income (rent and mortgage interest) is hardly surprising in view of the fact that the land was the basic resource producing the crop surplus which in turn was converted into industrial handicraft labor and output, military power, public infrastructure work and the accumulation of monetary treasure.

A second dynamic at work was a phenomenon that also disturbs today's third-world economies: monopolization of the land in the hands of absentee commercial owners displacing self-supporting food-growers. This was at least as problematic in antiquity as it was in the case of the England's enclosures of the commons from the 16th to 18th centuries of our modern era. After about 1600 BC, many became landless *hapiru*, migrant seasonal laborers who doubled as mercenaries and formed themselves into bands troubling the Levant for two hundred years or so. In Greece and Rome, the displacement of cultivators by absentee owners led to the planting of luxury export crops, mainly olive trees and grape vineyards on large plantations worked increasingly by slaves. By Roman times the expropriated cultivators and their heirs formed part of the urban masses who turned the ancient cities into net economic drains.

Land monopolization and debt polarization intensified over the course of antiquity, aggravated by three major factors. First, archaic safeguards preserving communal land tenure broke down, especially as the privatizers grew more powerful and ended up unseating central palace rulers. (Indeed, by the time of classical antiquity, public officials were pledging *not* to cancel the debts and redistribute the land!) Second, there were fewer and fewer royal Clean Slates, and these seem not to have been enforced as effectively as they were in Bronze Age Sumer and Babylonia. Finally, perhaps the most powerful dynamic of all was the fact that armies came to depend more on mercenaries than on free domestic cultivators.

In antiquity, as today, economic progress was associated with poverty. What is now clear is that the very idea of progress—the irreversible arrow of time—represented an oligarchic refusal to periodically restore economic order and equity. Ultimately at issue was the idea of cyclical time restoring economic balance and equity rather than irreversible economic

Part II

On Nov. 17-18, 1994, a colloquium on Privatization in the Ancient Near East and Classical World was held at New York University.

The conference, jointly sponsored by the Henry George School and NYU's Skirball Dept. of Hebrew and Judaic Studies, traced the dynamics of privatization through its first three thousand years, 3500-500 BC, from Bronze Age Mesopotamia through Biblical and classical times. We continue Dr. Hudson's overview of the historical dynamics of privatization.

polarization. The fact that royal Clean Slates long were proclaimed afresh by each ruler showed a recognition that market developments, if left alone, did not lead to economic balance but to just the reverse—a concentration of land and other wealth in the hands of creditors, public officials and war chieftains. Quite apart from any religious conviction to promote social equity and righteousness, rulers had a concrete interest in alleviating poverty. To have permitted cultivators to lose their lands to creditors and merchants would have been to exclude these cultivators both from the obligation to provide public *corvée* labor—and from the army. Such a society would have suffered emigration and other depopulation, or military defeat by rival communities. This is what we see in the Hellenistic and Roman periods at the end of antiquity (*viz.* Sparta at the end of the third century BC, and Rome at the hands of the northern invaders in the fourth century of our modern era).

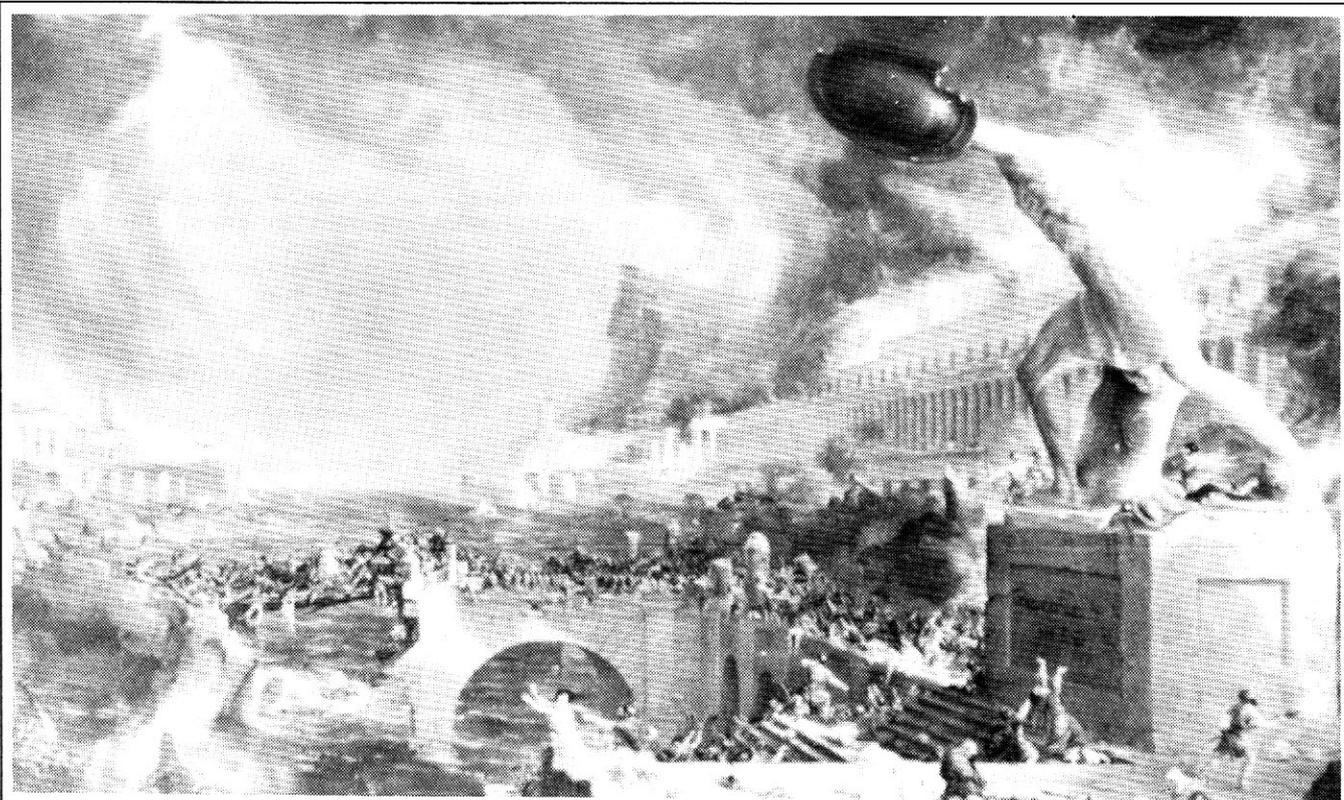
It was in response to these impoverishing tendencies that Judaism sanctified the economic legislation that survives today as the core of Biblical law. The Pentateuch took the idea of social equity out of the hands of rulers and made them the core of its religious commandments, given to Moses himself, whose story—along with that of the conquest and settlement of Israel—was elaborated into a foundation myth as a literary vehicle for the laws concerning the land and rural usury. In this way the spirit first found in the Mesopotamian response to privatization of the land passed into Christianity and subsequent European tradition. Indeed, biblical stories such as that of Naboth and his vineyard became rallying points for social reformers down through European feudal times to modern-day liberation theology.

In classical Rome, debt-strangulation and monopolization of the land led to the great *latifundia* estates that Pliny blamed for ruining Italy. Roman society in the Western (European) half of the empire saw interest-bearing debt disappear along with the money economy. The Christian Church condemned usury outright—as in the Mosaic laws of Exodus—while outright slavery was replaced by serfdom.

One can look at modern Western civilization as having been shaped by the particular way in which Rome's imperial economy collapsed. Its oligarchic spirit left a legacy of property-based law that has continued to shape European civilization since it emerged from feudalism. In the end, it was the force of Roman civil legal principles that dominated the Judaic laws in shaping Christianity, in contrast to the earlier cyclical overrides to the land's privatization and monopolization.

Ironically, although the dynamics of privatizing the land and its consequent monopolization inspired the economic core of biblical laws, this core is all but ignored today. Few people would think of applying biblical injunctions to modern debt and privatization policies. Despite the importance of the land question for the early history of civilization down through the present, the subject tends to be ignored in the curricula taught in this country. Most economists identify land with capital in general. Historians also tend to ignore the role played by land, despite the central role that land tenure and debt play in the Bible, and the role of the rural exodus down through the Industrial Revolution in providing mercenary armies, an industrial labor force, or urban slums.

The privatization of land-rent in particular has had major fiscal consequences. The particular way in which the land has been privatized over time has ultimately shaped civilizations' distribution of wealth and income, their patterns of urbanization and of freedom



"The Course of Empire: Destruction" by Thomas Cole (1836)

and slavery, and ultimately their rise and fall. It is also shown to be a fundamental influence on their religious responses to the economic imbalances associated with privatization.

In Europe, royal appropriation occurred through military conquest, and subsequently by a rewriting of communal law into property-based law in response to the enclosure movement which gained momentum in the 16th century. In 1552, Bernard Gilpin preached a sermon before England's King Edward VI defending the plight of the peasant:

Be the poor man's cause never so manifest, the rich shall for money find six or seven Councillors that shall stand with subtleties and sophisms to cloak an evil matter and hide a known truth. Such boldness have the covetous cormorants that now their robberies, extortion and open oppression, have no end or limits. No banks can keep their violence. As for turning poor men out of their holdings, they take it for no offence, but say their land is their own, and they turn them out of their shrouds like mice.... They have such quick smelling hounds, they can lie in London, and turn men out of their farms and tenements, an hundred, some two hundred miles off. When wicked Ahab hunted after Naboth's vineyard he could not, though he were a King, obtain that prey until cursed Jezebel took the matter in hand, so hard a thing it was then to wring a poor man from his father's inheritance, which now a mean man will take in hand.

Gilpin's sermon shows the importance of biblical traditions in the midst of Europe's peasant wars which followed discovery of the New World and the monetary inflation of the 16th century that transformed traditional systems of land tenure, and hence the rural/urban and royal/aristocratic balance. Gilpin was no radical criticizing England's social center from without. His spirit was echoed in the official prayer from Edward VI's prayer book, recalling the spirit of the great Old Testament prophets:

We heartily pray thee to send thy Holy Spirit into the hearts of them that possess the grounds and dwelling places of the

earth, that they, remembering themselves to be thy tenants, may not rack and stretch out the rents of their houses and lands, nor yet take unreasonable fines and incomes after the manner of covetous worldlings but let them out to other, that the inhabitants thereof may both be able to pay the rents, and also honestly to live, to nourish their families, and to relieve the poor....

These ideas reflected the Mosaic laws enjoining the Israelites not to dispossess their brethren or charge them usury, "For remember, ye are all tenants in the land." But we all know how matters worked out. As the Georgist economic historian Francis Nielson has summarized: "In the reign of Charles II the landlords succeeded in shifting their burdens from their shoulders and began the process of placing them upon those of the poor. Indirect taxation in the form of excise duties was introduced..." (1944:306)

By viewing history as a set of object lessons to study the broad range of dynamics set in motion by privatization of the land, industry and credit—and ultimately of culture—the NYU symposium has defined a research agenda for the remainder of the decade. It has shown that privatization is more than just a shift in ownership from public to individual holders; it connotes a shift of social costs and other burdens from landlords and creditors onto the shoulders of the population at large.

The question to be addressed by modern studies of privatization is whether today's resource owners and creditors will act differently from those of antiquity. Will they invest their revenue productively, or merely attach this income as interest-bearing debt to property, stripping assets in foreclosure proceedings and distress sell-offs rather than investing directly to bring new productive powers into being? Will landlords and creditors ultimately prove more efficient than public agencies in overseeing society's land, natural resources and other means of production? Or will they shed their tax obligations and create a new fiscal crisis, as they have done so often over the millennia?