

## MARKET BEHAVIOUR IN THE ANCIENT WORLD: AN OVERVIEW OF THE DEBATE

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Dr Sean Gabb in Turkey

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## MARKET BEHAVIOUR IN THE ANCIENT WORLD: AN OVERVIEW OF THE DEBATE

**Dr Sean Gabb**

*“There is nothing so extravagant and irrational which some Philosophers have not maintained for Truth”<sup>1</sup>*

### Introductory

It is a settled assumption among most libertarians, classical liberals and English-speaking conservatives that market behaviour is part of human nature. Whether or not we care to make a point of it, we stand with John Locke and, through him, with the men of the Middle Ages and with the Greeks and Romans, in trying to derive what is right from what is natural.<sup>2</sup>

We believe that there is a natural inclination to promote our own welfare and that of our loved ones. We further believe that, given reasonable security of life and property, this inclination will lead to the emergence of a system of voluntary exchange. That is, we will seek to trade the things we have or can create for other things that we regard as of greater value to ourselves.

In doing so, ratios of exchange that we call prices will be revealed. These prices, in turn, will provide general information about what should be produced, in what ways and in what quantities. Furthermore, changes in price will provide information about changes in preferences or in abilities to produce. Custom will set aside one or more goods to serve as money. Institutions will emerge that channel savings into productive investment, that spread risk, and that moderate expected fluctuations in price. Laws will develop to police the transfer of property and performance of contracts.

We believe that market economies emerge spontaneously and are self-regulating and self-sustaining. This is not to say that all market societies will be the same. Their exact shape will depend on the intellectual and moral qualities of the individuals who comprise them. They will reflect pre-existing patterns of trust and honesty and the general cultural and religious values of a people. They will also be more or less distorted by government intervention.<sup>3</sup> But we do say that market behaviour is natural—that, in the absence of extreme government coercion, or extreme disorder,

buying and selling to increase our own welfare is what we naturally do.<sup>4</sup>

### The Power of the Naturalist Apologia

It is not necessary for us to believe this. We can take a purely utilitarian view of social and economic arrangements. We can ignore whether markets are natural, and only ask whether they maximises human wellbeing. But, as said, we do tend to believe it. And it is perhaps the most powerful long range weapon in the libertarian and conservative arsenal. This is because our whole civilisation stands within the natural law tradition. For all it is ignored where not denigrated, this tradition shapes the assumptions of common debate. Show that marriage and the family are “natural” institutions, and they are much harder to attack. Let it be shown that slavery is “unnatural”, and its defence must rest on purported arguments of utility or on cultural acceptance.

In our civilisation, therefore, it is a very strong defence of market behaviour to say that “capitalism is what people do: socialism is what governments do”.

Not surprisingly, this naturalistic claim has been subject for at least the past two centuries to systematic and continuous attack. For much of this time, the strongest attack has been in the counterclaim that, whether natural or not, markets lead to avoidable inequality and to economic instability. More recently, we have been told that they damage the overall environment of our planet.

These kinds of attack have been refuted or are in the process of being refuted. This does not prevent them from being endlessly repeated in different forms. But I will say no more about them. I will instead discuss the more subtle form of attack, which is to deny that market behaviour is natural—to claim that it is a product of specific circumstances, which have not always existed and need not always exist.

### Relativism

The most notable philosopher in this tradition was, of course, Karl Marx. He argued that the values of any civilisation—prior, at least, to the socialist culmina-

tion—are determined by its mode of production. He says:

*In acquiring new productive forces men change their mode of production; and in changing their mode of production, in changing the way of earning their living, they change all their social relations. The hand-mill gives you society with the feudal lord; the steam-mill society with the industrial capitalist. The same men who establish their social relations in conformity with the material productivity, produce also principles, ideas, and categories, in conformity with their social relations. Thus the ideas, these categories, are as little eternal as the relations they express. They are historical and transitory products.*<sup>5</sup>

This is a radically subversive claim. It allows any institution, any custom, any set of beliefs—no matter how obviously right or true they might appear—to be dismissed as “ideology” or “false consciousness”. Let this claim be accepted, and our own claims about the naturalness of market behaviour fall to the ground.

With the remaining exception of North Korea and perhaps too of Cuba, the Marxist political experiments of the twentieth century have all long since collapsed, and, bearing in mind their known record of mass-murder and impoverishment, there are few who will admit to regretting their collapse. But Marxism as a critique of the existing order and as a theory of social change, remains alive and well in the universities. In its reformulation by Gramsci, as further developed by Althusser and Foucault among others, it may be called the dominant ideology of our age. Its hold on the English-speaking world has been noted by both conservative and libertarian writers, and is subject to an increasingly lively debate.<sup>6</sup>

What I wish, however, to discuss in this speech is the rather less well noted hold this line of attack has acquired in the field of classical studies. Though Marx was himself a classicist of some distinction,<sup>7</sup> his followers have said little of interest about the ancient world. His influence, though profound, has been indirect. It passes, with much alteration, through the work of Karl Polanyi (1886-1964) and Moses Finley (1912-86).

### The Polanyi Attack

Karl Polanyi was born to a prosperous Jewish family in Budapest. After studying Law and Philosophy, he was called to the Bar in 1912. He served as a cavalry

officer in the Austro-Hungarian army during the Great War, and was invalided out after fighting on the Russian Front. After the War, he supported the first republican government in Hungary. When this was toppled by the Communist revolution, he fled to Vienna. Here, he edited *Der Oesterreichische Volkswirt*, a socialistic newspaper, between 1924 and 1933. He then moved first to England, and then to America, where he taught and where published his most important works—some posthumously. These are:

- *The Great Transformation* (1944)
- *Trade and Markets in the Early Empires* (1957, edited and with contributions by others)
- *Dahomey and the Slave Trade* (1966)
- *Primitive, Archaic, and Modern Economics: Essays of Karl Polanyi* (1968).
- *The Livelihood of Man (Studies in social discontinuity)* (1977)

There are two essential arguments in this body of work. The first is the familiar socialist claim of the 1930s and after, that the Great Depression was a systemic and universal market failure from which the market economies of the world would never recover. The second is that the market economy itself was only a recent and passing phase in human development. He argues that

*[t]he concept of the market economy was born with the French Physiocrats simultaneously with the emergence of the institution of the market as a supply-demand-price mechanism.... This was, in the course of time, followed by the revolutionary innovations of markets with fluctuating prices for the factors of production, labor and land.*<sup>8</sup>

That is, the patterns of market behaviour, which economists from Adam Smith onwards have regarded as natural to man, are barely as old as the classical economics that seeks to analyse them. For the rest of history, he says,

*no economy has ever existed that, even in principle, was controlled by markets.... Gain and profit made on exchange never [before the nineteenth century] played an important part in human economy.*<sup>9</sup>

In place of the market, he argues,

[t]he outstanding discovery of recent historical and anthropological research is that man’s economy, as a

rule, is submerged in his social relationships. He does not act so as to safeguard his individual interests in the possession of material goods; he acts as to safeguard his actual standing, his social claims, his social assets. He values material goods only in so far as they serve this end.<sup>10</sup>

This is not to say that there was no market activity before the end of the eighteenth century. There have been production and trade and money and prices throughout recorded history. People have often been ruthless in their pursuit of self-interest and the interests of their friends and relatives. But market behaviour as we would recognise it was always peripheral to the main organising principles of society.<sup>11</sup> These principles were *Reciprocity* and *Redistribution*.

The meaning of reciprocity is that, in pre-modern societies, people specialised in the production of goods and services that they were best able to provide, but did not do so with any thought of trading these for money with which to buy other things. They did this instead to share with those around them. Those around them did the same. The outcome was societies in which prices might exist, but in which prices gave no indication of what and how to produce.

Redistribution takes place when the authorities take possession of harvests or other social gains and share these among the people according to their needs or status. Once more, this left no room for competitive pricing of goods in order to maximise individual welfare. The function of prices was to provide “[s]imple quantitative equivalences for grain, oil, wine, and wool [to] allow the staples to be substituted for each other”.<sup>12</sup>

In evidence for these claims, Polanyi appeals repeatedly to the civilisations of the ancient Near East—Sumeria, Babylon, Egypt and so forth. Take, for example:

*Even in highly stratified archaic societies such as Sumeria, Babylonia, Assyria, the Hittites or Egypt, storage economies prevailed; and, in spite of a large-scale use of money as a standard, its use for indirect exchange was negligible. This may, incidentally, explain the complete absence of coins in the great civilizations of Babylonia and Egypt.*<sup>13</sup>

There was, he does not deny, considerable foreign trade in these civilisations. Very little timber was grown in Egypt, and so this had to be imported. There was much export of luxury goods from Egypt

and of corn. But this trade, according to Polanyi, was always directed through “ports of trade”. Here, prices were set by treaty, not by supply and demand; and care was taken to insulate these ports from the main territories that they served. Within these territories, no external influences were permitted on either prices or production decisions.

Polanyi dismisses the work of earlier economic historians—Henri Pirenne,<sup>14</sup> for example, or Michael Rostovtzeff<sup>15</sup>—as biased by “economic solipsism”.<sup>16</sup> These did believe that ancient civilisations were based on market behaviour. Their claims were largely worthless, however, because they brought to their examination of the evidence the assumptions of modern economics. They supposed no discontinuity between earlier civilisations and our own. And because they never doubted that it must have existed, they found evidence for market behaviour where none in fact did exist.

### Moses Finley

Though not a disciple—he was influenced at least as much by Max Weber<sup>17</sup>—Moses Finley carries this sort of analysis into the civilisation of classical antiquity. Educated at Columbia University in New York, he became known as a Communist sympathiser. He moved to England, and became, among much else, Professor of Ancient History at Cambridge.

In his most important work, *The Ancient Economy*, published in 1973, he argues that considerations of status and civic prestige determined the allocation of resources among the Greeks and Romans, and that modern economic analysis is either useless or misleading as a guide to their behaviour.

Together with Polanyi, he did not deny that the men of classical antiquity produced and consumed goods, engaged in various forms of exchange including long-distance trade, and developed monetary systems employing coinage. But all economic activity took place within a culture that stressed the welfare of the community over that of the individual. Economic activity took place in so far as people had to provide income for themselves and their families. The main source of income was from the land, and most farming was for immediate consumption, not for the market.

He says:

*[T]he prevailing mentality [in the ancient world] was acquisitive but not productive.*<sup>18</sup>

Indeed, the Greeks in particular had a low opinion of any economic activity that was not connected with farm management and getting goods and services for immediate consumption. They despised commerce and industry. If there was ever a surplus, its purpose was not to be invested in further production, but to make time for the leisure necessary for participation in the political and military affairs of their city states.

These states were not centres of commerce and industry. Much rather, they were places for people to lead pleasant lives, or from which a territory was governed. They had market places, but were not central points for extended market behaviour. Unlike modern cities, they were parasitic on the agricultural territories, consuming much and contributing nothing in the tangible sense.

Moreover, their specific motivations aside, Finley argues that the Greeks and Romans could not have been rational economic agents in the modern sense. Even had they wanted to be other than they were, they lacked the conceptual and organisational tools without which a market economy is impossible. They had no idea of how to determine what was economically rational. They were unable to distinguish between capital and income. They were unable to measure profitability. They had no functioning markets for land or capital. Savings were mostly coin hoards. Most lending was for consumption by the rich or to exploit poor farmers pressed by the tax gatherers. Most labour, outside the smallholding, was performed by slaves; and, as with other capital goods, there was no way of calculating what, if any, net contribution they made to total output.

In support of these claims, he notes that the title of Marshall's *Principles of Economics* is made up of words derived from Latin and Greek, but cannot itself be translated into either language. He continues:

*Neither can the basic terms, such as labour, production, capital, investment, income, circulation, demand, entrepreneur, utility, at least not in the abstract form required for economic analysis. In stressing this I am [not suggesting] that the ancients were like Molière's M. Jourdain, who spoke prose without knowing it, but that they in fact lacked the concept of an 'economy', and, a fortiori, that they lacked the conceptual elements which together constitute what we call 'the economy'. Of course, they farmed, traded, manufactured, mined, taxed, coined, deposited and loaned money, made profits or failed in their enterprises. And*

*they discussed these activities in their talk and their writings. What they did not do, however, was to combine these particular activities conceptually into a unit, in Parsonian terms into 'a differentiated subsystem of society'....*

*It then becomes essential to ask whether this is merely accidental and intellectual failing, a problem in the history of ideas in the narrow sense, or whether it is the consequence of the structure of ancient society.<sup>19</sup>*

And so they lacked the concepts of economic analysis because they had no economy that could be analysed. Therefore, he says,

*no modern investment model is applicable to the preferences of the men who dominated ancient society.<sup>20</sup>*

#### Who Controls the Present Controls the Past....

The debate over the Polanyi and Finley view of ancient economic organisation—or perhaps over the Marx and Weber and Polanyi and Finley views—does not seem to have been followed with much attention by libertarians and conservatives. It is worth following, even so. Beyond a very basic level, history is as much about the present as the past. Gibbon's *Decline and Fall of the Roman Empire* is a glorious work of pure history. But it is also an account of what he saw as the long night of reason—and its attendant nightmares—between the golden age of the Antonines and his own age, and an anxious search for reassurance that there would be no second sleep. Macaulay's *History of England* is in part an attempt to legitimise the Victorian settlement as the culmination of historical processes that had their local origin in the 1680s. How readers can be brought to think about the past will insensibly affect how they see the present.

Now, if it could be shown that the Aztecs had no concept of market behaviour, and that they were motivated by considerations wholly different from our own, it would be of little consequence. Everything we know about Aztec civilisation raises doubts whether it was worth calling a civilisation. The Aztecs had no writing and were ignorant of metal working and wheeled transport. Their cultural values were expressed in ritual torture, mass human sacrifice and cannibalism. The Mayans and Toltecs and all the others of their sort seem to have been no better. We may deplore the brutality of the Spanish conquest, but still conclude that it was, on balance, a blessing for the peoples of South America.

But it is different with the empires of the ancient Near East—and very different with the Greeks and Romans. These latter races are our intellectual fathers. Everything we ourselves have achieved is built on the foundations they laid. They gave us the names of all our arts and sciences. Eighty per cent of the English vocabulary is derived from Greek or Latin. Knowledge of these languages may be less widely diffused than it was until a century ago. But the general prestige of the Greeks and Romans is barely less now than it was among the mediaeval pilgrims who gaped at the crumbling remains of the Coliseum and the Baths of Diocletian. If it can be shown that they were wholly unlike us in their economic motivations, that would surely place in doubt the notion that market behaviour is natural to us.

And if few people outside the relevant university departments have read Polanyi and Finley, their conclusions are transmitted through popular histories and newspaper articles and television documentaries, and through large numbers of students who, however superficially, are exposed to these conclusions.

Moreover, Polanyi has had an often pervasive influence in social science departments throughout the United States, and on certain kinds of archaeology. According to Peter Sawyer,

*Polanyi's analysis... has been enthusiastically accepted by some archaeologists who think it provides a basis for reconstructing social, economic and even political phenomena in periods for which only material evidence survives.*<sup>21</sup>

We need, therefore, to know about these writers, and—if not quite so much as in the case of the climate change propagandists—to know in what manner their claims are best refuted.

It is not enough to insist that market behaviour is indeed natural, and that all evidence from the past must be interpreted in this light. The reply, as said, will be that we are guilty of “false consciousness” or of “economic solipsism”. Just because we cannot imagine a viable civilisation without market behaviour does not mean that such has not existed.

#### ***Ad Hominem Replies Rejected***

Nor is it enough to show that Polanyi at least had an obvious polemical interest in making his claims about pre-modern economic behaviour. For all his differences with the Bela Kun Government, he was a socialist, and he was convinced that our future development

should be in the direction of a gentler, wealthier repeat of the reciprocity and redistribution that he believed he saw in the past.<sup>22</sup>

His wife says of him:

*It is given to the best among men somewhere to let down the roots of a sacred hate in the course of their lives. This happened to Polanyi in England. At later stages, in the United States it merely grew in intensity. His hatred was directed against market society and its effects, which divested man of his human shape.*<sup>23</sup>

Speaking more bluntly himself, he says:

*In order to comprehend German fascism, we must revert to Ricardian England.*<sup>24</sup>

But we would all, I hope, agree, that a man's motive for putting an argument has no bearing on the validity of that argument. Let us suppose letters of Ludwig von Mises were discovered, in which he claims that the text of *Human Action* was dictated to him by the Archangel Gabriel—would this invalidate his economics? I think not. Nor do Polanyi's socialist beliefs in themselves invalidate his answer to the question:

*What is to be done, though, when it appears that some economies have operated on altogether different principles, showing a widespread use of money, and far-flung trading activities, yet no evidence of markets or gain made on buying and selling? It is then that we must re-examine our notions of the economy.*<sup>25</sup>

#### **Problems of Definition**

A better approach is to ask what Polanyi and Finley really mean by a market economy. They were both socialists. With few exceptions, socialists are better at denouncing than understanding market behaviour. Not surprisingly, their definitions are eccentric.

For both of them, it seems, a market economy exists in any society where everything is bought or sold. Polanyi comes close to this caricature view of markets:

*All transactions are turned into money transactions... All income must derive from the sale of something or other, and whatever the actual source of a person's income, it must be regarded as resulting*

*from sale...*<sup>26</sup>

Let there be—or appear to be—a society in which there is evidence of reciprocity and redistribution, and it becomes, by definition, not a market economy. Let other evidence be shown in the same place for market activity, and it can be dismissed as “peripheral”.

If this is a fair reading of at least Polanyi, we can deny that there has ever been a market economy. In modern England and America, for example, probably most services are not exchanged by way for formal market transactions. And I am not referring to the very large amount of state activity. My wife does not expect payment for ironing my shirts. I do not expect payment for changing my daughter’s soiled nappies. Friends do favours for each other. People give to charities. Even many goods are exchanged within large business organisations at prices that are administratively convenient rather than determined by demand and supply.

Even so, just because it is grossly overstated, or made to rest in part on false definitions, does not in itself invalidate a case. The claim is that market behaviour was alien to earlier civilisations than our own. The only proper way to test the truth of this claim is to look at the evidence alleged in its support.

### The Appeal to Evidence

Here, we reach a notorious problem. If someone were to claim that market behaviour was peripheral to life in eighteenth century England, it would be easy to laugh at him. This is not to say the claim has not been or will not be made. But if it were made, it could be refuted with a mass of government and private statistics, of newspaper reports and law reports, of high literature, of sermons, speeches and letters, of descriptive and analytical surveys, of biographies and novels, and of physical remains. Ludicrous claims can always be based on selective and misread evidence. In this case, the weight of the evidence must be decisive.

If we turn, however, to the ancient world, the evidence must almost always be indecisive. Very few ancient writings have survived. Obviously, two thousand years are a long time; and ancient civilisation did collapse. Add to this that far fewer documents relating to economic matters were produced or could be preserved than has been the case with us. There was no printing: everything had to be copied by hand. The best writing material was papyrus, which was both expensive and fragile. The normal writing materials for accounts and administrative documents were waxed tablets, which were scraped and reused, and

thin wooden sheets, which were thrown away once they had served their purpose.

The literary remains of Greece and Rome which have come down to us through generations of copying and recopying are the products of a rather snobbish culture, and contain little direct information about economic behaviour. The great writers, as Finley observes, do seem to have lacked the conceptual framework for intelligent discussion of finance and commerce. Even otherwise, these were matters they regarded as beneath the notice of history. Thucydides, for example, gives full discussion to the political causes of the Peloponnesian War, but says nothing of what we know from the archaeological evidence was the complete Athenian displacement of Corinth in the pottery markets of the Western Mediterranean world.

During the past century or so, the rubbish dumps of Egypt have revealed a mass of the everyday documentation we have for no other area of the ancient world. There are tax records, and commercial correspondence, and administrative commands, among much else. The problem here is that Egypt was always an exception. From its earliest history, its geography opened it to capture and exploitation by rent-seeking *élites*. The Pharaohs were worshipped as gods and given whatever they demanded. The Ptolemies organised the country into one gigantic state enterprise and used the proceeds for making a big noise in the Hellenistic world. The Roman Emperors kept up the monopolies and requisitions, treating Egypt as their personal property, and so far as possible isolating it from the rest of the Empire. The documentary evidence, therefore, we have from Egypt may not be representative of the ancient world as a whole.

But all this, plus the material archaeology, is all we have. And if we want to know anything for economic motivations and behaviour, we must press the evidence we have as hard as we can. The history of the ancient world is, in many important respects like a mosaic that has been broken up with many of its tiles thrown away. The whole must be reconstructed from the parts remaining. It is a difficult enterprise, but it can be attempted.

If there is little direct, there is much indirect evidence. This is scattered through the surviving body of ancient literature. It consists of casual remarks, illustrations to arguments, even comments that are in themselves foolish. It is a question of looking for this, and of knowing how to use it.

An interesting example of how evidence can be ex-

tracted and used comes not from our own ancient world, but from pre-Columbian South America. Deirdre McCloskey has looked at the geographical distribution of Mayan obsidian tools. She notes that, the farther from the sources of their obsidian, the smaller was the ratio of blade weight to cutting length. She comments:

*By taking more care with more costly obsidian the blade makers were earning better profits; as they did by taking less care with less costly obsidian.<sup>27</sup>*

What we have here, then, is evidence that illiterate, stone age toolmakers were at least as conscious of opportunity cost as any Victorian mill owner, and rather more so than the average socialist planner of the next century. So long, of course, as this is evidence—this is, so long as the tools are distributed as claimed—we have empirical reason for doubting the Polanyi claim that,

*previously to our time no economy has ever existed that, even in principle, was controlled by markets.... Gain and profit made on exchange never [before the nineteenth century] played an important part in human economy.<sup>28</sup>*

But what of our own ancient world? What of all the indirect evidence that can be extracted from the surviving writings of many civilisations over about three thousand years? What can this show us about economic motivations?

### **Morris Silver: An Economist among Classicists**

An answer is given by Morris Silver, who is now Professor Emeritus of Economics at City College of the City University of New York. He appears to know something of Greek and Latin, though nothing of the ancient semitic languages. However, he does understand economics, which is more than can be said for most other contributors to this debate. Using the most authoritative translations, he has extracted and interpreted what may be a sufficient amount of the indirect evidence.

The Abstract from his first main contribution to the debate reads:

*The essay challenges Karl Polanyi's position—that ancient Near Eastern economies knew state and temple administration but not price-making markets. It is found that the prerequisite functions of a market econ-*

*omy listed by Polanyi—the allocation of consumer goods, land, and labor through the supply-demand-price mechanism; risk-bearing organised as a market function; and loan markets—were all present in the ancient Near East. Although Polanyi criticised stage theories with their 'predilections for continuity' he imposed his own version of continuity on history in lumping together many thousands of years under the rubric of 'archaic society'. This perspective prevented him from recognising that ancient Mesopotamia experienced lengthy and significant periods of unfettered market activity as well as periods of pervasive state regulation.<sup>29</sup>*

The next thirty four pages are a step by step demolition of Polanyi. Professor Silver organises the Polanyi case into fourteen assertions, expressed as quotations from his works. He refutes each in turn, thereby establishing his own case that people in the distant past had exactly the same motivations as we have, and responded with frameworks of customs and institutions quite similar to our own. Anyone who comes to his work from reading Polanyi and his various disciples will appreciate just how deadly—and often how funny—his demolition is. He established beyond reasonable doubt that Polanyi and his followers either knew nothing about the ancient Near East or cared nothing about the truth.

To take just one example of what the evidence really suggests, there is this letter of about 2000 BC from an Egyptian farmer called Hekanakht. He is writing to his family. The letter says:

*You shall only give this food to my people as long as they are working. Take care! Hoe all my fields, sieve (the seed grain?) with the sieve and back with your noses in the work. If they are energetic, you will be thanked, so that I will not have to scold you.... Be energetic! You are eating my food.... Now I have caused 24 deben of copper for the rent of land to be brought to you by Sibathor. Now have 20 (?) arouras of land cultivated for us in the Perhaa beside Hau the Younger by (paying) the rent with copper, clothes, northern barley or any [thing], but only after you have sold the oil and everything else there....<sup>30</sup>*

It could be that ancient Egypt was a place without significant market activity, and where the pursuit of profit through trade was unknown. If so, no one ap-

pears to have told Hekanakht.

Professor Silver is mostly interested in the semitic civilisations of the ancient Near East. He says little in his main works about the Greeks and Romans. What he does say is usually to express his contempt for Moses Finley. And it does appear to be a justified contempt. Finley may have been a good writer and a competent classical scholar in the technical sense. His claims about economic motivation, even so, are about as worthless as those of Polanyi, but never made with the same boldness and openness to refutation.

I have been able to find only one attempted answer to Professor Silver. This is a seven page article from 1985 by Anne Mayhew, Walter C. Neale and David W. Tandy. These writers claim that Polanyi has been misunderstood, that the translations used are the wrong ones, and that Professor Silver is guilty of the usual “economic solipsism”.<sup>31</sup> Professor Silver’s response fills only two pages, and does no more than point out that his critics have not understood him, and repeat the arguments that seem to have caused most difficulty to his critics.<sup>32</sup>

### The Uniformity of Human Nature

And this should be it. The argument should have been settled in 1983. We can argue over the meaning of words, and cast doubt on a writer’s impartiality. But there is no reason for doing so. During the past few hundred years, economic theory has done well enough to analyse our actions, and in a sense to predict them. If it can be shown that the same economic theory can be applied without absurdity to people in the distant past, the Polanyi and Finley arguments collapse. The main difference between people now and in the distant past is that our market institutions enable a pace of material improvement that seems to be unique in human history. Because of that, we are richer. Our motivations, though, are unchanged.

Finley is mostly right when he says that the Greek and Roman intellectuals had no concept of market behaviour. But this is not because they lived in a world of reciprocity and redistribution. It is instead because they were members of ruling classes that were more than usually parasitic. Wealth for them was something to be seized from the merchants and workers and peasants and spent on wars of aggression. When they eventually found ways to destroy wealth faster than their victims could create it, their civilisation collapsed.

There is nothing original in this point, however. It was clear to J.B. Say over two centuries ago:

*The literature of the ancients, their legislation, their public treaties, and their administration of the conquered provinces, all proclaim their utter ignorance of the nature and origin of wealth, of the manner in which it is distributed, and of the effects of its consumption.*<sup>33</sup>

But if ancient ruling classes were parasitic, the civilisation of classical antiquity did last for well over a thousand years. This length of parasitism requires a fairly sturdy host. While there is no direct evidence for the nature and extent of market behaviour among the Greeks and Romans, there is some indirect evidence of considerable sophistication.

### Future Contracts: Thales of Miletus

Let us take the case of Thales of Miletus (c620-c546 BC), one of the earliest of Greek philosophers. This story is told of him by Aristotle:

There is the anecdote of Thales the Milesian and his financial device, which involves a principle of universal application, but is attributed to him on account of his reputation for wisdom. He was reproached for his poverty, which was supposed to show that philosophy was of no use. According to the story, he knew by his skill in the stars while it was yet winter that there would be a great harvest of olives in the coming year; so, having a little money, he gave deposits for the use of all the olive-presses in Chios and Miletus, which he hired at a low price because no one bid against him. When the harvest-time came, and many were wanted all at once and of a sudden, he let them out at any rate which he pleased, and made a quantity of money.<sup>34</sup>

Whether this is a true story about Thales, or even of market conditions in Miletus, is of no importance. What is important is the unvoiced background to the story. It cannot easily be taken as an instance of the predatory capitalism that Polanyi and Finley are willing to grant to the ancient world. Thales decided that there would be a good olive crop. He did not buy olive presses. Instead, he took out options on them. He and those who dealt with him, seem to have understood the nature of the deal made. When it turned out that Thales had predicted right, he seems to have had no trouble with enforcing his contracts. This assumes a familiarity of the courts with such contracts, and a commercial state of mind either among

the peoples of Chios and Miletus, or—assuming the story is apocryphal—among Aristototele's Athenian audience.

Many of the Greek city states were considerable trading centres. They lack any detailed commercial histories. Certainly, no ancient writer thought it consistent with the dignity of history to describe their economic structure and the causes of their commercial greatness. But this casual anecdote must stand in place of the unwritten histories as evidence for thriving and sophisticated financial economies.

### **Integrated Markets in Capital and Land: The Financial Crisis of 33 AD**

Let us next take a brief but important notice in Tacitus, for the year 33 AD:

*Meanwhile a powerful host of accusers fell with sudden fury on the class which systematically increased its wealth by usury in defiance of a law passed by Caesar the Dictator defining the terms of lending money and of holding estates in Italy, a law long obsolete because the public good is sacrificed to private interest. The curse of usury was indeed of old standing in Rome and a most frequent cause of sedition and discord, and it was therefore repressed even in the early days of a less corrupt morality. First, the Twelve Tables prohibited any one from exacting more than 10 per cent., when, previously, the rate had depended on the caprice of the wealthy. Subsequently, by a bill brought in by the tribunes, interest was reduced to half that amount, and finally compound interest was wholly forbidden. A check too was put by several enactments of the people on evasions which, though continually put down, still, through strange artifices, reappeared. On this occasion, however, Gracchus, the praetor, to whose jurisdiction the inquiry had fallen, felt himself compelled by the number of persons endangered to refer the matter to the Senate. In their dismay the senators, not one of whom was free from similar guilt, threw themselves on the emperor's indulgence. He yielded, and a year and six months were granted, within which every one was to settle his private accounts conformably to the requirements of the law.*

*Hence followed a scarcity of money, a great shock being given to all credit, the current*

*coin too, in consequence of the conviction of so many persons and the sale of their property, being locked up in the imperial treasury or the public exchequer. To meet this, the Senate had directed that every creditor should have two-thirds his capital secured on estates in Italy. Creditors however were suing for payment in full, and it was not respectable for persons when sued to break faith. So, at first, there were clamorous meetings and importunate entreaties; then noisy applications to the praetor's court. And the very device intended as a remedy, the sale and purchase of estates, proved the contrary, as the usurers had hoarded up all their money for buying land. The facilities for selling were followed by a fall of prices, and the deeper a man was in debt, the more reluctantly did he part with his property, and many were utterly ruined. The destruction of private wealth precipitated the fall of rank and reputation, till at last the emperor interposed his aid by distributing throughout the banks a hundred million sesterces, and allowing freedom to borrow without interest for three years, provided the borrower gave security to the State in land to double the amount. Credit was thus restored, and gradually private lenders were found. The purchase too of estates was not carried out according to the letter of the Senate's decree, rigour at the outset, as usual with such matters, becoming negligence in the end.<sup>35</sup>*

So far as we can understand what was happening, the passage largely explains itself. An old law restricting the rate of interest is suddenly revived. This invalidates a large class of loans above the official rate made on short term but renewable contracts. An indulgence is given of eighteen months, during which the now illegal loans are systematically called in. The result is a liquidity crisis in which land prices collapse. The crisis is dealt with by emergency lending by the Emperor.

There is nothing unusual about this sort of crisis. We are passing through something similar at the moment. What Tacitus is showing is a developed economy with much integration of capital and land markets. We can see how easily land can be sold, and how responsive prices are to the forces of demand and supply. Again, special pleading can be brought to bear on the story to try and minimise the extent of market behaviour. But, so far as this crisis can be analysed in terms of standard economic theory, the simplest explanation is

to conclude that the economy of the early Roman Empire was, in its essentials, like that of the modern world.

### Conclusion

I repeat: the argument should have been settled in 1983, with the publication of the first article by Professor Silver. Perhaps it should never have been suffered to begin. Sadly, though, there is a bitter and unending hatred among the intellectual classes of our civilisation for market behaviour that will be manifested in any subject. The only answer is continual policing and continual refutation.

Our duty, as libertarian and conservative intellectuals, is to be aware of the relevant debates outside our own subjects, and to join in the applause for those who stand subjectively or objectively on the side of truth.

### Notes

(1) Jonathan Swift, *Gulliver's Travels* (1726), Part III, Chapter VI.

(2) "To understand political power right, and derive it from its original, we must consider, what state all men are naturally in, and that is, a state of perfect freedom to order their actions, and dispose of their possessions and persons, as they think fit, within the bounds of the law of nature, without asking leave, or depending upon the will of any other man." (John Locke, *Second Treatise of Civil Government* (1689), Chapter II, Section 4)

(3) "The RHINE flows north, the RHONE south; yet both spring from the same mountain, and are also actuated, in their opposite directions, by the same principle of gravity. The different inclinations of the ground on which they run, cause all the difference of their courses." (David Hume, A Dialogue (1748?), published in *Enquiries Concerning the Human Understanding and Concerning the Principles of Morals*, Oxford University Press, 2nd Edition 1902, p.333)

(4) "THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another." Adam Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations* (1776), Book I, Chapter 2.

(5) Karl Marx, *The Poverty of Philosophy* (1847), Chapter Two: "The Metaphysics of Political Economy" – available on-line at: <http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch02.htm> (checked May 2008).

(6) See, for example: Paul Gottfried, *After Liberalism: Mass Democracy in the Managerial State*, Princeton University Press, Princeton, 1999; *The Strange Death of Marxism: The European Left in the New Millennium*, University of Missouri Press, Missouri, 2005; Sean Gabb, *Cultural Revolution, Culture War: How Conservatives Lost England, and How to Get It Back*, Hampden Press, London, 2007.

(7) He wrote his doctoral thesis on *The Difference between the Democritean and Epicurean Philosophy of Nature* (1841). It can be found on-line at: <http://www.marxists.org/archive/marx/works/1841/dr-theses/index.htm> (checked May 2008).

(8) Karl Polanyi, *The Livelihood of Man*, Academic Press, New York, 1977, pp 6-7.

(9) Karl Polanyi et al (eds) *Trade and Market in the Early Empires: Economics in History and Theory*, The Free Press, Glencoe, Illinois, 1957, p.43.

(10) Karl Polanyi, *Origins of Our Time: The Great Transformation* (British edition of *The Great Transformation*), Victor Gollancz, London, 1945, p.53.

(11) *Ibid*, pp 41-50.

(12) Polanyi, *The Livelihood of Man*, p.61.

(13) *Ibid*, pp 119-20.

(14) See, for example, Henri Pirenne, *Mohammed and Charlemagne*, Allen and Unwin, London, 1935.

(15) See, for example, Michael Rostovtzeff, *History of the Ancient World*, Clarendon Press, Oxford, 1926; *Social and Economic History of the Roman Empire*, Clarendon Press, Oxford, 1926; *Social and Economic History of the Hellenistic World*, Clarendon Press, Oxford, 1941.

(16) Polanyi, *The Livelihood of Man*, pp 14-15.

(17) Hinnerk Bruhns, "Max Weber's 'Basic Concepts' in the Context of his Studies in Economic History", *Max Weber Studies* (2006 Bht I) 39-69.

(18) Moses Finley, *The Ancient Economy*, University of California Press, Berkeley and Los Angeles, Cali-

fornia, (1973) 2nd edition 1985, p.23.

(19) *Ibid*, p.21.

(20) *Ibid*, p.144.

(21) Peter Sawyer, "Early Fairs and Markets in England and Scandinavia", in B.L. Anderson and A.J.H. Latham, (eds), *The Market in History*, Croom Helm, London, 1986, p.61.

(22) He says: "In the receding rule of the market in the modern world, shapes reminiscent of the economic organisation of earlier times make their appearance. Of course we stand firmly committed to the progress and freedoms which are the promise of modern society. But a purposeful view of the past may help us to meet our present over concern with economic matters and to achieve a level of human integration, that comprises the economy, without being absorbed in it." (Polanyi, *Trade and Market*, "Introductory Note", p.xviii).

(23) Polanyi, *The Livelihood of Man*, "Introduction", p.xvi.

(24) Polanyi, *The Great Transformation*, p.30.

(25) Polanyi, *Trade and Market*, p.xvii.

(26) Polanyi, *The Great Transformation*, p.41.

(27) Deirdre N. McCloskey, "Polanyi was Right, and Wrong", *Eastern Economic Journal*, 23, 1997, p.484.

(28) Polanyi, *Trade and Market*, p.43.

(29) Morris Silver, "Karl Polanyi and Markets in the Ancient Near East: The Challenge of the Evidence", *The Journal of Economic History*, Vol. XLIII, No.4, December 1983, p.795. This article was greatly expanded and published as *Economic Structures of the Ancient Near East*, Croom Helm, London, 1985, and then as *Economic Structures of Antiquity*, Greenwood Press, Westport, Connecticut, 1995. He maintains a website on ancient economies at <http://sondmor.tripod.com/index-html> (checked May 2008).

(30) Quoted in Silver, "Polanyi and Markets", p.826.

(31) Anne Mayhew, Walter C. Neale and David W. Tandy, "Markets in the Ancient Near East: A Challenge to Silver's Arguments and Use of Evidence", *The Journal of Economic History*, Vol. XLV, No.1, March 1985, pp127-34.

(32) Morris Silver, "Karl Polanyi and Markets in the Ancient Near East: A Reply", *The Journal of Economic History*, Vol. XLV, No.1, March 1985, pp135-37.

(33) Jean-Baptise Say, *A Treatise of Political Economy*, translated by C.R. Princep, American edition, Grigg and Eliot, Philadelphia, 1836, p xxviii.

(34) Aristotle, *Politics*, Book 1, part XI, translated by Benjamin Jowett, available on-line at: <http://classics.mit.edu/Aristotle/politics.1.one.html> (checked May 2008).

(35) Tacitus, *Annals*, Book 6, 16-17, translated by Alfred John Church and William Jackson Brodribb [1864-1877], available on-line at: <http://www.sacred-texts.com/cla/tac/index.htm> (checked May 2008).



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