A CRITICISM OF THE INSTITUTIONAL UNITY OF TRADE, MONEY, AND MARKET BASED ON THE MAIN FEATURES OF THE BABYLONIAN ECONOMY

Submitted by

K.C.Yeh

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Table of Contents

I. INTRODUCTION

If the catallactic concepts of trade, money and markets carry with them any one single distinctive feature, it is their institutional interdependence. Although they represent three separate institutions they are merely different aspects of an economy, closely linked together and functionally interrelated through their common tie to exchange. Trade is predominantly market trade, money is exchange money and market the locus of exchange. With profit in trade as the motive, money the medium, and prices in the market the determinant and the determined outcome of exchange, the institutional unity in the catallactic triad is complete - unity in origin as well as in function.

This institutional unity, however, is not without its pragmatic basis. The actual functioning of the modern industrialized economy from the days of the industrial revolution up to the beginning of the first world war is adequately explained within the conceptual framework of the catallactic triad. Nevertheless, so deeply are these conceptions embedded in the minds of economists and historians alike that the institutional background of these concepts has been unqualifiedly taken for granted. Today it has become a traditional approach to interpret all types of economies in terms of the catallactic triad. Primitive economies are conceived of as preceding stages to the market economy, and ancient communities as commercialized societies in antiquity. Trade money and market being always taken as interdependent institutions representing different but inseparable aspects of an economy, the existence of the market system is assumed wherever trade or money is found present. The significance of such a tacit assumption can hardly be overemphasized, for to assume the presence and dominance of the market in all situations is to exclude the possible existence of other types of economies where exchange is not the basic form of integration, and hence to prejudge the whole problem of the evolution of human economic life.

The objective of this essay is thus to subject this crucial assumption to an empirical test against the background of the Babylonian economy to determine whether the catallactic triad has any historical foundation. For our present purpose, the most relevant questions are these :

(1) Were there trade activity, use of money, and markets in the Babylonian economy ? If so, what is the exact nature of these insitutions, or, to what extent were trade and money related to the market institution ?

(2) If market was not the central organizing institution in the Babylonian economy, how then did the economy function ?

II. THE TRIAD ON TRIAL

Institutional Features of Trade in Babylonia

There was undoubtedly large scale trade activity in Babylonia as evidenced by the contents of the Hammarabi Code and the Cappadocian tablets. Such trading activity, particularly external trade is conceivable since Babylonia lacked timber, stone and metal which must be imported, such as copper and lead from the Kanish colony, silver from Anatolia, marble, dedar and cypress from the eastern mountains. The crucial problem here is not whether there was trade in Babylonia but rather to ascertain the exact nature of Babylonian trade in order to determine whether trade was in any significant way linked with markets.

In essence Babylonian trade was predominantly administrative in character. The whole organization of trade was independent of any market institution. Trading in general was a collective procedure and most of the trading was carried on in the hands of the state.(1) Thus Koschaker remarks :(2)

> The oldest cuneiform records extant are administrative texts - notes upon fields and deliveries of goods. (Italics mine). This is true of the archaic clay tablets from Jemdet Nasr, and of the documents from Uruk. Thousands of such records, especially those of temple administrations, are the outstanding feature of the Sumerian period as a whole.

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(1) P.Koschaker, "Cuneiform Law", in LAW, Encyclopaedia of the Social Sciences, 1933, vol.9, p.217.
(2) Ibid., p.213.

This institutional feature of trade, as a method of acquiring goods from afar rather than as an exchange of goods in the market, is undoubtedly true of external trade which, because of geographical and military reasons, were of the nonmarket expeditionary type.(3) Interal trade was carried on likewise in the absence of a supply-demand price mechanism, as evidenced by the documents on early Assyrian trade. Here free traders were found but the organization of business was also radically different from the catallactic concept of trade. Unlike market trade which is motivated by gain based on price fluctuations, actual trading was riskless and marketless made possible by such institutions as the rules of law, the tamkar, and karum whose premarket functions rendered the presence of a market institution unnecessary.

Of these "market substituting" institutions the tamkar deserves special attention. The tamkar dominated the Mesopotamian scene from the Sumerian beginnings to the rise of Islam, over three thousand years as the most typical trader in the Babylonian economy. Other traders such as the trading company in the form of commenda, was of lesser importance and rather simple.(4) From the Hammarabi Code one may get a fairly clear picture of what the tamkar does. He functions

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(3) "The much needed imports of wood, metal stone, etc., would be brought in by centrally organized expeditionary trade involving much time and labor to organize and not exempt from the danger of enemy attacks while on the road. The tamkar was in charge of this trade." A.P.Gianelli, Some Aspects of Economic Life in Babylonia, Master's Essay, Columbia University, 1951, p.22.

(4) Koschaker, Op.Cit.,p.217.

(1) as the ransomer eventually idemnified by the temple or palace, (Art.32); (2) as a public official commisioning trade, (Art. 100-107); and (3) as a creditor constraining debtors (Art.113-119). The role of the tamkar evolved somewhat in due course of history. The materials on early Assyrian trade indicates that he also performs functions other than those of a trader, such as as a trustee together with the public duties in regard to transportation, safekeeping and autioning. In sum, the tamkar is a civil servant, living from the produce of his alloted land, and acting on behalf of the temple or palace in matters of trade. The significant point is that the tamkar is essentially a factor and not a mercator. His motive to trade is not the profit motive but to perform his duty in his capacity as a public official. This is entirely consistent with, and is infact part of the supporting structure for, the institutionalization of Babylonian trade independent of markets.

In view of the foregoing, it seems reasonable to conclude that trade in Babylonia was not in any significant way linked with markets. But a most important question immediately follows, if the market was absent and exchange an insignificant phenomenon, how then were the two major tasks of material want satisfaction, production and distribution, carried on. The answer lies in the fact that production was directed by the temples, the basic economic unit in the Babylonian economy, and that gates served as functional alternatives to a market place, where redistricution replaced exchange as the integrating force in the operation of the economy. This point will be developed more fully below.

Money Uses in Babylonia

Money was widely used in Babylonia. However, evidences indicate that it differs substantially in origin, form, and function from money as catallactically defined. The different uses to which money was put were by no means subordinate to the dominant function as a medium of exchange. Rather they distinctly represented institutions developed out of different socialogical background separately and independently. In purpose, as in form, money in Babylonia was specific. Its chief uses were as means of payment and as standard of value. Internal use of money in exchange as a whole was very limited. Money used as a store of wealth was likewise insignificant.

Barley, and to a lesser extent, oil and wool were used as means of payment. On this point there is little disagreement between historians. However, a crucial question arises in connection with the independence of its institutionalization. From the catallactic standpoint, it seems inconceivable that the function of money as means of payment could be divorced from that as the medium of exchange.(5) Payment is simply the discharge of obligations resulting from exchange. What has been overlooked in such views is the fact that situations other than that of exchange may also give rise to obligations to pay. And such was actually the case in Babylonia. The situation referred

(5) Because of this confusion, both Lutz and Einzig seem to have overemphasized the "duality" in the currency system of Babylonia in view of the coexistence of silver and barley as money. Implicitly they assume both commodities to play the same monetary function of an exchange intermediary. The approach misses entirely the different processes of institutionalization which is the essence of the problem. Cf, for instance, Einzig, Primitive Money, 1949, p.211.

to here is of political and legal in character rather than economic. Money as means of payment originated in the practice of paying tribute, taxes, rents, etc., to the temples and palace, including legal fines. Under such circumstances it is obvious that the catallactic concept of money is irrelevant.

From the administrative standpoint, a more important institution is money as a standard of value. Silver was the common denominator of value in Babylonia. The problem of independent origin again arises here. Two questions are involved: first, is its origin independent of money as payment, and, second, is it independent of the exchange use of money. The answer to the first question is provided by the observation of a historian(6):

> In ancient Sumeria, silver was the common denominator of all values. When a tamkar delivered ointment to the temple and received wool in exchange, payment was not evaluated in ointment against wool, but the value of both was calculated in silver, though no payment in silver took place.

Other evidences, the temple records and the Hammarabi Code also substantiate the proposition that everything was quoted in silver, the standard of value, but payment was made not in silver but in barley or in kind.

(6) Oskar Schneider, Muschelgeld-Studien, (Dresden, 1905), p.70, quoted by Gianelli, Op.Cit., p.33.

As to the second question, Babylonian money was clearly not the result of market functions as catallactically implied. Its origin is governemntal administration of staple goods instead of individual barter. The silver units, such as those mentioned so frequently in the Hammarabi Code, are units of measurement for administration purposes. Money, in effect, was an enormous operational device in order to make the operation of a redistributive economy of this kind possible. It supplemented the institution of equivalencies by defining units in terms of which equivalencies may be universally established. Thus, in the formal sense, Babylonian money was not an economic institution. To identify it with modern and hence to presume the presence of the market is simply misleading.

Price fluctuations in Babylonia

Prices in a broad sense did exist in the Babylonian economy. They were mentioned in the Hammarabi Code, the temple records and in the royal proclamations in the beginning of each dynasty. However, it seems more proper to interpret these prices as numerial equivalencies attached to staples by state or temple authorities rather than as the result of a supply-demand mechanism in the market, for these prices were on the whole fixed even in the presence of market elements. The proclamations on stele of Hammarabi Manistusu or the commemorative inscription of Singsid were evidences of set prices which were changed only at long intervals. This fixation of prices was not inconsistent with the basic redistrivutive character of the Babylonian economy. Because of different physical conditions within the empire, produce varied in kind. The tax system must then provide for payment in kind by establishing equivalences for substitution in tax payment.(7) On the other hand, the allotment of rations and the making up of budgets by the temple or the palace necessarily required definite scales of equivalences. For obvious reasons, freely fluctuating prices would make the administration of redistributive operations extremely difficult if not altogether impossible. Other considerations, such as fairness, might also have provided a basis for a constant price.

A problem closely in connection with that of markets is price fluctuations. There is little doubt that historically prices fluctuated. For instance, the price of wool and other staples declined continuously from 2750 B.C.(8) And the question arises : in so far as price fluctuations were in evidence how did they fit into the picture where no market was present.

(7) For instance, Article 51 in the Hammarabi Code.
(8) Lutz, H.F., "Price Fluctuations in Babylonia", Journal of Economic and Business History, (1932), p.348.
(9) Since empirical evidences are lacking (this is explicitly recognized by Lutz himself) the first question should perhaps be to ascertain the reliability of the price quotations. The significance of this lies in the fact that in some cases, not one price but several prices existed at the same time, and extreme care must be taken in the interpretation of prices quotations over time. For instance, documents discovered in Ugarit showed that in this ancient port there was a long list of different kinds of prices in practice : high price, low price, poor price, good price, fair price, etc. (Cf. Schaeffer, "Ras-Sharma", p.40). These prices were most probably trade good prices arranged between representatives. And it is easy to interpret the differentials in these prices as price fluctuations over time.

Several explanations may be given. First, by fixed prices we mean the prevalence of the same equivalencies over a relatively long period of time. The possibility of price changes over a number of years, due to structural elements such as production increases or institutional elements such as changes in administrative policies, are not precluded altogether. Such long term changes in price, or even short term changes, were not incompatible with a redistricutive economy, for the economy itxelf is dynamic and the conditions which guide the formulation of policies are constantly changing. Under such circumstances price is not the active result of the market mechanism but instead the passive instrument of the administrative authority.

Secondly, in external trade prices may differ because of different amount of transportation costs which varied under different conditions. As a result of such contentions, price might seem to fluctuate although the transactions were based on the traditionally fixed price.

Thirdly, granted that price fluctuations in its strict sense did exist in Babylonia due to private transactions, such varying prices were never significant enough to interfere with the functioning of the redistributive economy. With the daily necessities effectively handled by the temple and the palace, the subcirculation of goods outside the redistributive system would be so limited that its price variations could at no time affect the controlled prices.

Thus it seem proper to conclude that price changes in Babylonia were due more to institutional elements than to the market mechanism. In short, prices and price fluctuations in Babylonia do not prove the existence of the market institution.

III. THE BABYLONIAN ECONOMY IN GENERAL

Summarizing the above, empirically trade, money, and market (in the boradest sense) were all present in Babylonia, but their interrelations and functions differed from those in the market economy. To apply the 19th century concepts to economic history dognatically would result only in confusion and distortion of facts. However, a critique of these concepts is not complete with merely the denial of their relevance to history. Forthe best criticism of a theory is the offer of an alternative and bettwe theory. We have yet to explain how the Babylonian economy function in the absence of a market.

The answer lies in the fact that there are various forms of integration besides exchange (market exchange), and in Babylonia it was redistribution and not exchange that was the basic from of integration.(10) The Babylonian economy was based on a tribal community centering in the temple orgaization which was the main property holder and which served as a clearing house through a system of land assignment, storage, and rationing. Although private ownership and business organization developed as early as the Early Babylonian Empire,(11) the economy

(10) "Land was owned by state and temple. .... The population, ordered in castes according to trades, lived largely <u>for</u> (i.e., the paying of taxes. Italics mine.) and <u>through</u> (i.e., protected and fed by) the state; state economy was the predominant and with it a vast bureaucracy, which also managed the public storehouses." Koschaker, <u>Op.Cit.</u>, p.217.

(11) Lutz, "Babylonian Partnership", <u>Journal of Economic and Business History</u>, IV (1932), pp.552-570.

as a whole retained the redistributive form, with the largest part of produce submitted to a central authority and then rationed as payments for labor used in communual projects such as irrigation work, road building, etc. This is evidenced by the different deities in Babylonia known as the Shirkutu.(12)

Production and distribution, the two major functions of an economy were directed by the temple, the basic economic unit. Storage and depositing were also handled by the temples.(13) Redistribution generally took place at the gate which institutionally replaced the market and made the presence of a formal market unnecessary. In Babylonia the gateway was the passage between the two gates which formed the entrance of the walled city, temple or any other economic unit. Since all those who entered or left the unit must pass through the gateway, it vecame a public meeting place where rulers and elders assembled to administer, as well as a center of transaction where all collection of goods and redistribution took place. Just as the market place served to carry out exchange transaction, the gateway was a parallel orgainzation that served the purpose of redistribution. The Greek marketplace (agora) had two separate and distinctive functions : politically as a public meeting place of the court and assembly, and economically as a open market. The Babylonian gateways replaced it functionally in both ways, but the two functions were no longer independent of each other, because in Babylonia all economic transactions were associated with the administrative authority. For instance, one

(12) R.P.Dougherty, "The Shirkutu of the Babylonian Deities", p.3.
(13) According to Koschaker, Art. 120 of the Hammarabi Code refers to such deposit account facilities in regard to staple goods.

ancient Babylonian document recorded that "a garment was delivered to a sirku who was in need of it." (14)

Below this constant large-scale movements of goods carried through the storage and redistribution system, there probably existed a sub-circulation of goods based on exchange or barter between individuals. However, these transactions were never significant enough to produce the institutionalization of the market.

Supporting Structures of the Babylonian Economy

Just as exchange relies on the market as its supporting structure a redistributive economy necessarily requires a certain degree of centricity as its structural pattern. In Babylonia such institutional framework was definitely present. In fact, it had its very political, social and geographical foundations. Geographically, Babylonia, unlike Egypt, was always subject to the danger of invasions. Military security necessitated a collective type of organization. In addition, the need for the regulating the periodic floods conditioned the aggregation of men into large units from the earliest times. Political power was centralized, although the form of the political unit varied through time. (15) The fact that the Hammarabi Code was "planned as a legal code for the entire kingdom" implies the presence of a central political organization in support of the great jurisdic structure.

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(14) R.P.Dougherty, Op.Cit., p.25.
(15) Koschaker, Op.Cit., p.214.

Apart from the existence of an organization centralizing and redistributing daily necessities, there were other institutions in Babylonia which also replaced in part the functions of the market. For instance, there were brokers in its pre-market form, auctions (in the Middle Assyrian Empire), officially appointed trustees, and other legal institutions. These institutions functioned as part substitutes to the market and actually made large scale trade activity and money uses possible without a market.

IV. CONCLUDING REMARKS

By way of conclusion the implications of the foregoing may be briefly noted :

First, trade, money and market have independent origins. For this reason, only with the help of institutional and empirical definitions could we hope to find out the true nature of trade, money and markets in the ancient world or in a primitive society. The triad can lead us nowhere.

Second, the origin of the market institution is not to be found in Babylonia.

Third, the Babylonian economy brings home the fact that there are other forms of integration besides exchange, the basis of the market economy. As a corollary, the concept of stages which implies that economies in antiquity represent predecessors of the market economy in a much simpler form is entirely baseless. Likewise the similiar conception of monetary evolution from a barter to money and then to credit economy is erroneous.

Finally, the institutional approach developed as a reaction to the indequacy of the catallactic triad is not limited in its usefulness to the analysis of the past. At the present stage of history when

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the market is gradually its importance as the central organizing institution, we need indeed a much more broader historical perspective than the obsolete triad would provide in our continuous strive toward social progress.

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OUTLINE OF THE RISE OF THE MARKET

IN WESTERN EUROPE

Submitted by

K.C.Yeh

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1. INTRODUCTION

It is the purpose of this paper to trace the historical development of the market institution in Western Europe. But here a little conceptual clarification must precede our analysis. A distinction between markets and the market economy is to be made in order to avoid, first, the confusion of identifying the two and, second, the classical prejudgment of the problem in assuming right away a natural and continuous growth of the one from the other.

Market is simply the meeting place for buying and selling. The market, so broadly defined, may or may not comprise a supply-demand-price mechanism. A market economy is one which implies a system of self-regulating markets. It is an economy directed by market prices and market prices alone.

II. THE DEVELOPMENT OF MARKETS FROM THE HELLENISTIC TO THE MEDIEVAL PERIOD

The rise of the market institution in Western Europe does not display a continuous evolutionary pattern. For purposes of analysis, the development may be broadly outlined in terms of three separate stages: the role of markets from the Hellenistic to the end of the Medieval Period; the transition of local to national markets under Mercantilism; and the emergence of self-regulating markets after the industrial revolution. At each stage, the market institution has its very own characteristics and its distinct functions. It is on the basis of these characteristics that stages are set. But it is to be noted that at each turning point, the change was never one of natural or spontaneous transition.

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The Agora

It is almost certain now that the origin of market is not to be found in the Eastern flood Empires where the market was replaced functionally by the gateway, and exchange by redistribution as the major form of integration.(1) Greece, and not Babylonia nor Egypt,

(1) An important piece of evidence in support of this proposition is found in Herodotus remark that Persians had no markets, even as late as the time of Cyrus.

played the role of the first to have a market. The Greek agora forshadows the emergence of the market institution. The agora has two separate functions: politically as a public meeting place, and economically as an open market, connected with food distribution for the poor. This intermingling of political and economic nature is unique in the sense that it is a contentious system in the Greek community. The democratic party needs it to assume the feeding functions of the state. For Greek democracy means direct participation. The only way to safeguard the citizens against wholesale bribing is to feed them through the state or the big households.

Two important features of the Greek agora should be noted. First, prices are not established by the supply-demand mechanism. It is controlled. Secondly coins are used, not as a medium to facilitate exchange in the market but rather as a device monopolized by the state to ensure cheap food for the poor. Thirdly, in regard to origin, the Greek agora is of internal origin as distinct from markets developed out of ports in connection with external trade.

Underlying limitations to the expansion of the Market

Neither the Greek agora nor the markets under the Roman Empire which are similar in function to the Greek agora, expands into a system. There are two reasons. The Greek polais is essentially a tribal organization. This explains the fact that the agora is possible only with a small community. And here lies the very limitation to the market system itself - territorial limitation. A recession of the market seems inevitable when territorial expansion goes beyong a certain limit. This happens to the Greek agora, to the city state markets in the Roman Empire, and to the 19th century market economy climaxing in the breakdown of the gold standard.

Second, the market institution during this the Medieval Period is adjunct to the society. It never plays a dominant role of an integrating organization in these economies which are on the whole redistributive economies. The agora is a predecessor of the modern market institution, but there are coexistent with the agora other institutions which function as substitutes for markets and hence render further development of the market unnecessary.

Medieval Cities and Local Markets

The fall of the Roman Empire brought forth basic changes in the economy and consequently the decline in significance of the market institution. The continentalization of the Empire, which weakens the structure of the economy, provides the link in the transformation of "capitalism in antiquity" into the manorial system. For centuries following the Decline Europe remained in a state of self-contained economic order characterized by feudalistic traits of a unique nature, representing a conjuncture of feudalism of decay and primitive deudalism. Land, with dependent labor was the chief means of organizing the economic system. Markets from this time up to the end of the Carolingian epoch almost disappeared entirely.

The ~~the~~ Crusades brought along the first sign of revival in commercial activity. The immediate result of the conquest of Jerusalem was a commercial one though the original purpose was purely religious. The towns on the interior seas of the Mediterranean became the first centres of activity, e.g., Venice, Genoa, and Pisa. Meanwhile Bruges in the north also developed into a centre of navigat-ion and commerce. And gradually, economic life, first became active along the coast, penetrated inland and the two movements eventually met. The steady progress in economic activity resulted in the formation of cities which were formerly gathering places of merchants. And in the course of commercial markets emerged.(2) According to Pirenne, the markets were wholesale markets, retailing being left to the peddlers. Wool, cloth, wine and grain were the most important commodities traded.

The conditions at this time were favorable to the development of markets because medieval commerce at its origin was essentially characterized by its regional quality and by its freedom.(2) But

(2) Pirenne gave two reasons for this: (1) down to the end of the 12th century, the number of towns were relatively small, and (2) towns at the period devoted themselves far more to commerce than to industry. H.Pirenne, "Stages in the Social Development of Capitalism", <u>American Historical Review</u>, vol.19 (1913/14).

the cities soon transformed into centres of industrial activity, and many secondary localities developed, concentrating on local commerce. Direct trade between purchaser and consumer, strict protectionism excluding the foreigner from the local market and reserving to the bourgeoisie alone, and minute regulations confining within narrow limits the industries of the merchange and the artisan, all restricted the market to a small local area.

Thus a paradoxical development resulted. The town, the offspring of the markets, began with the role of a protector of markets, and ended as the restraining institution preventing markets from expanding into the countryside and hence encroaching on the prevailing economic organization of society.(3) The significant consequence of this is that the markets never developed into national markets, an essential precondition for the emergence of the self-regulating market system. "The local markets are essentially, neighborhood markets, and though important to the life of the community, they nowhere showed any sign of reducing the prevailing economic system to their pattern. They were not starting points of internal or national trade." (4) Neither the fairs, parts, and staples were able to expand into national markets, for tradewas limited to intercommuncipal trade.

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(3) Karl Polanyi, The Great Transformation, 1944, p.62.
(4) Ibid., p. 63.

In sum, the rise of medieval towns represented a rise of markets. But the markets were localized markets. Commerce was intermunnicipal rather than national. Furthermore, the local markets were governed not by themselves but by civic authorities. The price was not produced through the mechanism of supply and demand. Instead, it was fixed by gilds. In fact, the "just price" was a distinctive feature of the medieval markets. In short, just as the agora was embedded in the political structure of the polais, the medieval markets were embedded in the social system of the period.

__Mercantilism and the Rise of the National Market__

The urban economy of the Medieval Period, and with it the locali ed markets, underwent a drastic transformation under the impact of two major forces: the rise of the national states and the commercial revolution. The strain toward political structure and a simultaneous growth of capitalism had one important economic consequence - Mercantilism. Mercantilism led to the break down of the Medieval economic order. It set free commerce and industry from the towns. As trade and industry expanded, Local markets also expanded into national markets, partly as the result of more intensive and extensive application of capital, but predominantly as the result of deliberate economic policy of the state:

The exuberance of capitalism under Mercantilist policies, which reached its height in the second half of the 16th century was however not maintained. From the 17th centrry on Mercantilism imposed itself more and more strictly upon the industry and commerce. Mercantilism as pointed out by Heckscher,(5) implies a general view of society. It believes in natural laws of social causation, a rationalism accompanied by the desire to subject everything to the conyrol of the state. In a sense the Mercantilist policy was merely the nationalization of the municipal policies of the gilds. Under such circumstances the markets were regulated not by the free play of supply and demand factors but by the administrative authorities. Thus the markets, though national in scope, had no integrative effect and the market economy never emerged under Mercantilism.

In sum, "the freeing of trade performed by Mercantilism merely liberated trade from particularism, and the nationalization of the market represented only an expansion in scope,never a change in its inherent nature, bor basically Mercantilism was restrictive" Under Mercantilism, as under Feudalism, the "economic system wassubmergec in general social relations; markets were merely an accessory feature of an institutional setting controlled and regulated more than ever by social authority".(6)

(5) Heckscher, "Mercantilism", Encyclopaedia of the Social Sciences, 1933, vol.X, pp.338-339.
(6) K.Polanyi, Ibid., p.67.

IV. INDUSTRIAL REVOLUTION AND THE RISE OF THE MARKET ECONOMY

The next break in the development of markets came in the 18th and early 19th century when the invention of machinery and the application of steam to manufacturing completely disorganized the existing conditions of economic activity. Although the causes of this Industrial Revolution" are difficult to ascertain and the Revolution itself can only be said to be England's reaction to the Commercial Revolution, the result of the Revolution is clear. It was the emergence of the market economy.

The Industrial Revolution means the use of expensive and elaborate machinery and new forms of organizing the factors of production. Concentration of production required large amount of labor working in factories. In England, the enclosure movement and other legislature such as the Poor Law helped the manufadturers to find their labor supply. A labor market gradually appeared. On the other hand, as a result of adoption of machinery in agriculture, agriculture was directly linked with commerce and the market. Land became no less than a form of investment. At the same time, manufacturers borrowed money on a large scale to finance production. A money market with the Bank of England as its centre was established. In short, the Industrial Revolution brought into being s system of markets not only for finished products but also for the factors of production.

The expansion of the factory system itself demanded an economic liberalism. The economists and statesmen did not fail to supply a theoretical justification f6r Laissez faire policies. The calssical eco nomists built their theory on the assumption of free competition. They demonstrated that under such an assumption the optimun allocation of recourees may be obtained. The work of Adam Smith was so influential that the 19th century witness a complete triumph of economic liberalism both nationally and internationally.

The appearance of national markets both for outputs and inputs and the prevalence of economic liberalism thus set the stages for the functioning of the market economy. From this time on up to the present day history of the market institution is the history of the rising predominance of the market over society and the subsequent struggle of man attempting to free himself from the machine which he created himself.

V. CONCLUDING REMARKS

The history of the rise of the market institution reveals one significant lesson, and that is, there is no inherent tendency for the market to grow and expand by itself. In the first place the expansion of the local into national markets was not a spontaneous development but the result of conscious effort on the part of the state. Nor was the system of self-regulating markets a natural outcome of history, for the whole system is based on self-interest which itself is not natural to man. This is important because it provides the starting point in the prognosis of the great problem now facing us.

We study history in the hope that a glimpse into the twilight out of which we came may enlighten the obscurity into which we are going. It is precisely this interwoven past and future development of the market that is of primary concern to us. In other words, the problem of the future has to be defined in terms of its historical background.

While the market prior to the 18 century played a subordinate role in economic history, the rise of the market economy in the form of a system of self-regulating markets was a most phenomenal and unprecedented development. For the first time in history, man's social relationships are subject to the market supreme. And such a drastic transformation was not without serious consequences. To name only a few of the economic and social dislocation of our age: " the tragic vicissitudes of the depression, fluctuation of currency, mass unemployment, shifting os social status, spectacular destruction of historical states," revolutions, and counter-revolutions, etc.

As history is an endless chain of action and reaction, the reaction this time manifest itself in the various ways by which nations attempted to regulate the economic system. Some went to the extreme and abolish the market altogether. Some reintroduced state intervention with different degrees of stringency. But as the market loses its self-regulating effect, man also loses the things he values. Freedom, for instance, is at stake.

The relation between freedom and the market has been a strange one. It is indeed somewhat paradoxical to find that the result of free competition has been to destroy competion. The market economy came into being with the underlying philosophy of lassez faire calling for non-interference of the state. But the theory of non-intervention became untenable as the market economy matures. The market destroys freedom directly or indirectly by inducing the institutionalization of restrictive action taken against the market.

The problem today, in essence, is not so much "freedom versus organization", as B.Russel puts it, but rather "freedom in an organized society". If the solution to the problem is controversal, there is at least little disagreement as to the underlying cause of the problem and the starting point of any reconstruction scheme. The root of all "evils" lies in the primacy of the market over society. The market can orgaize material interest only and that is not enough to constitute a society. And in the reconstruction project, the historical perspective is invaluable. The market institution is in no sense a natural development. It has been created by man's conscious effort and certainly can be reconstructed in order that it takes its proper place as a servant to and not a master over society.

In concluding, it should be emphasized that the problem is not purely economic but it has its political, moral and religious aspects as well, for society today is a complex society and the effects of economic determinism have rooted deep.(7) Whether the solution be a " rediscovery of society",(8) a transformation from the "night-watchman state to the welfare state",(9) or the strive for a "balanced society" (10) or simply for "social progress",(11) IT will take the concerted effort of all branches of social sciences. A synthesis is truly the abiding need, for what we are now facing is perhaps the greatest challenge of our times.

(7) K.Polanyi, Ibid., pp.254-258.
(8) Ibid.,
(9) E.H.Carr, The New Society, 1951.
(10) J.M.Clark, Alternative to Serfdom, 1948.
(11) C.H.Cooley, Social Progress .

(Tentative Outline)

YEH

MONEY IN ANCIENT CHINA

I. Introduction

The problem, period under study, and approach

II. The Form and Material of Money

"Money" defined
Shell Money
Commodity Money
Metal Money
Paper Money
Summary: A Chronology of materials used as Money, Ancient to 220 A.D.
Salient Features of the Multiple Currency System

III. Money As a Social, Political and Economic Institution

The Economic and Social Framework of the Monetary System:
the dominant form of integration and the role of money
Money in Relation to Prices, in particular, food prices
Money Lending, Interests, and Legal Aspects of money lending
State Authority Over Coinage and Other monetary policies
Economic Theories and Social Attitudes Toward Money

IV. Summary and Conclusion on the Origins and Functions of Money
In Ancient China

Trade goods: tolls, customs

Origin through trade: external
internal
Ornamental, political, and religious origins

Money as a medium of exchange
Money as a unit of account
Money as a store of value
Money as means of payment

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Yeh

China I. <u>Port of trade organizations</u>
Food market of port of trade
brokerage in port of trade
" " inland markets

Social standing of traders:

upperclass
lowerclass
middleclass - whence, how?

Political function of foreign traders
" conditions of its organization

Chinese merchants in foreign ports
" " in foreign markets
" " gilds of merchants

Role of merchants' gilds in transactions.

trustees?
gild courts? etc.

China II. <u>Price fixing methods</u>
~~Food markets~~
Changes in prices
Combinative with measures
" " currency
" " sumptuary laws
" " elite circulation

Famine prices: who declares the famine.

China III. <u>Food markets</u>

"democratic" or "popular"
character of food markets

who sells in the market?
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Enforcement of currency (small change) in
food-markets.

What is food? (a) corn, bread
(b) meat
(c) oil
(d) other are official
equivalencies enforced?

Jul 1953

China IV. Caravan trade

Organization

(a) administrative aspect
(b) political organization
(c) relation of finance to trading

international aspects

"through" caravans
entre[redacted]pot ?
military protection
self protection
paying for protection

Ethnical origins

to what extent connected with Nomadism ?
" transhumance ?

Clan organization

leaders, chiefs, preachers, porters, drivers, etc.

Landowning and caravan trade

who turns caravan trader?
do landowners sell their own produce?

Caravan cities
Confederations of caravan cities

Neutralization of caravan cities

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