

THE ROLE OF MARKET METHODS IN THE WESTERN WORLD  
UP TO THE HIGH MIDDLE AGES

The periods and regions which we'll distinguish are:

separate

(A) Hellenism 332-31 (Alexander the Great to Augustus)

East

Region: Eastern Mediterranean

West

(B) Late Roman Republic, especially since the Punic War; - 254 BC <sup>264</sup>

mainly  
Western

(C) Early Empire 27 BC - 180 AD

(D) Late Empire 284-476

Separate : Eastern and Western

(A) Under Hellenism two systems of world importance make their appearance in the Eastern Mediterranean: market-trade and rationalized planned economy. Both are developed under Greek auspices: the one in the Hellenistic poleis and ~~is~~ the Eastern Mediterranean in general, by Greek-speaking metics and Italiots as well as other citizens of Greek cities. Typical centers: Rhodes from 400 BC, Delos 150 BC. The other under the Ptolemies in Egypt.

Peoples:

Cities:  
Alexandria  
300 BC  
Antioch  
Seleucia

(Charming presentation: Prof. Westermann's "Zeno of Launas ~~Apollonius of Alexandria~~ and Samuel Beanland")

Beginning  
of the 3rd  
Century

The Greek contribution to human economy: they almost single-handedly developed both types of economy, the market type and the marketless type, to their highest forms reached up ~~til~~ then.

Also both influenced Roman development, which followed in the wake of the Greek: (a) trading and coined money practices used in local markets, together with banking and bookkeeping as practised by the Greeks of Southern Italy influenced early Roman life (although the Romans tended to make use of their neighbors rather than follow their example).

(b) The Ptolemaic techniques of a refined redistribution based on storage and accountancy 'in kind' influenced the methods employed by the Roman Empire in reorganizing <sup>its</sup> finance. Perhaps the most outstanding case of Egyptian achievement was the development of techniques of banking beyond the market type, to clearing and branch banking, but doing so 'in kind', in the nationalized sphere. Private banking was in money and kind. The late Empire transplanted from Egypt to Rome both administration and leitury as the chief means of achieving the financial and economic tasks of the State.

#### B. THE LATE ROMAN REPUBLIC

Its economic background is that of a general recession of economic activity following upon the fall of the monarchy, 509 BC. Local markets around the forum in Rome are merely food markets, every 8 days; foreign trade is passive trading.

I. Punic  
War  
264-241

The Punic War reveals the grave economic weakness of the city state:

(1) no regular taxation, (2) no navy, (3) no industry.

The political and economic problem of national organization involves:

Politically (a) A radical change from the republican constitution:

the Empire.

(b) <sup>First the</sup> <sup>then the</sup> Rise and fall of the equestrian class: the establishment of a central administration.

Economically (a) The large-scale introduction of plantation slavery in Italy.

(b) The Gracchan reforms, their failure and the break-up of free peasant farming in Italy.

Of the Hellenistic alternatives, Rome embraces central administration and its redistributive methods (not commercial trading)

(1) Taxation:-- like Greece, <sup>i.e.</sup> no regular taxation of citizens.

Earliest taxes, donarial revenue. 357 BC Tax on manumission, <sup>5%</sup> used up 2

Vectigalia (indirect taxes) : Passua (scriptura)

Portoria 5% (2 1/2 in Italy)

Later: slave sale tax (Empire)

Direct tax : Tributum was <sup>EMERGENCY</sup> 'tenerrarium' = 1/10% = tributum simplex and had the character of a loan.

No tributum levied after 168 BC, Pydna, up to Empire.

Censor's office mainly meant to register revenue.

Up to 212 BC, <sup>the</sup> defeated <sup>WERE</sup> made confederates! No taxes levied on them.

(2) No navy available for Punic War (ie. no merchant fleet either).

Equestrian officers... 260 BC: no ship.

(3) No manufacturing industry : T. Frank: (a) None for export

(b) Small-scale purveyors

(A) Political reform:

(1) Rostovtzeff most eloquent on imperative need for constitutional changes.

The institutional crisis. This is one of the best established aspects of the period.

The organization of power had to be shifted from the city state basis to one more suitable for an empire (Athens which on an incomparably smaller scale had attempted to run an empire on the basis of the <sup>Aristidian</sup> ~~synoecism~~ synoecism had failed after 50 years) - The glorious Periclean pentakonta etia (460-430).

1st half  
2nd century  
halcyon days  
serene  
peaceful  
sublime

As if the city of New York, or briefly Tammany Hall, was supplying the government and administration of the 48 states: the various Tammany Hall factions being endowed with a proportionate number of them and moreover a Continent or other, as Europe - Asia - Africa.

In this line of thought the three-cornered struggle between the Senatorial class, the Italian confederates (the "social" war) - the Popular Party was conditioned by a basic underlying crisis. The Popular Party had the Senatorial Class, and the Confederates against it, because the latter also participated in the occupancy of the ager publicus, and the people of Rome refused to share their privileges with them. In this situation, G. Gracchus consciously allied himself with the Knights (equestrians) to split the ranks of the wealthy. He handed to them power (Jury) and unlimited chances of making money. ~~The~~ popular movement thus accentuated the Crisis, provoked the Sullan reaction, and helped to win over all parties, factions and classes to the triumvirate, and by implication, the Principate!

In effect, the equestrians were the victims of the Roman Revolution (a parallel to the French, of the 18th and 19th centuries, in its Bonaparte phase : ~~is~~ anti-particularist, nationalizing finance, doing away with ~~any~~ traditional privileges).

(2) Rise and fall of equestrian class. Origins:

Servian constitution had a top census : equestrians (à la Solonic pentakos medimnoi). Gracchians established them, 123 BC, an 'ordo.' Much before that the Lex Claudia (218 BC) barred Senators and their sons from owning a boat of more than 300 amphorae capacity (ca. 400 tons). Simultaneously, Equites participate in 'munitions.'

'munera'

à la  
nativism  
of Pericles

objective  
problem  
setting stage  
for class  
struggles

- 242 Sicily taxed
- 218 Lex Claudia
- 178 Vectigalia  
    auctioned
- 150 Polybius
- 123 Lex Judiciaria  
    (direct taxes  
    of Asia)
- 80's Sulla
- 69 Lucullus
- 43 Caesar

Blackout.

Since 178 BC, collection <sup>long</sup> of vectigalia <sup>were</sup> auctioned to equestrians.

'Societas publicanorum' <sup>was</sup> formed for 5 years.

Slavery appears on plantations at approximately the same time as publicans <sup>organize</sup> enormous personnel of slaves. Highly trained as 'white collar' workers for purposes of:

123 BC  
direct taxes  
farmed out  
to publicans,  
incl. Asia

- (a) ~~XXX~~ tax farming
- (b) contracting
- (c) domanial tenancy.

Enormous capital needed to farm mines, taxes of whole provinces, cities.

Hosts of skilled, experienced, technically schooled personnel of officials and slaves, agents in Rome and provinces, stores and offices. Consequently societas became a corpus. Instead of the

~~represents~~ 'societas':  
↓  
represents 'corpus':

'manceps' of the societas, <sup>the</sup>  
↓  
'magister' of the corpus <sup>represents</sup> the manager

(in Egypt: the dioiketes, à la Apollonius of Alexandria).

The state registers the names of the publicans (members of soc.)  
partners (sharers)  
sureties  
garantors (of sureties).

Jargon of stock exchange is general.

Speculation feverish.

Jobbery, sleeping partners, etc.

A privately run public administration of empire <sup>scale!</sup> ~~seepi~~

- (1) Lucullan scandals : Plut: Lucullus (Ch. 20) 69 BC } *important*  
(2) Polybian description : appr. 150 BC

Cicero's panegyrics : 'the flower and the foundation of the realm.'

Died 43 BC, proscribed by Mark Antony. Noble death:  
the equestrian class ever "the hope of Rome," he felt.

Sulla, the most reactionary of all, proscribed some 1600 and had them killed. Julius Caesar in 48 BC limited direct tax perception in Asia. The Empire gradually removed them. Still societates publicanorum existed 2nd century AD - an 'ordo' no more, merely 'wealthy people.'

Yet all the possibilities and limitations of market trade are involved in their story.

There is no sign that a market-development was as much as on the horizons.

(a) Portoria: - Import-export equally : 2 1/2 Italy, 5 % outside.

(b) Absence of employers' interest: Gracchi distribute grain!

(1) What about the farmers' interest? No protest against dumping of cheap grain.

(2) What about the employers' interest?

(3) Not a single instance of reference to market laws (à la Athens...).

(4) Equestrians press for colonies for financial exploitation, but not for trade.

Lex  
Sempronia  
frumentaria  
123 BC

T. Frank

The failure of the bourgeoisie: due to the impossibility of organizing market trading under the circumstances. Wasteful methods. Extortion, blackmail, corruption and usury much more profitable than profit made on prices. Consequently, no interest in developing stable,

functioning markets, but rather in obstructing their development. Postal and transportation services available only through army or civil service; enforcement of payments dependent on military brachium. One of the biggest branches of trade - slave trade - dependent on permanent kidnapping, civil wars and altogether anarchic conditions conducive to piracy. Even the relatively <sup>inefficient</sup> ~~irrational~~ tax farming and contracting of the later mercantilist governments of the 16th, 17th, and 18th centuries were still impracticable <sup>here</sup> for lack of a functioning market-system.

(Mercantilism possessed wholesale trade organized through ports of trade; chartered trading companies; credit instruments created by normal market transactions.)

#### How to ascertain extent of market trade?

Markets - except visible, i.e. local or bazaar or port of trade - mostly unascertainable. Diffuse or invisible markets cannot be traced or gauged with any exactitude. Only (a) money uses and (b) trade.

(a) Money uses may indicate trade. Depends upon their character; amounts not sufficient. <sup>large</sup> Tribute payments, etc., do not indicate trade.

(b) From <sup>volume of</sup> trade amounts : Deduct treaty and administered trade. Deduct trade of semi-public bodies, cities, governments, carried on by political methods in order to get trade of market persons.

What remains apart from local markets for fresh food and household articles; food, <sup>stuffs</sup> artifacts, cosmetics, of a luxury character, which necessarily amount to very little? ~~As~~ Analysis tends to reveal that all the food supply

was for the government's annona, the army's and the civil servants' account.

Most of the cities (municipalities) were the great customers; transportation

Annona  
grain }  
oil }  
wine }  
wool }

Payment was altogether in the hands of the administration. Payment also was through army and civil service agencies (transfer of money) - very much as in USSR today.

The market-pattern-ideal didn't exist.

(a) Crucial :- 5 - 5 % (2 1/2 - 2 1/2)

Portoria never altered. I.e., price competition unknown even for home-grown wheat (cf. Gracchi!).

Lex Sempronia  
frumentaria  
123 BC

(Although Roman peasant not a consumer of grain like the Attican.)

(b) Free distribution of grain (or rather: cheap grain) a popular party demand.

No discussions of effect on wages!!?

(c) Equestrians utter lack of interest in trade. 'Societas publicanorum' never trades. No trade company ever chartered'!

(d) No black market, no smuggling, no illegal trading on record!!! In a world of bribery and corruption, jobbery on a stupendous scale, there is no charge of illicit trading, i.e. of buying and selling goods which should have been handled administratively. No charges of currency evasion; of fraudulent banking.

freedom  
of  
trade!

At the same time, no equivalencies are in effect. Money is a means of payment; of account; of exchange; of hoarding; freedom of commerce very great. But all this does not lead to the organization of production for the free market - only for public bodies.

Wholesale trading is pardonable - says Cicero, the champion of the equestrian class! The gentlemen of the equestrian class were contract hunters, usurers on the largest scale - not merchants.



But who then traded?

Middleman  
(Retail  
trade)

"In a general way, (a) the producer was in that simpler day nearer the consumer than at present; that in foreign trade the shipper brought his goods to the harbor-market place for the retailer or consumer, and that to a far greater extent than today the producer of domestic articles was himself an artisan or shopkeeper who sold directly to the consumer what he made in his small shop. Middleman were relatively few."

Transportation

Freight rates hardly existed: "The merchant went up and down the seas bartering with his own goods."

res

Negotiators : money lenders and real estate speculators, very rarely merchants. He might buy the tax farmers booty . . .

"Negotiator" - primarily a banker and land speculator, not a real merchant. (Carpet-bagger.) Even these more often Campanians and <sup>Ita</sup> ~~Elite~~ Greeks (citizens since 89 and 88), other "Roman citizens" and native ex-soldiers. Rome's participation in trade was slight!

In the  
East!

Bankers

Negotiatores were hardly more than adjuncts to the publicans' activities. "They show but a slight hold upon the trade." Bankers and investors who had come in the train of the publicans to profit from unsettled conditions apparently did not thrive when the publicans were withdrawn and a reign of peace permitted the natives to stabilize their finances. The normal commerce of the East never got beyond the control of the natives, while the independent grain trade into which the Romans had entered came to an end with the development of Egypt and Africa." Eventually Westerners settled in the East were Hellenized . . and forgot their Latin . . .

Eastern  
type

Corn trade

Denational-  
ization

They go  
"Greek"

Egypt

"In the rich province of Egypt annexed by Augustus, Roman business made even less headway."

Romans were averse to trade. "However much the great merchant was respected, the successful wholesaler is usually a man who has served an apprenticeship in retail trade, and for him Rome had little good to say."

Passive trade

The control was entirely in freedmen's hands. Rome, Ostia, Puteoli full of foreign ships and colonies. All merchants bear Greek names.

→ Trimalchus: "I buy cheap and sell dear; others may have different ideas."  
(Petronius) He must be a Greek-speaking Syrian - or so.

Banking: - done by rich men, *who do not specialise as bankers..*  
Corn trade: - by state.  
Manufacturing: - *∅*

The Empire brings the split between Western and Eastern development to an end for another 500 years.

Tax farming

In Egypt: Tax farming very soon changes over to control and check by the state, revenue low: administration and poor-man (Egyptian) leiturgy extended to it - all in kind.

In Rome: It is taken over by the state: entirely etatized. When Rome moves into Egypt: no change.

(B) Economic

(1) Plantation slavery

Capitalism vs. agriculture

By Tib. Gracchus' time a regular depopulation had set in. He intended to restore the countryside and its rustic prosperity. His main concern was military. Hence his attack on the aristocratic occupiers of the public land.

- (a) Change to oil and wine.
- (b) Cheap slaves by the 10,000 came on the market - Carthaginian system.
- (c) The small peasant was bought out and dispossessed.
- (d) Occupation of public lands by "possessores."

The most cruel form of capitalistic slavery ever devised. Waste of lives - the proper way of using them. No families. Ergasteria.

Capitalistic agriculture - the most capitalistic branch of the economy! Calculated investment; scientific agriculture.

(2) The recession of the free yeomanry : their precarious status.

Max Weber argues that the failure of the Gracchan movement left the yeomanry gravely impaired in their status. This was the preparation for the colonnate, he says. Except for the full Roman citizen on his Quiritarian <sup>now</sup> land, most possession was up to a point precarious.

C. EARLY EMPIRE

27 BC - 180 AD

Introduction

The Empire meant the change to the Egyptian model : (1) central government plus administration and Greek leiturgy instead of (2) annual magistracy plus private societies for the carrying on of governmental finance and economy. As we saw, markets and market elements played no great part in the latter; in the former they were even less in evidence (corn trade; banking and finance; tax farming -- all three were sharply recessive during the Early Empire; in the Late Empire, even money and trade recessed, together with mobility). Not before another 1000 years did market elements make themselves again strongly felt in Western social development. It might be argued that the dominant long-range factor in this development was geographical.

(1) The Graeco-Roman market territorially never served more than a city state. Originally a local food market, it remained under strict polis discipline and was isolated from foreign trade.

(2) This (territorial) limitation was never overcome. Rostovtzeff justly noted that the Hellenistic empires were fatefully weakened not by the chora but by the polis - their cursed "uncooperativeness." He failed to recognize that the market of the polis was organically incapable of transcending the territorial limitations of the city state, since it depended entirely on the postulate of the iron discipline of the city. Short of that it would have been too risky to be trusted as a redistributive instrument.

(3) As against the agora, administration and leiturgy are not subject to this type of territorial limitation. In Ptolemaic Egypt, as in the Early Roman Empire, they successfully integrated the economy. But the change from city state to Empire organization involved a terrible cataclysm.



Peace and public administration involve an enormous influx of wealth from the conquered provinces of the East. Spectacular improvement in standards of public administration are attained.

The Roman Empire returns to redistribution on a scale comparable to that practised in the ancient Oriental empires. The main principles involved are (1) the almost unlimited obligation of the Emperor to maintain the food supplies of the capital, with a population of more than a million, and to feed some 200,000 of them at his own expense; (2) to ensure the safety of the Empire through the maintenance of an army, at his own expense,

ensuring the food, the armaments and equipment, as well as pensions for veterans; (3) to maintain the civil service of the Empire; (4) to provide for public buildings all over Italy, but especially in Rome; (5) to undertake the construction of roads and bridges with the help of the army, but with a view to their civilian use for transportation. The means to defray the expenses were pooled from private and public sources with no real responsibility to distinguish between them.

The relation to local administration was this: local administration was in the hands of city states to which a definite territory belonged. These provincial towns were almost completely autonomous under their charters. The Empire was, therefore, more or less a world federation of practically self-governing cities with their surrounding territories. Above this system of local government, there was superposed the central government in foreign affairs, defense and finance, carried on in an absolute fashion by the Emperor. He shared this task, nominally, with the Senate, but actually relied on public opinion, primarily as expressed through the army with its social roots in the Roman and provincial peasantry.

The municipia, as they were called, had their own administration: magistrates, a council of elders, i.e. a popular assembly. The heart of provincial town life beat in the competition of the local inhabitants, whose ambition centered on office and honor in their native town. Whether the post or office to be filled was that of magistrate or priest or council member, competition was keen. Even minor offices were highly coveted. All along the line, the costs of public office (which was unpaid) were high, and competition was precisely for the honor of providing the cost of public needs. This is the key to the almost unbelievable munificence of hundreds of towns. The Greek concept of liturgy, i.e. obligation of private persons

to contribute services of special offerings for the public benefit was practised on an unprecedented scale. The Greeks did not favor luxury. The liturgy imposed upon members of noble clans was restricted to the provision of public feasts and personal services at state occasions and religious celebrations. But, the Roman of the Empire period was anything but ascetic. The lavishness with which temples, theaters, public halls, baths, monuments, civic centers, memorials, triumphal arches, roads and bridges were donated by private citizens to their towns beggars description. Honor was synonymous with public distribution of wealth; prestige was uniquely derived from the performance of economic service to the community. An intricate hierarchy of social eminence, rank, prerogative, public distinction was elaborated on the basis of such donations. As a result, in Rostovtzeff's words: "Never, not even in the 19th Century, did men live in such a surrounding of beautiful buildings and monuments <sup>ies</sup> as in the first two centuries of the Empire." Families of the wealthy were, as a rule, restricted; and very often great fortunes were bequeathed to the Emperor, or to the provincial honorator's home town. The effective idea of wealth seems to have been that of standing at the center of a large turnover in public giving-away. The Emperor was only doing on a vast scale what was generally done in local administration by private citizens as the approved way of employing wealth.

Now, a very small part of these private fortunes sprang from business activities proper. Private fortunes were made mostly by political means: booty, tribute, tax farming, the proceeds of political rackets and so on - such were the main sources of private wealth. At no time was industry a mainspring of profit; at no time was free labor organized for purposes of production; the slave market was merely the means of distributing the human



war-booty, like the annona, comparably to the distribution of demob equipment. Under such a system, although trade is free, occupations are largely restricted. Goods and men are at liberty to move, contractual freedom is not limited, yet economic activities are integrated by way of imperial and municipal redistribution. This is supplemented by <sup>(a)</sup> householding, on the one hand, (which caters for many needs), and (b) markets, on the other, which mainly supply luxury goods for the rich. But neither (a) nor (b) can be relied upon to ensure the necessities of public and private needs. Public needs are largely supplied by private citizens, and food supplies for the mass of the population are redistributed from provinces which belong to the Emperor, through the machinery of government administration. (The concomitant is the absence of a general system of taxation, which alone would have made the economy into the bearer of a rationalized central administration.)

D. THE LATE EMPIRE 284 - 476

It is this system of redistribution which disintegrates in the 3rd century, which is reorganised by Diocletian (286) and Constantine (327-337). It is temporarily restored through (1) price control, (2) the abolishing of the free choice of professions, and (3) free acceptance or rejection of office. The result is the colonnate, the gild system of craftsmen's collegia, the obligatory acceptance of curial office, the restriction on residence and settlement.

Chief means of reconstruction : Taxation system introduced.

1. Rationalization of central administration.
2. Militarization of the civil service.
3. Universalization of liturgy principle, i.e. compulsory services and financial responsibility for results.

4. Binding of the agricultural tenant to the land (colonnate).
5. Nationalization of shipping, carrying, commerce.
6. Charging the *dekaprotai*, the outstanding ten citizens, with the execution of central administration.

It is doubtful whether Rostovtzeff's all-round rejection of the economic interpretation of this process is justified. The eventual outcome cannot, of course, be denied.

- a) The use of money is more and more restricted in favor of economy in kind.
- b) Methods of agriculture deteriorate; the yield of the land falls off.
- c) The population decreases all round.
- d) The level of industrial output falls sharply, as it adjusts itself to shrinking local markets.
- e) The quality of manufactures, design and finish deteriorates.
- f) Trade and commerce show a sharp reduction.
- g) The flourishing provincial towns of Italy decay; they are not rebuilt, if ruined; town life slowly ebbs away.
- h) The western empire reverts to a low stage of agriculturization, general conditions becoming increasingly barbarized.

Rostovtzeff's refusal to accept an economic explanation of these economic developments is unconvincing. I do not suggest that the moral, psychological, cultural, and religious factors were economically determined or even that they had an economic cause; but I suggest that the economic changes should in this case be related to the circumstances which arose in the economic field, even though cause and effect were linked through important political developments, such as military monarchy and social revolution.

Rostovtzeff's analysis is limited to what in the economistic view is regarded as "economic": trading and commerce, the use of money. He does not consider whether these elements performed the same function as in our economy. They did not. The Roman Empire had no market system to which trade, commerce, or the use of money could be related. I do not mean that it possessed no market-economy, which is obvious - a system which existed nowhere before the beginning of the 19th century, i.e. a self-adjusting system of markets including the factors labor and land. It had no market-system even in that modest sense in which medieval urban economy possessed organized markets or the mercantile system of the 16th and 17th centuries comprised a national system of markets.

As a result, the subsistence economy of the empire lacked essential links for which: (1) <sup>+ administrative</sup> political expedients and (2) prestige economy substituted, - neither of them permanently. *Leidung*