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ON FORMS OF TRADE IN THE ANCIENT NEAR EAST

by

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At one stage of another in the history of almost any field of study the condition may obtain that the more ample the facts that come to our cognizance the less do they appear to fit into a pattern. In regard to the Babylonian economy Max Weber showed himself conscious of deep seated difficulties as early as 1909, and Rostovtzeff dropped some guarded hints. Among the Assyriologists themselves symptoms of a malaise were noticeable only comparatively late, but then all the more significantly. Paul Koschaker, who, time and again warned against some of the assumptions made by the earlier pioneers eventually complained that his own efforts had reached a dead end. His study on economic administration in the Old Babylonian state (1942) closed, in his own words, "on a discordant and sceptical note." It had not been found possible, he intimated, satisfactorily to apply transactional terms to the process of governmental trading as it was recorded in the documents of Larsa; we might, he added, for the time being have to resign ourselves to the inadequacy of rational concepts to cope with the administrative irrationalities of what he arraigned as hyper-burocratic trading methods. In this particular phrasing, a policy bias may have been deemed to have interfered with that great scholar's clarity of vision. However such a view would by-pass the heart of the matter. All the more so, as the anything but anti-socialist Gordon Childe also failed to disperse the obscurities surrounding the early form of economic life in that area. His theory of an "urban revolution" grounded on a survey of the spectacular advance of the archaeology of prehistory in that region certainly offers no answer to the question, e.g., of how trade was organized. It should be assumed, therefore, that the obstacle to a deeper insight transcends any preferences of historical philosophy and economic policy. Indeed, there may be strong reasons to believe that the frustration with which the inquiring mind has met in the field of the Babylonian economy is only the latest phase of that secular perplexity which for almost a century went under the name of oikos controversy.

I. The oikos controversy and its derivatives

The year 1864 was the birthyear of that discussion, once famous, and, we submit, not yet obsolete. It still appears to possess an unsolved residue of a topical order. The issue was roughly, whether at the highest point of its development the society of classical antiquity in its economic aspects was essentially modern or primitive. In that year Rodbertus had published the main part of a study on the system of taxation in the Late Roman Empire. In contrast to the various revenue, income and turnover taxes of modern times, a simple property tax took care of public taxation, he contended, because the production and distribution of the bulk of the goods occurred within the confines of the giant households of a relatively small number of slave-owning proprietors. Since the economic process ran its course inside the self-sufficient household or oikos of these wealthy men, a mere property tax was both possible and sufficient. This position implied the oikos thesis in its earliest form.

Thirty years later this approach was revived by Karl Buecher and its nucleus made the starting point of a theorem of vast scope. Buecher insisted that what we call a national economy (Volkswirtschaft) was not known outside of modern times. For an understanding of antiquity, the Middle Ages, and indeed every economy apart from that which developed in recent centuries under the aegis of the modern state, we should turn to anthropology, since in the last resort it is from primitive communities that those economies derived their institutional forms. While in its Rodbertian context the <u>oikos</u> thesis had gone almost unnoticed, Buecher's equating of the economy of antiquity with primitivism was violently challenged, first and foremost by the historian Eduard Meyer. Buecher was certainly out of tune with the times. In the thirty years that had elapsed since Rodbertus, Mommsen's writings on Roman history had considerably "modernized" traditional notions on antiquity. In any case, Eduard Meyer could now point to the exuberant commercialism of Babylonia, which seemed to prove up to the hilt that in its classical periods, as Meyer put it, "the economic life of antiquity should be conceived of as thoroughly modern."

For a third time what appears to have been essentially the same issue came up on the question of "capitalism in antiquity." Max Weber, having broadly endorsed Buecher's stand departed from a number of Mommsen's interpretations and doubted the applicability to antiquity of the modern term "capitalism"; Rostovtzeff, on the contrary, asserted that in the crucial period capitalism was already on the way, and roundly denied that in the three or four centuries which comprised the change-over from republic to principate, the Roman economy was qualitatively different from that of Western Europe around, say, the seventeenth century.

In the retrospect it is not too difficult to see how in spite of an eventually almost complete agreement on the facts, a radical difference of interpretation could persist between the contending schools in regard to the socio-economic character of those facts. As usual in such cases there was lack of clarity about the true issue.

First. A high level of trade and monetary activity, indeed, even of manufacturing is entirely compatible with a low level of social organization. A considerable part of the population can be engaged in non-commercial forms of trade, and economic life in some regards be monetarized, while in terms of stratification, division of labor and the social role of kin and neighborhood, the community need have hardly advanced beyond primitive conditions, and that <u>in spite of what may appear to us as urbanism</u>. For the assumed close correlation between levels of economic activity and levels of social organization exists only in communities organized through markets. Market institutions show a tendency towards a permeating of society, thus giving rise to new social classes and distinctively economic antagonisms, while at the same time atomizing formerly tradition-bound communities and setting them on the road towards a modern development. In the absence of comprehensive markets, however, no such tendency need be found at work. Actually, the question at issue in terms of fact was the extent to which the economy, in its various spheres, was organized through markets in classical Greece and Rome.

Second. Evidence of functioning markets is not so readily available as might be supposed. Even under modern conditions it is often an intricate matter to ascertain whether at a definite time and place a supply-demand-price mechanism for a definite good or service is in operation or not. For the distant past, direct evidence often may not be available. We may therefore be forced back to a reliance on indirect evidence such as a judging by culture traits that commonly denote the presence of markets and market activities in a society. But this type of evidence is deceptive. Traits superficially recalling a business man's culture may occur independently of markets, and even of the economy altogether. Instances of such pseudo-economic traits abound with the Manus of the Great Admiralty Islands, the Tolowa-Tututni of California or the Kwakiutl Indians of the North West Coast. Gambling, meticulous accountancy, display of gainful motives, keen competition, pride in a public turnover and other not intrinsically economic traits, which are also common in the context of modern markets, play a vital part in the social life of those primitive communities. Obviously the presence of such pseudo-economic culture traits is no proof of functioning markets.

Third. A much more important source of ambiguity is this. Some genuinely economic institutions that in their elaborate form we justly regard as having arisen only in modern times have been found to have occurred under archaic conditions. However, while as to its structure the institution may indeed be similar, its function is actually very different. In its early, pre-market form it was a substitute for markets; in its market form it is supplementary to already existing markets. Examples: In recent centuries business life produced complex credit structures and clearing systems, elaborate forms of brokerage, and special purpose monies. Most of these could be regarded as new. Yet, in much less complex and elaborate forms similar institutions had existed before, in early societies. The explanation is simple. Where barter is wide-spread credit, brokerage, clearing or money used as a standard help to carry on barter and thus make up for the absence of exchange-money and markets. It may be said that — to use modern terms — in these cases the lack of functioning markets calls for a substitute for markets. In the absence of money employed as a means of exchange there is often a large scale public storage of staples with the concommitant practice of carrying debt accounts of individuals, and consequent clearing practices. Though money may not be used as a means of exchange, it still can be almost universally employed as a standard, as well as a means of payments, different goods as a rule being used for the different purposes. Brokerage and auction are then the usual means of arranging for exchange. With the development of markets such practices become superfluous and tend to disappear, until on a much higher level of market development they reappear again, but this time in an elaborate form and in the altogether new role of supplementing the functioning of the markets. Typical of such a recurrence of institutional traits and operational devices which made their reappearance in our days, is the field which we are used to call banking. The appearance of money changers, these earliest bankers, preceded the general use of coined money. Even branch banking reached a high development in Ptolemaic Egypt where it served as a device of running an advanced planned economy "in kind," without markets or money as a means of exchange. Similarly, the clearing of obligations between traders' accounts appear to have been general fifteen hundred years before, in the "early Assyrian" period, in the absence not only of coined money but also of price-making markets.

To sum up. The elusive element in the oikos controversy was the role of the market on which the issues centered with no sufficient awareness of this circumstance on the part of the disputants. Transposed into these factual terms, Rodbertus had asserted that in the absence of a market system taxation in the Late Roman Empire would naturally be based on a general property tax put on the practically self-sufficient households of the big slave owning landowners. Buecher, again in these terms, had stressed the essential truth that modern economies were integrated through national markets, themselves largely creations of the state, a development that had never occurred before. Finally, Weber's position on capitalism in antiquity as well as Rostovtzeff's, turned on the factual question, to what extent, large or small, was the economy of ancient Rome at different times and in its different aspects instituted through markets. Admittedly, in regard to some modern accessories of the market system caution is in order. But our distinction between economic activities under highly developed market conditions and superficially similar activities under pre-market conditions should help to avoid that "inverted perspective" as it might well be called, which so often induced our "modernising" historians to see strikingly modern phenomena in antiquity where in fact they were faced by typically primitive or archaic ones.

II. Problems of the Babylonian Economy

Paul Koschaker, in 1942, was, then, much less confident of our grasp of the Babylonian economy than Eduard Meyer had been in 1895. The underlying reasons will now become apparent.

Shortly after Buecher's and Meyer's clash of views the find was made of the obsidian stele on which the Code of Hammurabi was displayed. To all intents and purposes it contained a commercial code of law which was (at that time) dated about twenty-five centuries before our era. The significance of the sheaves of clay tablets relating to business matters that had been previously unearthed now stood revealed. Civilization, so much seemed evident, had been born from man's commercial instincts; and the cradle of our own world, that of a business-man's culture had been uncovered in Babylonia. To argue the primitive character of the economic life of antiquity in the face of these facts was no more than a fad. The discreetly voiced doubts of Max Weber or Rostovtzeff were ignored. A series of scholars whose critical faculties have been rarely surpassed in any field of learning testified to the broad outline of the collective findings. There was no lack of differences between them on detail, nor of the recognition of important lacunae -- but as to the general character of the economy, the ethos of the participants, the attitudes and value scales on which they oriented their behavior, no doubt could prevail! We had here before us the very essence of a capitalistically minded business community, in which king and god alike engaged in profiteering, making the best of their chances in loaning out money at usury and over millennia imbuing a whole civilization with the spirit of money making. It is against this climate of opinion that the recent signs of doubt in regard to our comprehension of the economic life of the ancient Near East should be viewed.

In terms of our interpretation of the <u>oikos</u> controversy as stated above, the impasse can be succinctly formulated. Babylonian economic life had necessarily appeared as a complex of activities ultimately depending on the functioning of an underlying market system. Markets were the rock bottom on which rested with axiomatic assurance the determination of forms of trade, money uses, prices, commercial transactions, profit and loss accounts, insolvency, partnership, interest, in short, the essentials of business life. It follows that in the absence of such markets these explanations of the economic institutions and their way of functioning must fall to the ground.

We submit that this precisely was the case. Babylonia, in effect, possessed neither market-places nor a functioning market system of any description.

This recognition, which supplies the main thesis of this paper, arises out of a number of mutually supporting groups of facts:

First. Herodotus, who undoubtedly visited Babylon some time between 470 and 460 B. C., had asserted with the greatest possible emphasis that "the Persians do not frequent market places and in effect, do not possess in their country a single market place." (Her. I, 153) This passage had been consistently ignored by economic historians of Mesopotamia.

Second. Even a superficial survey of the legal character of economic transactions from the Old Babylonian period down to the Persian times showed the soundness of the accepted view that in spite of the intervening "Dark Ages" no striking change in the nature and character of these transactions had ever occurred.

Third. It appeared as a matter of common sense that market places, had they been present to any extent in Hammurabi's time would hardly have disappeared so thoroughly as to be beyond reviving during that patent upsurge of business activities which took place a thousand years later, and in the wake of which Herodotus was visiting Babylon.

Fourth. According to reliable archaeological evidence the walled towns of Palestine (with the single exception of Hellenistic

Jerusalem) possessed right down to their destruction no open spaces whatsoever.

Fifth. The chief market place of Babylon would offer a landmark not easily overlooked. Yet contemporary literary records of the names, sites and layout of temples and avenues of that city which were found in the library of Ashur-banipal indicated no open space of this kind.

Sixth. Some half dozen different words occurring in various cuneiform documents and translated in different contexts as "market" turned out on closer inquiry either not to mean "market place" at all or at least to be doubtful.

Seventh. Finally, and in my view, conclusively, in answer to a specific question, confirmation was received a year ago from Professor Leo Oppenheim of the Oriental Institute, Chicago, that, as he put it, "archaeological evidence speaks against the existence of "market places" within the cities of the ancient Near East."

III. An early Assyrian trading post

A rough outline of accounts of an early Assyrian trading post that existed over a century in the period of Hammurabi in the center of Asia Minor shall provide us with a generalized version of how Assyriologists only a few decades ago conceived of the organization of trade in this admittedly specific case. Such a bird's eye view shall throw into relief the problems that must arise if the traditional picture based on the assumption of markets is to be replaced by a picture resting on the same data yet barring that assumption. It will hardly be possible to avoid some repetitiousness, when contrasting the composite picture as it emerges from our sources -- the two main publications, that of Landsberger, in 1925, and Eisser-J. Lewy, in 1935 -- with the tentative picture we here suggest as an alternative. The first publication was admittedly conjectural, unavoidably so, in view of the gaps in the evidence; also it justly claimed the right to a free rendering of the selected illustrative material, so as to round off the original texts where meticulous precision could have produced but inarticulate fragments. The second publication, a decade later, comprised the bulk of the transliterated clay tablets, and was roughly in accordance with the first, from which it differed, apart from detail, mainly in literal accuracy and legal elaboration. Landsberger had offered a brilliant sequence of lifelike scenes, suggestive of the drama of business; Eisser-J. Lewy supplied philological comment and juridical systematization. We will keep this brief and inevitably elliptic sketch of their presentations to three points: personnel and their incentives; the nature of the goods; and the character of the activities.

Near Kaniš, on the river Halyš, we have a settlement of Assyrian merchants, members of the so-called karum, businessmen who make profit on buying and selling, partnership, loaning and investing. The records are ample; they cover some three generations and end abruptly. The merchants act as middle-men between the distant city of Ashur, to which they themselves belong by race, religion and language, and between the subjects of a native prince (or princes) of central Anatolia. Whatever its origin, the rationale of the trading post as actually organized is the procurement of copper for the City. Profit is made on the sale-purchase of goods, on loans, -- short or long -- on participations and as between the members of the firm, on a share in the profit. The firm is a family affair, but not exclusively. Frequently a journeyman or junior partner, in reward for his services as a traveler, is accorded an interest-free loan, in money or goods, which he is permitted to use for trading on his own account (be•ulatum). The main driving force in business is the big man in Ashur (ummeanum), who provides the goods, loans the money, invests sums over a long term against interest or participation or both. However, some of the more successful gild merchants in Kaniš may be doing alike. Transportation is organized through a special group of carriers, on a commercial basis. Besides those, the anonymous figure of the tankarum is in evidence, whose function, interests and activities are not clear, but evidently important. The goods are, primarily, copper, as we said, which is handled as a monopoly by the karum as such. Second, consignment ware such as lead (tin?) and fine cloths from the capital. From Kaniš, native cloth and other goods are exported. Silver bars move both ways. Thirdly, "free" goods are mentioned, which are neither subject to "monopoly" nor to consignment. The main activity is sale-purchase, mostly in regard to goods on consignment, on which the merchant can claim a commission. For the rest his job is to find a customer for the goods and to make the best of the chances of the market. Prices and interest rates fluctuate almost in the stock-exchange manner, so he must keep an eye on them. Dealings amongst the merchants give rise to disputes, often brought to a head by arbitration. In other cases, severe penalties, moral as well as physical, seem to threaten the defaulter at the hand of the authorities. All this would accord well with a system of market trading before coined money was invented and executive organs were set up capable of enforcing court decisions.

Other points appeared to fit in less well with these assumptions. Landsberger did not fail to remark that profits are hardly ever explicitly mentioned, losses practically never, prices are not the center of interest, and dealings amongst merchants are not secured by surety or pledge, as usual in archaic trade. Also the data implied that there was a prohibition on other than cash transactions, at least in regard to consigned goods. Moreover, it was noted that rules were sometimes enforceable under the threat of the death penalty.

So far, the bare outline of the traditional presentation.

IV. Risk free trading

It is unavoidable, then, that we take another look at the Assyrian trade settlement and suggest methods of trading suitable in the general circumstances as we see them. Yet in the main we will be merely reinterpreting the above data.

Non-market trade -- this is the crucial point -- is in all essentials different from market trade. This applies to personnel, goods, prices, but perhaps most emphatically to the nature of the trading activity itself.

The traders of the karum of Kaniš were not merchants in the sense of persons making a living out of the profit derived from buying and selling, i. e. price differentials in regard to the transaction in hand. They were traders by status, as a rule by virtue of descent or early apprenticeship, in other cases, maybe, by appointment. Unless the appointment was accompanied by a substantial land grant -- as we may assume in the case of the tamkarum, but not in that of the members of the gild -- their revenue derived from the turnover of goods on which a commission was earned. This was the original source of all "profit," i. e. that pool of goods, including silver, in which eventually the internal members of the firm as well as the external ones, i. e., creditors and partners shared.

The goods were trade goods --- storable, interchangeable and standardized, or as Roman law has it -- quae numero, pondere ac mensura consistunt. Besides standardized cloths, the chief staples were metals, probably silver, copper, lead and tin, all goods reckoned according to their silver equivalent. Silver, besides functioning as standard, was also, up to a point, a means of payment. The role of gold was much more restricted, in both these uses.

"Prices" took the form of equivalencies established by authority of custom, statute or proclamation. The necessaries of life were supposed to be subject to permanent equivalencies; actually they were subject to long range changes by the same methods by which they had been established. This need not have affected the trader's revenue, which did not depend on price differentials. In principle there was always a 'price,' i. e., the equivalency at which the trader both bought and sold. But rules regarding the application of equivalencies were hardly the same for monopoly goods, consignment ware and 'free goods. The numerous qualifying adjectives which accompany the term equivalency refer to the various rules and their effects. The equivalency for copper, "a monopoly," was fixed by treaty over a long term. Copper mining, as organized by the natives, would involve assurances by their chiefs that at least a part of the equivalencies, presumably in goods coveted by the people, would be forthcoming in definite amounts. As to consignment ware, mainly fine cloths manufactured in Ashur and imported lead (or tin?), "prices" were similarly fixed and hence the goods were bought and sold at that 'price.' 'Prices' for free goods are especially important, for eventual departures towards market trading were likely to originate from here; in other words, the present meaning of 'price' may have developed from such equivalencies for 'free goods.' The many different adjectives attaching to equivalencies in the Sumerian formulary (also found in Ugarit) as well as the peculiar terminology of Larsa documents indicate that the handling of 'equivalencies' must have been subject to administrative rules of an intricate kind. In the twentieth century A. D., this should surprise no one.

However, it is in the trader's activities themselves that lies the chief difference between administrative or treaty trade on the one hand and market trade on the other. In contrast to market trade, those activities are here risk free, both in regard to price expectation ~~and~~ debtor's insolvency.

Price risk is excluded by the absence of price making markets with their fluctuating prices, and the general organization of trade which does not depend for profit on price differentials, but rather on turnover. Hence that relative lack of concern with prices; absence of the mention of profits on the business in hand; and even more important, mention of losses. In effect, participation in business is participation in profits. This has far reaching consequences for the forms of trade partnership, which cannot be understood at all unless the discounting of loss on prices, as a general rule, is kept in mind.

There is no risk of debtor's insolvency, and consequently hardly any mention of losses on bad debts. This fact is as incisive in regard to the organization of trade as the absence of risk on prices.

In contrast with modern society, the archaic state makes obligations towards the public hand *stricti juris*, while obligations toward privates need not always be so. He to whom public goods are entrusted must unfailingly be able to produce either the goods themselves or their equivalent. This fits in well with the practice of *in rem* transactions (Zug um Žug, didontes kai labontes) and the exclusion of credit. Several features of Karum-trading would follow: (1) No sale except for cash. (2) The Kaniš trader receives his consignment of goods against security to the value of the goods. (3) Obligations against third parties must be registered with the competent authority, *City*, *Karum* or *Palace* (in the case of natives); hence, in principle, all obligations are guaranteed by the public hand. Under treaty trade this rule is widely attested. (4) The public hand assumes here no risks, since it would refuse to guarantee obligations beyond the security in hand.

In case of fraud or the infringement of the rules of law, the severest penalties are applied.

Taken together all this explains why apparently no default on debt occurs; why arbitration awards are self-executing; how it comes about that the account keeping authority can simply charge the defaulters account with the amount awarded to the other party; why membership of the *Karum* and a good standing with the City is a precondition of trading; why no pledges to ensure payment are met with; why the interest-free loan employed by the journey-man for trading on his own account, the *be'ulatum*, is never lost; why business knows only profit, not loss.

Under such circumstances of no-risk business along administrative lines, the term transaction hardly applies; we will therefore designate this type of activity as 'dispositional.'

The traders activities were manifold. Copper procurement involved the mining of the ore; its collection and transportation; refinement; storage and payment. The trader's job was to stimulate native mining activity through advances and, perhaps long term investments, up to several years duration; ensure delivery and deposit the copper with the gild office in Kaniš. But his main job was to make payment for the copper or what else he had bought. Some may have been paid for in refining the copper, some in silver, tin or imported high grade cloth. The rest of the copper and native cloth were exported, the latter, maybe, after having been finished on the spot. All that which was bought with consignment good went to Assur.

Although the principles of 'fixed price,' 'cash delivery,' 'legal surety,' and 'commission on turnover' obtained throughout, the trader's job was far from simple. To make the right contacts among the natives; correctly to judge their requirement of goods; make his financial arrangements in time; conform strictly to rule and regulation; dispose with precision of goods entrusted to him; see to the quality of the wares, either way; procure funds with which to make advances to prospective suppliers, and for deposit with the government; as well as many other matters. Mistakes or omissions meant delay; difficulty in raising loans; small procurement; unnecessary expense; domestic unpleasantness; loss of authority in the family firm, bother with colleagues and authorities; a reduced turnover. Yet, in this marketless trade there was no loss on prices, no speculation, no failure of debtors. It was exciting as an occupation, but risk-free as a business.

V. Transactions and dispositions

This dispositional mode of dealing was the main characteristic of early Assyrian trade. The essential element in the trader's behavior was not a two-sided act resulting in a negotiated contract but a sequence of one-sided declarations of will, to which definite effects were attached under rules of law which governed the administrative organization of the treaty trade he was engaged in. It is easy to deduce from this the main characteristics of dispositional trading.

First. Acquisition of goods from a distance, -- the criterion of all authentic trade -- was, of course, the constitutive element. The procurement of useful objects ran in a peaceful way, goods going in both directions. There was a large professional personnel employed in the acquisitional activities and the actual physical carrying of the wares. The traders derived a revenue from their activities, in which they had a direct financial interest.

Second. Although acting within the frame of a governmental organization and a network of official and semi-official institutions, the trader remained an independent agent. He was in no one's employ, under the orders of no superior, free to expand and contract his business at will, or to discontinue it altogether. If unskilled, lazy or unwise, his earnings would drop. But he need not fear the summons of any employer or higher authority -- as long as he kept within the law. The principle of rule of law was paramount.

Third. Nevertheless, not even in principle could transactions or private deals be banned. The rationale of the 'rule of law' therofore, the institutional separation of the trader's dispositions relating to public business from his private transactions. The trader needed capital to be provided in the form of short or long term loans, or of partnerships; associates, as members of the firm; employees to travel for him and do the neighborhood carrying; he was free to buy and sell non-consigned ware; to loan money to firms and to participate in their profits. Yet at no time was there to be any doubt about the 'public' as distinguished from the 'private' character of the deal; — whether the trader had acted in his public capacity in the course of the copper procurement involving consignments of government ware or apart from this public business that is, privately. In the former sphere his steps were formalized and his acts were phrased as dispositions; in the latter sphere, they were informal and could be described as transactions. But of what kind the institutions were, which in the various fields of economic activity permitted such a separation to become effective, is still largely hidden from our view. Did the separation run on the lines of the different kinds of goods in question, the quantities involved, or rather according to the origin of the funds employed, or maybe combinations of these criteria? We do not yet know.

Fourth. Documents were recorded by public scribes, made out under the supervision of public officials, a copy of the document presumably filed in the official archives, under readily identifiable headings. The state of affairs in regard to any item of business could then at all times be ascertained at headquarters. The documents themselves were set out with a brevity and precision which enabled the public trustee — <u>the tamkarum</u> — to take action at all times if enjoined by an interested party in legitimate possession of a copy of the relevant document.

VI. The Tankarum

The key to the functions of the *tankarum* lies in the methods and organization of trading. And vice versa: the key to the understanding of those methods lies in the office of the *tankarum*. His figure and function are *sui generis*. His primary duties are those of a public trustee; he takes action under the law as soon as an authorized person produces (or rather had read out to him) the appropriate clay tablet, probably leaving a copy; according to the case and the situation, his duty is to advance fares or other small expenses; to accept pledges as e. g. of a slave that may have been handed to the gild merchant on the default of his native debtor; to be instrumental in having goods from the city purchased by the gild merchant and (although this does not clearly appear) to deliver on the trader's behalf goods to the City; to facilitate transportation by accepting responsibility for money and goods entrusted to carriers, and also for the safety of the goods bought in the City for the account of the gild trader (in these latter cases a document was made out, addressed to the *tankarum* which the creditor could transfer to another gild merchant if he happened to be in need of cash); to have goods auctioned at the trader's request, crediting him with the sum thus recovered, whether it happened to be "more or less" than the equivalency. Other minor services were in the nature of legal advice and legal intervention with the *karum* especially if differences with the natives arose. Also in case of sudden death of an important gild trader the sequestration of goods and monies as well as liquidation of the firm was done through his immediate intervention. The _tamkarum_ derived no revenue from the business in hand, although he may have charged small service fees to the traders according to some fixed scale. His living was ensured through the landed property with which he was invested at his appointment.

If the figure of the _tamkarum_ can be outlined only conjecturally, that of the _ummeanum_ must frankly be described as obscure. The suggestion made here is no more than a tentative construction that might fit the pattern of risk-free marketless trading, organized in the public interest, primarily on behalf of governmental war material procurement. The financing of such imports would be a public service. While the trade aspects of the matter may be left to the _karum_ and the _tamkarum_, respectively, who between them would take care of its efficient performance, the financial side would be seen to be the _ummeanum_. There is, first, the handling of the accounts of the gild traders, including transfers from debtor's to creditor's accounts; secondly, direct investments into this branch of foreign trade so as to increase supply and make it more regular. The _ummeanum_ -- that much should be taken for granted -- was a public figure similar to the _tamkarum_. His investments and partnerships are what we might call treasury advances; these are usually made in round sums of gold ounces (employing units of two ounces) which may indicate the prestige character of the transaction, since gold was treasure. Whether the big men of the land were given a chance to invest into this privileged business and thus benefit from the manufactures of dependent labor, especially female, we cannot be sure. Much speaks for such an extension of palace business to the favored few. Cleomenes of Naukratis compensated the big landholders of Egypt for his introducing of the corn export monopoly by allowing them a profitable share in the governmental syndicate. The King of Dahomey treated his environment with a similar liberality in matters of the royal slave trade, of which he remained, of course, the chief beneficiary.

Yet when all is said, this type of organization of trade and business was probably unique in history. To what extent it may have served as a model for the administered trade of late Ugarit, and eventually Sidon, Tyre and Carthage can as yet only be conjectured. So much already appears certain that contrary to traditional notions, Babylonian trade and business activities were <u>not</u> originally market activities.

If this interpretation is borne out by the facts, the question arises: How, when and where did market trade, fluctuating prices, profit and loss accounts, commercial methods of business, commercial classes and all the paraphernalia of a market organized economy originate? What part, if any, did Babylonia play in this development? The history of market trade may then well be found to have shifted by a thousand years downwards and several degrees of longitude westwards, to the Ionia and Greece of the middle of the first millenium B. C.

An interdisciplinary effort appears overdue combining the economist's approach and that of the philologist in ascertaining, as far as our data permit, the factual foundations of the economic organization of the ancient Near East, not excluding the hypothesis of hitherto not sufficiently recognized forms of non-market trading.

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To Hans Kelsen
in token payment on a debt
of old standing

Karl Polanyi

MEMO No. 18
Not for Publication

COLUMBIA UNIVERSITY

INTERDISCIPLINARY PROJECT: ECONOMIC ASPECTS OF INSTITUTIONAL GROWTH

Directors: Professors K. Polanyi and C.M. Arensberg

ARISTOTLE ON ECONOMIC MATTERS

by

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ARISTOTLE ON ECONOMIC MATTERS

Aristotle's influence on medieval city economy exerted through the 'angelic doctor,' Thomas Aquinas, was comparable only to that of Adam Smith and David Ricardo on nineteenth century world economy. Naturally, with the rise of the market system and the classical schools of economics Aristotle's economic thought went into eclipse. The more outspoken among modern economists seemed to have felt as though almost everything he had written on the subject suffered from some baneful weakness that made his approach essentially irrelevant.[1]

1. J. A. Schumpeter, History of Economic Analysis, New York, 1954. "Aristotle's performance is ... decorous, pedestrian, slightly mediocre and more than slightly pompous common sense." (p. 57)

Of his two main topics -- the nature of the economy and the issue of commercial trade and just price -- it could be said that neither had been carried to any clear conclusion. According to Aristotle, it appeared, man, like any other animal, was naturally self-sufficient. The human economy did not stem from any alleged boundlessness of man's wants and needs, or, as we would say, from the fact of scarcity. Commercial trade sprang from the unnatural urge of money-making which was of course unlimited, while prices ought to conform to the rules of justice (the actual formula remaining largely obscure). There were illuminating, if not quite consistent remarks on money, and a puzzling outburst against the taking of interest. The meager and fragmentary result was often attributed to a normative bias - the preference for that which ought to be over that which is. Eventually, his writings on the subject were shrugged off as hopelessly inadequate.[1]

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1. Schumpeter had no doubt that Aristotle was engaged in "analyzing actual market mechanisms. Several passages show ... that Aristotle tried to do so and failed." (p. 60) The latest detailed study is no less negative on the merits of the case. C. J. Soudek, "Aristotle's theory of exchange." Proc. of Am. Philos. Soc., V, 96, NR. 1 (1952). But cf. Jos. J. Spengler, "Aristotle on economic imputation and related matters," South. Ec. J., April, 1955, XXI, 386, f. 59. "Aristotle did not concern himself with how prices are formed in the market."

A very different appreciation of Aristotle's thought on economic matters is to be sustained here. The outcome of our inquiry is altogether on the positive side.

Admittedly, we will have to reach far back to explain why Aristotle thought as he did of what we are wont to call "economy," or what impelled him to regard money-making in trade and the just price as the chief policy problems. We agree, however, that economic analysis cannot expect to benefit from the scattered utterances of Book I of Politics and Book V of the Nicomachean Ethics.

Yet Aristotle did attack the problem of man's livelihood with a radicalism of which no later writer on the subject was capable. None has ever penetrated deeper into the foundations of the material organization of livelihood. He posed in all its breadth the question of the place occupied by the economy in society and he foresaw the tremendous significance of the introduction into the economy of the principle of monetary gain. It is no contradiction for us to say that on the subject of "economic analysis" his understanding was almost nil. That discipline, in the last resort, aims at elucidating the functioning of the market mechanism, an institution which was still unknown to Aristotle.

To go to the root of our approach, it appears to us that classical antiquity was altogether wrongly placed by economic historians along that secular time scale which led up to market trade. In spite of intensive trading activities and fairly advanced money uses, Greek business life as a whole was still in the very first beginnings of market trade in Aristotle's time. Much of his vagueness and hesitancy - not to speak of his alleged philosopher's remoteness from life - may then have to be put down to difficulties of expression in regard to what actually were recent developments, rather than to the supposed insufficient penetration by him of practices allegedly current in contemporary Greece and nourished by a millenial tradition of the civilizations of the East.

Having said so much at this early stage of our investigation, it may be in order to say more about the place of Greece on that scale. If we suggested that fourth century Athens was more backward on the evolutional scale than commonly thought, it was not because we deemed Greek society to have had a "primitivistic" bent. Rather, the error concerned the scale by which the measurement was made. In its economic aspect, we submit, the environment of the Hellenic world has been grossly misjudged. The millennial development of the Ancient Near East which provided that scale, and from whose orbit the Aegean Greeks drew their material civilization was not characterized by price making markets and the exchange use of money at all. From its early dawn to at least the period of the Persian Wars the Mesopotamian area possessed a non-market economy.

Such a statement again may need a word of elucidation.

It has been noted that in the study of the Ancients and especially of the Orient, scholars have fallen victim to the modernizing prejudice which makes us see markets where there are none. This recognition in itself must make its mark on historiography. But that delusion of modernity was aggravated still further by an "inverted perspective," as we might call it, which ironically vested those imaginary markets with ultra-modern characteristics. The explanation is rather surprising. Actually, very similar institutional traits occurred twice in the course of the history of the human economy: once, in the earliest times and again in our own days. Some of the primitive pre-market practices recur under an elaborate market system. Yet the resemblance is only superficial. What in those early times was a substitute for a market, under modern conditions is added on to already existing highly developed markets. Eventually, men of the realism of a Benno Landsberger, Julius Lewy or the late Paul Koschaker were led to speak of the "stock exchange jargon" of the early Assyrian traders in pre-Hittite central Anatolia! Two examples of this false perspective may be adduced, both concerning the use of money objects. Under conditions of barter we find a widespread use of some sort of customary standard - a quantitative tag attaching to the units of goods of different kinds, with the help of which both sides are able to add up their respective offers, a practice by which barter is greatly facilitated. To take this for a universal employment of money would be to overlook that in the case of barter there was as a rule no market and accordingly money could not have been used as a means of exchange. Rather, the ease and smoothness with which the barter was carried on was due to those customary "standards." Clearing of accounts is another instance. In the Mesopotamian storage economy payments in kind were often avoided by means of a direct transfer between accounts. Here again a simple device served as a substitute for money and market. The clearing arrangements of our own days are, of course of a quite different order; they do not serve instead of markets, but over and above. The primitive substitute should not be confused with the sophisticated elaboration.

This leaves classical Greece, however definitely some of her eastern states were already advancing towards the market habit, still considerably below the level of commercial trading with which she was later credited. Thus the Greeks may not have been, as was confidently assumed, simply latecomers picking up the commercial practices developed by the Oriental empires. Rather, they were latecomers in a civilized marketless world, and compelled by circumstances to become pioneers in the development of the novel trading methods which were at most on the point of turning towards market trade.

All this, far from diminishing, as might superficially appear, the significance of Aristotle's thought on economic questions must, on the contrary, very greatly enhance their importance. For if our "non-market" reading of the Mesopotamian scene is true to fact, which we have no reason to doubt, we have every reason to believe that in Aristotle's writings we possess an eye witness account of some of the pristine features of incipient market trading at its very first appearance in the history of civilization.

Part One: The anonymity of the economy in early society.

In the retrospect it will appear that Aristotle was trying to master theoretically the elements of a new complex social phenomenon in *statu nascendi*.

The economy, when it first attracted the conscious awareness of the philosopher in the shape of commercial trading and price differentials was already destined to run its variegated course towards its fulfilment some twenty centuries later. Aristotle devined the full-fledged specimen from the embryo.[1]

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1. Cf. my "The Great Transformation," New York, 1943, p. 64.

The conceptual tool with which to tackle this transition from namelessness to a separate existence we submit, is the distinction between the embedded and the disembedded condition of the economy in relation to society. The disembedded economy of the nineteenth century stood apart from the rest of society, more especially from the political and governmental system. In a market economy the production and distribution of material goods is carried on in principle through a self-regulating system of price-making markets. It is governed by laws of its own, the so-called laws of supply and demand, and motivated by fear of hunger and hope of gain. Not blood-tie, legal compulsion, religious obligation, fealty or magic creates the sociological situations which make individuals partake in economic life but specifically economic institutions such as private enterprise and the wage system.

With such a state of affairs we are of course fairly conversant. Under a market system men's livelihood is secured by way of institutions, activated by ~~economic~~ motives, and governed by laws that are specifically economic. The vast comprehensive mechanism of the economy can be imagined as working without the conscious intervention of human authority, state or government; no other motives than dread of destitution and legitimate profit need be invoked; no other juridical requirement is set than that of the protection of property and the enforcement of contract; yet given the distribution of resources, of purchasing power as well as of the individual scales of preference the result will be an optimum of want satisfaction for all.

This then is the nineteenth century version of an independent economic sphere in society. It is motivationally distinct, for it receives its impulse from the urge of monetary gain. It is institutionally separated from the political and governmental center. It attains to an autonomy that invests it with laws of its own. In it we possess that extreme case of a disembedded economy which takes its start from the widespread use of money as a means of exchange.

In the nature of things the development from embedded to disembedded economies is a matter of degree. Nevertheless the distinction is fundamental to the understanding of modern society. Its sociological background was first mooted by Hegel in the eighteen twenties, and developed by Karl Marx in the eighteen forties. Its empirical discovery in terms of history was made by Sir Henry Sumner Maine in the Roman Law categories of <u>status</u> and <u>contractus</u>, in the eighteen sixties; finally, in the more comprehensive terms of economic anthropology, by the position was restated by Bronislaw Malinowski in the nineteen twenties.

Sir Henry Sumner Maine undertook to prove that modern society was built on contractus, while ancient society rested on status. Status is set by birth - a man's position in the family - and determines the rights and duties of a person, It derives from kinship and adoption; it persists under feudalism and, with some qualifications, right up to the age of equal citizenship as established in the nineteenth century. But already under Roman law status was gradually replaced by contractus, i.e., by rights and duties derived from bilateral arrangements. Later, Maine revealed the universality of status organization in the case of the village communities of India.

In Germany, Maine found a disciple in Ferdinand Toennies. His conception was epitomised in the title of his work Community and Society (Gemeinschaft und Gesellschaft), 1888. "Community" corresponded to "status," "society" to "contractus." Max Weber frequently employed "Gesellschaft" in the sense of contract-type group, and "Gemeinschaft" in that of status-type group. Thus his own analysis of the place of the economy in society, though at times influenced by Mises, was molded by the thought of Marx, Maine and Toennies.

The emotional connotation, however, given to status and contractus as well as to the corresponding "community" and "society," was widely different with Maine and Toennies. To Maine the pre-contractus condition of mankind stood merely for the dark ages of tribalism. The introduction of contract, so he felt, had emancipated the individual from the bondage of status. Toennies' sympathies were for the intimacy of the community as against the impersonalness of organized society. "Community" was idealized by him as a condition where the lives of men were embedded in a tissue of common experience, while "society" was never to him far removed from the cash nexus, as Thomas Carlyle called the relationship of persons connected by market ties alone. Toennies' policy ideal was the restoration of community, not however by returning to the pre-society stage of authority and paternalism, but by advancing to a higher form of community of a post-society stage, which would follow upon our present civilization. He envisaged this community as a cooperative phase of human existence, which would retain the advantages of technological progress and individual freedom while restoring the wholeness of life.

Hegel's and Marx', Maine's and Toennies' treatment of the evolution of human civilization was accepted by many continental scholars as an epitome of the history of society. For a long time no advance was made on the trails they blazed. Maine had dealt with the subject chiefly as pertaining to the history of law, including its corporate forms as in rural India; Toennies' sociology revived the outlines of medieval civilization. Not before Malinowski's fundamental stand on the nature of primitive society was that antithesis applied to the economy. It is now possible to say that status or gemeinschaft dominate where the economy is embedded in non-economic institutions; contractus or gesellschaft is characteristic of the existence of a motivationally distinct economy in society.

In terms of integration we can easily see the reason why this is so. Contractus is the legal aspect of exchange. It is not surprising, therefore, that a society based on contractus should possess an institutionally separate and motivationally distinct economic sphere of exchange, namely that of the market. Status, on the other hand, corresponds to an earlier condition which roughly goes with reciprocity and redistribution. As long as these latter forms of integration prevail, no concept of an economy need arise. The elements of the economy are here embedded in non-economic institutions, the economic process itself being instituted through kinship, marriage, age-groups, secret societies, totemic associations, and public solemnities. The term "economic life" would here have no obvious meaning.

This state of affairs, so puzzling to the modern mind, is often strikingly exhibited in primitive communities. It is almost impossible for the observer to collect the fragments of the economic process and piece them together. The individual's emotions fail to convey to him any experience that he could recognize as distinctively "economic." He is simply not aware of any pervading interest in regard to his livelihood which he could identify. Yet the lack of such a concept does not appear to hamper him in the performance of his everyday tasks. Rather, it may seem doubtful whether awareness of an economic sphere would not tend to reduce his capacity of spontaneous response to the needs of livelihood, organized as they are mainly through other than economic channels.

All this is an outcome of the manner in which that interaction between man and his environment which serves his material survival, the economy, is found to be instituted. The individual's motives, named and articulated, spring as a rule from situations set by facts of a non-economic, i. e., familial, political or religious order. The economic process itself runs in the grooves of different structures; the site of the small family's economy is hardly more than a point of intersection between lines of activities carried on by larger kinship groups in various localities; land is either used in common as pasture or its various uses may be appropriated to members of different groups; labor is a mere abstraction from the "solicited" assistance offered by different teams of helpers, at definite occasions.

Accordingly, before modern times the forms of man's livelihood attracted much less of his conscious attention than did most other parts of his organized existence. In contrast to kinship, magic or etiquette with their powerful keywords, the economy as such remained nameless. There existed, as a rule, no word to designate the concept of economic which accordingly was, as far as one can judge, absent. Clan and totem, sex and age-group, the power of the mind and the ceremonial practices, custom and ritual were instituted through sometimes enormously elaborate systems of terms and symbols, while the economy was not designated by any one word conveying the significance of food supply for man's animal survival. It can not be merely a matter of chance that until very recent times no name to sum up the organization of the material conditions of life existed in the languages even of civilized peoples. Only two hundred years ago did an esoteric sect of French thinkers coin the term and call themselves "économistes." Their claim was to have discovered the economy.

The prime reason for the absence of any concept of the economy is the difficulty of identifying the economic process under conditions where it is embedded in non-economic institutions.

Only the concept of the economy, not the economy itself, is in abeyance, of course. Nature and society abound in locational and appropriational movements that form the body of man's livelihood. The seasons bring around harvest time with its strain and its relaxation; long-distance trade has its rhythm of preparation and foregathering with the concluding solemnity of the return of the venturers; and all kinds of artifacts, whether canoes or fine ornaments are produced, and eventually used by various groups of persons; every day of the week food is prepared at the family hearth. Each single event contains necessarily a bundle of economic items. Yet for all that the unity and coherence of those facts remains unconscious. For the series of interactions between men and their natural surroundings will, as a rule, carry various significances, of which economic dependency is only one. Other dependencies, more vivid, more dramatic, or more emotionalized may be at work, which prevent the economic movements ~~on~~ forming a meaningful whole. Where such counterforces are embodied in permanent institutions the concept of the economic would be more confusing than clarifying to the individual. Anthropology offers many examples:

1. Where the physical <u>site</u> of a man's life is not identifiable with any ostensible part of the economy, his habitat - the household with its tangible environment - has but little economic relevance. This will be so, as a rule, when movements belonging to different economic processes intersect in one site, while the movements forming part of one and the same process are distributed over a number of disconnected sites.

Margaret Mead described in these terms how a Papuan-speaking Arapesh of New Guinea would envisage his physical surroundings:

> A typical Arapesh man, therefore, is living for at least part of the time (for each man lives in two or more hamlets, as well as in the garden huts, huts near the hunting bush, and huts near his sago palm), on land which does not belong to him. Around the house are pigs which his wife is feeding, but which belong either to one of her relatives or to one of his. Beside the house are coconut and betel palms which belong to still other people, and the fruit of which he will never touch without the permission of the owner or someone who has been accorded the disposal of the fruit by the owner. He hunts on the bushland belonging to a brother-in-law or a cousin at least part of his hunting time, and the rest of the time he is joined by others on his bush, if he has some. He works his sago in others' sago clumps as well as in his own. Of the personal property in his house that which is of any permanent value, like large pots, well carved plates, good spears, has already been assigned to his sons, even though they are only toddling children. His own pig or pigs are far away in other hamlets; his palm trees are scattered three miles in one direction, two in another; his sago palms are still further scattered, and his garden patches lie here and there, mostly on the lands of others. If there is meat on his smoking rack over the fire, it is either meat which was killed by another, a brother, a brother-in-law, a sister's son, etc. - and has been given to him, in which case he and his family may eat it, or it is meat which he himself killed and which he is smoking to give away to someone else, for to eat one's own kill, even though it be only a small bird, is a crime to which only the morally, which usually means with the Arapesh mentally, deficient would stoop. If the house in which he is, is nominally his, it will have been constructed in part at least from the posts and planks of other people's houses, which have been dismantled or temporarily deserted, and from which he has borrowed timber. He will not cut his rafters to fit his house, if they are too long, because they may be needed later for someone else's house which is of a different shape or size....This then is the picture of a man's ordinary economic affiliations.

The complexity of the social relations that account for these simple items is staggering. Yet it is only at the hand of such relations, familiar to him, articulated and meaningfully deployed in the course of his own personal experience, that the Arapesh is able to find his bearings in an economic situation, the elements of which are jigsawed into dozens of different social relationships of a non-economic character.

So much for the locational aspect of the economic process where reciprocity prevails.

2. Another broad reason for the absence in primitive society of an integrating effect of the economy is its lack of quantitativity. He who possesses ten dollars does not, as a rule, call each by a separate name, but conceives of them rather as interchangeable units that can be substituted one for another, added up or subtracted. Short of such an operational facility on which terms like fund or balance of profit and loss depend for a meaning, the notion of an economy would often be devoid of any practical purpose. It would fail to discipline behavior, to organize and sustain effort. Yet the economic process does not naturally offer such a facility; that matters of livelihood are subject to reckoning is merely a result of the manner in which they are instituted.

Trobriand economy, for instance, is organized as a continuous give-and-take, yet there is no possibility of setting up a balance, or of employing the concept of a fund. Reciprocity demands adequacy of response, not mathematical equality. Consequently, transactions and decisions cannot be grouped with any precision from the economic point of view, i. e. according to the manner in which they affect material want satisfaction. Figures, if any, do not correspond with facts. Though the economic significance of an act may be great, there is no way of assessing its relative importance.

Malinowski listed the different kinds of give-and-take, from free gifts at the one extreme, to plain commercial barter at the other. His grouping of "gifts, payments, and transactions" came under seven headings, which he correlated with the sociological relationships within which each occurred. Those numbered eight. The results of his analysis were revealing:

(a) The category of "free gifts" was exceptional, since charity was neither needed nor encouraged, and the notion of gift was always associated with the idea of adequate counter-gift (but not, of course, of equivalency). Even actual "free gifts" were construed as counter-gifts, given in return for some fictitious service rendered to the giver. Malinowski found that "the natives would undoubtedly <u>not</u> think of free gifts as being all of the same nature." Where the notion of "dead loss" is lacking, the operation of balancing a fund is not feasible.

(b) In the group of transaction, where the gift is expected to be returned in an economically equivalent manner, we meet another confusing fact. This is the category which according to our notions ought to be practically indistinguishable from trade. Far from it. Occasionally the identically same object is exchanged back and forth between the partners, thus depriving the transaction of any conceivable economic purpose or meaning! By the simple device of handing back though in a round about way the pig to its donor the exchange of equivalencies instead of being a step in the direction of economic rationality proves a safeguard against the intrusion of utilitarian considerations. The lone purpose of the exchange is to draw relationships closer by strengthening the ties of reciprocity.

(c) Utilitarian barter is distinct from any other type of mutual gift giving. While in ceremonial exchange of fish for yam there is, in principle, adequacy between the two sides, a poor haul or a failure of crops, e. g., reducing the amount offered, in barter exchange of fish and yam there is at least a pretence of higgling and haggling. It is further characterized by an absence of special partnerships, and, if artifacts enter, by restriction to newly manufactured goods - second-hand ones might have a personal value attached to them.

(d) Within the sociologically defined relationships - of which they are many - the exchange is usually unequal, as befits the relationship. Appropriational movements of goods and services are thus often instituted in a manner that renders some transactions irreversible and many goods non-interchangeable.

Thus quantitativity can hardly be expected to operate in that wide domain of livelihood which comes under the heading of "gifts, payments and transactions."

3. Another familiar concept that is inapplicable to primitive conditions is that of <u>property</u> as a right of disposing of definite objects. Consequently, no straight inventory of possessions is practicable. We have here a variety of rights of different persons in regard to the same object. By this fragmentation, the unity of the object under its property aspect is destroyed. The appropriational movement does not as a rule have the complete object, for instance a piece of land, as its referent, but only its discrete uses, thus depriving the concept of property of its effectiveness in regard

to objects.

4. Economic transactions proper hardly crop up in kinship organized communities. Transactions in early times are public acts performed in regard to the status of persons and other self-propelling things: the bride, the wife, the son, the slave, the ox, the boat. With settled peoples changes in the status of a plot of land, too, were publicly attested.

Such status transactions would naturally carry important economic implications. Wooing, betrothal and marriage, adoption and emancipation are accompanied by movements of goods, some of them immediate, some to follow in the long run. Great as the economic significance of such transactions was, it ranked second to their importance in establishing the position of the persons in the social context. How, then, did transactions in regard to goods eventually separate off from the typical kinship transactions in regard to persons?

As long as only a few status goods, such as land, cattle, slaves were alienable there was no need for separate economic transactions since the transfer of such goods accompanied the change in status, while a transfer of the goods without such a change would not have been approved of by the collectivity. Incidentally, no economic valuation could easily attach to goods the fate of which was inseparably linked with that of their owners.

Separate transactions in regard to goods were in early times restricted to the two most important ones, namely, land and labour. Thus precisely the "goods," which were the last to become freely alienable were the first to become objects of limited transactions.

Limited, since land and labour for a long time to come remained part of the social tissue and could not be arbitrarily mobilized without destroying it. Neither land nor freemen could be sold outright. Their transfer was conditional and temporary. Alienation stopped short of an unrestricted transference of ownership. Amongst the economic transactions in fourteenth century tribal-feudal Arrapha on the Tigris those which refer to land and labour illustrate the point. Property, both in land and persons belonged with the Nuzi to collectivities - clans, families, villages. Use alone was transferred. How exceptional in tribal times the transfer of property in land was, may be seen from the dramatic scenario of the episode of Abraham purchasing a family vault from the Hittite.

It is a peculiar fact that nevertheless the transfer of "use alone" is rather more "economic" than would be the transfer of ownership. In the exchange of ownership, considerations of prestige and emotional factors may weigh heavily; in the alienation of use the utilitarian element prevails. In modern terms: interest, which is the price of use over time, may be said to have been one of the earliest economic quantities to be instituted. True, not as a one-sided charge, but usually as forming the two sides of an equivalency of uses.

Eventually, the thin economic layer may "peel off" the status transaction, the referent of which is a person. The economic element may then change hands alone, the transaction being camouflaged as a status transaction which, however, is only fictitious. Sale of land to non-clan members being prohibited, the residual rights of the clan to reclaim the land from the purchaser may be voided by legal devices.

One of these was the fictitious adoption of the buyer or, alternatively, the fictitious consent of clan members to the sale.

Another line of development towards separate economic transactions led, as we saw, through the transference of "use" only, thus expressly maintaining the residual property rights for the clan or family. The same purpose was served by a mutual exchange of "uses" of different objects, while pledging the return of the objects themselves.

The classical Athenian form of mortgage (prāsis epi lysei) was probably such a transference of "use alone," but (exceptionally) leaving the debtor in situ while pledging to the creditor by way of interest a part of the crop. The creditor was safeguarded by the setting up of a boundary stone inscribed with his name and the amount of the debt, neither the date of repayment nor interest being mentioned, however. If this interpretation of the Attican horos holds good, the plot of land was, in a friendly way, mortgaged for an indefinite period against some participation in the crop. Default with a subsequent distraint would occur only quite rarely, namely, on a confiscation of the debtor's lands or the ruin of his entire family.

Almost in every case the separate transference of "use" serves the purpose of strengthening the bonds of family and clan with its social, religious and political ties. Economic exploitation of the "use" is thus made compatible with the friendly mutuality of those ties. It maintains the control of the collectivity over the arrangements made by their individual members. As yet the economic factor hardly registers its claims in the transactions.

5. Services, not goods make up wealth in many archaic societies. They are performed by slaves, servants, and retainers. But to make human beings disposed to serve as an outcome of their status is one of the aims of political power. Eventually, with the increase of the material against the non-material ingredients of wealth, the political method of control recedes and gives way to so-called economic control. Hesiod the peasant was talking thrift and farming centuries before the gentlemen philosophers Plato and Aristotle knew of any other social discipline than politics. Two millennia later, in Western Europe, a new middle class produced a wealth of commodities and argued economics against their feudal masters, and another century later the working class of an industrial age inherited from them that category as an instrument of their own emancipation. The aristocracy continued to monopolize government and to look down on commodity production. Hence, as long as dependent labor predominates as an element in wealth, the economy has only a shadowy existence.

6. In the philosophy of Aristotle the three prizes of fortune were honour and prestige; security of life and limb; and wealth. The first stands for privilege and homage, rank and precedence; the second ensures safety from open and secret enemies, treason and rebellion, the revolt of the slave, the overbearing of the strong, even protection from the arm of the law; the third, wealth, is the bliss of proprietorship, mainly of heirloom or famed treasure. True, utilitarian goods, food and materials accrue as a rule to the possessor of honor and security, but the glory outshines the goods. Poverty, on the other hand, goes with an inferior status; it involves working

for one's living, often doing the bidding of others. The less restricted the bidding, the more abject the condition. Not so much manual labour - as the farmer's ever respected position shows - but dependence upon another man's personal whim and command causes the serving man to be despised. Again, the bare economic fact of a lower income is screened from view.

7. The agatha are the highest prizes of life, that which is most desirable and also rarest. For what could be rarer among humans than to be the favorite of fortune? This is indeed a surprising context in which to encounter that feature of goods which modern theory has come to regard as the criterion of the "economic," namely, scarcity. For the discerning mind when considering those prizes of life must be struck by the utterly different source of their "scarcity" from that which the economist would make us expect. With him scarcity reflects either the niggardliness of nature or the burden of the labour that production entails. But the highest honours and the rarest distinctions are few for none of these two reasons. They are scarce for the obvious reason that there is no standing room at the top of the pyramid. The fewness of the agatha is inherent in rank, immunity and treasure: they would not be what they are if they were attainable to many. Hence the absence in early society of the "economic connotation" of scarcity, whether or not utilitarian goods sometimes also happen to be scarce. For the rarest prizes are not of this order. Scarcity derives here from the non-economic order of things.

8. The self-sufficiency of a body of humans, that postulate of bare life, is ensured when a supply of the "necessaries" is

physically available. The things that are here meant are those that sustain life and are storable, that is, which keep. Corn, wine and oil are <u>chrēmata</u>, but so are wool and certain metals. The citizenry and the members of the family must be able to depend upon them in famine or war. The amount that the family of the city "needs" is an objective requirement. The household is the smallest, the polis is the largest unit of consumption: in either case that which is "necessary" is set by the standards of the community. Hence the notion of the intrinsically limited amount of the necessaries. The meaning is very near to "rations." Since equivalencies, whether by custom or law, were set only for such subsistence goods as actually served as units of pay, or of wages, the notion of the "necessary amount" was associated with all the commonly stored staples. For operational reasons boundlessness of human wants and needs was a notion quite foreign to this approach to the economic sphere. The concept of the "necessaries" included that of "limited amount."

These are some of the major reasons that so long stood in the way of the birth of a distinctively economic field of interest. Even to the professional thinker the fact that man must eat did not appear to possess any important ramifications.

<u>Part Two: Aristotle's probings</u>

It may seem paradoxical to expect that the last word on the nature of economic life should have been spoken by a thinker who hardly saw its beginnings. Yet in truth Aristotle, living, as he did, on the borderline of economic ages, was in a favored position to grasp the merits of the subject.

This may also explain why in our own days, in the face of a change in the place of the economy in society comparable in scope only to that which in his time heralded the oncoming of market trade, Aristotle's insights into the connections of economy and society appear in their stark realism.

We have indeed every reason to seek in his works for a more massive and significant formulation of Aristotle's teachings on economic matters than he has been credited with in the past. In fact, the _disjecta membra_ of the _Ethics_ and _Politics_ convey a monumental unity of thought.

Whenever Aristotle touched on a question of the economy he aimed at developing its relationship to society as a whole. The frame of reference was the community as such which exists at different levels within all functioning human groups. In terms of our modern speech Aristotle's approach to human affairs was then sociological. In mapping out a field of study he would relate all questions of institutional origin and function to the totality of society. Community, self-sufficiency and justice were the focal concepts. The group as a going concern forms a community (_koinonia_) the members of which are linked by the bond of good will (_philia_). Whether _oikos_ or _polis_, or else, there is a kind of _philia_, specific to that _koinonia_, apart from which the group could not remain. _Philia_ expresses itself in a behavior of reciprocity (_anti-peponthos_),[1] that

1. Aristotle, EN 1132b 21, 35.

is, readiness to take on burdens in turn and share mutually. Anything that is needed to continue and maintain the community, including its self-sufficiency (autarkeia) is "natural" and intrinsically right. Autarchy may be said to be the capacity to subsist without dependence on resources from outside. Justice (contrary to our own view) implies that the members of the community possess unequal standing. That which ensures justice, whether in regard to the distribution of the prizes of life or the adjudication of conflicts, or the regulation of mutual services is good since it is required for the continuance of the group. Normativity, then, is inseparable from actuality.

These rough indications of his total system should permit us to outline Aristotle's views on trade and prices. Trade is "natural" when it serves the survival of the community by maintaining its self-sufficiency. The need for this arises as soon as the extended family grows overpopulous, and its members are forced to settle apart. Their autarchy would now be impaired all round, but for the expedient of ~~reciprocal~~ sharing (metadosis), i.e. each shares voluntarily his surplus with all. The rate at which the shared services (or, eventually, the goods) are exchanged follows from the requirement of philia, i.e., that the goodwill among the members persist. Without it, the community itself would cease. The just price, then, derives from the demands of philia as expressed in the reciprocity which is of the essence of all human community.

From these principles derive also his strictures on commercial trading and the maxims for the setting up of exchange equivalencies. Trade, we saw, is "natural" as long as it is a requirement of self-sufficiency. Prices are justly set if they conform to the standing of the participants, thereby strengthening the good will on which community rests. Exchange of goods is exchange of services; this, again, is a postulate of self-sufficiency and is practiced by way of a mutual sharing at just prices. In such exchange no gain is involved; goods have their known prices, fixed beforehand. If exceptionally gainful retailing there must be for the sake of a convenient distribution of goods in the market place, let it be done by non-citizens. Aristotle's theory of trade and price was nothing else than a simple elaboration of his general theorem of the human community.

Community, self-sufficiency and justice, these pivots of his sociology were the frame of reference of his thought on all economic matters, whether the nature of the economy, or policy issues were at stake. We will proceed in that order.

I

On the nature of the economy the consistency of this approach is eminent in Aristotle's explorations. His starting point is, as always, empirical. But the conceptualization even of the most obvious facts is deep and original.

The desire for wealth, Solon's verse proclaimed, was unlimited with man. Not so, Aristotle said, in opening up the subject. Wealth are the things necessary to sustain life, when safely stored in the keeping of the community, whose sustenance they represent. Human needs, be they of the household or of the city, are not boundless; nor is there a scarcity of subsistence in nature. The argument which sounds strange enough to modern ears, is powerfully pressed and carefully elaborated. At every point the institutional reference is explicit. Psychology is eschewed, sociology imposed.

The rejection of the scarcity postulate (as we would say) is based on the conditions of animal life and is thence extended to those of human life. Do not animals from their births find their sustenance waiting for them in their environment? And do not men, too, find sustenance in their mother's milk and eventually in their environment, whether they be hunters, herdsmen, or tillers of the soil? Since slavery to Aristotle is "natural," he can without inconsistency represent slave raids as a hunt for game and consequently the leisure of the citizen as supplied by his environment. For the rest, no need save that for sustenance is considered, much less approved of. Consequently, if scarcity springs "from the demand side," as we would say, Aristotle attributes it to a misconceived notion of the good life as a desire for a greater abundance of physical goods and enjoyment. The elixir of the good life - the elation of daylong theater, the mass jury service, the holding in turn of offices, canvassing, electioneering, great festivals, even the thrill of battle and naval combat - can be neither hoarded nor physically possessed. True, the good life requires, "this is generally admitted," that the citizen have leisure in order to devote himself to the service of the polis. Here again, slavery was part of the answer; another and much more incisive part lay in the payment of all citizens for the performance of public duties, or else, in not admitting artisans to citizenship at all, a measure Aristotle himself seemed to commend.

For yet another reason the problem of scarcity does not arise with Aristotle. The economy - as the word shows, a matter of the domestic household or oikos - concerns directly the relationship of the persons who make up the natural institution of the household. Not possessions, but parents, offspring and slaves constitute it. The techniques of gardening, breeding, or other modes of production he excludes from the purview of the economy. The emphasis is altogether institutional and only up to a point ecological, relegating technology to the subordinate sphere of useful knowledge. Aristotle's concept of the economy denotes in effect an institutionalized process through which sustenance is ensured.

In modern terms, Aristotle put down the misconception of unlimited human wants and needs to two circumstances: first, the acquisition of foodstuffs through commercial traders, thus introducing money-making into the quest for subsistence; second, the false conception of the good life as a utilitarian cumulation of physical pleasures. Given the right institutions in trade and the right understanding of the good life, Aristotle saw no room for the scarcity factor in the human economy. He did not fail to connect this with the existence of such institutions as slavery, infanticide and a way of life that discounts comfort. But for this empirical reference his negation of scarcity might have been as dogmatic and as unfavorable to factual research as the scarcity postulate is in our days. For him human wants and needs presupposed institutions and customs. He also recognized, as we will see, that an enquiry into the role of the economy in society assumed what we would call a consistent adherence to the substantive meaning of economic. The logic of this argument is striking.

II

Why did Aristotle have to probe into the economy at all? And if he decided to do so, why did he set in motion an array of arguments against the popular belief that the significance of that dimly apprehended field lay in the lure of wealth, an insatiable urge common to the human frame? To what purpose did he develop a theorem comprising the origins of family and state, solely designed to demonstrate that human wants and needs are not boundless and that useful things are not, intrinsically, scarce? What was the motive behind this orchestration of an inherently paradoxical point which, moreover, must have appeared too speculative to be quite in keeping with his strongly empiricist tenets?

The explanation is obvious. Two policy problems - trade and price - were pressing for an answer. Unless the question of commercial trade and the setting of prices could be linked to the requirements of communal existence and its self-sufficiency, there was no rational way of judging of either, be it in theory or in practice. If such a link did offer, then the answer was simple: first, trade that served to restore self-sufficiency was "in accordance with nature"; trade that did not, was "contrary to nature." Second, prices should be such as to strengthen the bond of community; otherwise exchange will not continue to take place and the community will cease to exist. The mediating concept, then, was in either case the self-sufficiency of the community. The economy - it strictly followed - consisted in the necessaries of life - grain, oil, wine, and the like - on which the community subsisted. The conclusion was stringent and no other was possible. Either the economy was about the material things that sustained human beings, or there was no empirically given rational link between matters such as trade and prices on the one hand, the postulate of a self-sufficient community, on the other. The necessity for Aristotle's insistence on the substantive meaning of "economic" is ~~now~~ evident.

Hence his attack on the Solonic poem as the overture of the treatise on economics.

The practical issues, trade and prices, will be dealt with, as far as possible, separately.

Commercial trade, or, in our terms, market trade, arose as a burning issue out of the circumstances of the time. It was a disturbing novelty, which could neither be placed, nor explained, nor judged adequately. Money was now being earned by respectable citizens through the simple device of buying and selling. Such a thing had been unknown or rather, was restricted to despised, low class persons, known as hucksters, as a rule metics, who eked out a living by retailing food in the market place. Such individuals did make a profit by buying at one price and selling at another. Now this practice had apparently spread to the citizenry of good standing, and big sums of money were made by this method, formerly stamped as disreputable. How should the phenomenon itself be classified? How profit, systematically made in this manner, operationally explained? And what judgment passed on such an activity?

The origin of market institutions is in itself an intricate and obscure subject. It is hard to trace their historical beginnings with precision and even harder to follow the stages by which early forms of trade developed into market trade.

Aristotle's analysis struck to the root. By calling commercial trade kapēlikē - no name had yet been given to it - he intimated that it was not new, except for the proportions it assumed. It was hucksterism written large. The money was made "off" each other (ap'allēlōn), by the surcharging methods so often met with in the market place.

Aristotle's point, inadequate though it was, reflected a crucial phase of transition in the history of the human economy: the juncture at which the institution of the market began to move into the orbit of trade.

One of the first city markets, if not the very first, was no other than the agora in Athens. Nothing indicates that it was contemporaneous with the founding of the city. The first authentic record of the agora is of the fifth century when it was already definitely established, though still contentious. Throughout the course of its early history the use of small coin and the retailing of food went together. Its beginnings in Athens should therefore coincide with the minting of obols sometime in the early sixth century. On Asian territory it may have had a precursor in Sardis, the Lydian capital, to all accounts a thoroughly Greek type of city. Here again pioneering in small change marks the trail, especially if we include as we should, the use of gold dust. On this point Herodotus leaves little doubt. The Midas legend dates the presence in Phrygia of large amounts of river gold about 715, while in Sardis the market place itself was crossed by a gold-bearing stream, the Pactolus. In Herodotus' birthplace, Halicarnassus, stood that huge monument to Alyattes to the cost of which the love trade of Lydian girls had so generously contributed, while Gyges, founder of the Mermnade dynasty, appears to have initiated the coinage of elektron. Alyattes' son, Croesus, adorned Delphi with the splendor of his massive gold gifts. No beads or shells that might be employed as money stuffs are known from Asia Minor; the mention of gold dust is therefore crucial. The probability is strong that the twin Lydian innovations of coinage and the retailing of food were introduced by Athens together. They were not yet inseparable. Aegina, which preceded Athens in matters of coinage may have used coins only in foreign trade. The same might be true of the Lydian coins, while gold dust circulated in the food market and in love deals. Up to this day the market place in Bida, capital of Nupe, in Nigeria, is said to turn after midnight into a place of mercenary sociability, with gold dust presumably circulating as money. In Lydia, too, the presence of gold dust may have induced the retailing of food in the market. Attica followed in its wake, but replaced the specks of gold by fractions of obols of silver.

Broadly, coins spread much faster than markets. While trade was abounding and money as a standard was common, markets were few and far between.

By the end of the fourth century Athens was famous for her commercial agora, where anyone could buy a meal on the cheap. Coinage had spread like wildfire, but outside of Athens the market habit was not particularly popular. During the Peloponnesian War fleets of sutlers accompanied the navy, for the troops could only exceptionally rely on subsisting from local markets. As late as the beginning of the fourth century the Ionian countryside possessed no regular food markets. The chief promoters of markets were at that time the Greek armies, notably the mercenary troops now more and more frequently employed as a business venture. The traditional self equipping hoplite army had been engaged only in brief campaigns on a sack of barley meal brought along from home. By the turn of the fifth century regular expeditionary forces were formed, only the cadres of which consisted of Spartan or Athenian citizens while the bulk was recruited from abroad. The employment of such a force, especially if it was supposed to cross friendly territory raised logistic problems, on which scholarly generals were fond to comment.

Xenophon's tracts offer many instances of the actual and the ideal role assigned to the market in the new strategy. The food market from which the troops could provision themselves from the hand money due to them from their C. O. (unless local requisitioning was practicable) formed part of a broader issue - the sale of booty, especially slaves and cattle, as well as provisioning from sutlers who followed the army in the hope of profit. It all boiled down to so many market problems. Concerning each we have evidence of organizational and financial activities initiated by kings, generals or governments responsible for the military undertaking. The campaign itself was quite often no more than a rationalized booty raid, if not of the renting out of an army to serve some foreign government for the benefit of the home country that financed the venture on business grounds. Military efficiency, of course, was the paramount requirement. An expedition's sale of booty, if only for reasons of military tactics, formed as much part of efficiency as did the regular provisioning of the troops while avoiding, as far as could be, to antagonize friendly neutrals. Go-ahead generals devised up to date methods of stimulating local market activities, financing sutlers to wait upon the troops, engaging local craftsmen in improvised markets for the supply of armaments. They boosted market supply and market services by all means at their disposal, however tentative and hesitant local initiative sometimes may have been. There was in effect, but little reliance on the spontaneous business spirit of the residents. The Spartan government sent a civilian commission of "booty sellers" along with the king who commanded the army in the field. Their task was to have the captured slaves and cattle auctioned on the spot. King Agesilaos busied himself to have markets "prepared," "set up," "offered" to his troops by the friendly cities along his prospective itinerary. In the Cyropaedian utopia, Xenophon described how any trader who wished to accompany the army and needed money for supplies, would go to the commander and, after giving references as to his reliability, would be advanced money out of a fund kept for that purpose. (Cyr. VI ii 38f). Around that time Timotheus, the Athenian general, heedful of the sutlers' financial needs, was actually on lines similar to Xenophon's educational novel. In the Olynthian war (364 B.C.) having substituted copper for silver in paying his soldiers, he persuaded the traders to accept it from the soldiers at that value, firmly promising them that it will be accepted from them at that rate for the purchase of booty, and that anything left over after purchasing booty would be redeemed in silver. (Ps. Arist. Oecon. II 23 a). All this goes to show how small the reliance on local markets was either as a means of provisioning or as a vent for booty unless fostered by the military.

Local markets, then, in Aristotle's time were still of delicate growth. Mostly they were put up on occasion, in an emergency or for some definite purpose and not unless political expediency so advised. Nor does the local food market present itself as an organ of long distance trade. The separation of trade and market is the rule.

The institution which was to link the two, the supply-demand-price mechanism, was unknown to Aristotle. It was of course the true originator of the commercial practices which were now becoming noticeable in trade. Traditionally, trade carried no taint of commerce. In its origins a semi-warlike occupation, it never cut loose from governmental associations, apart from which but little trading could take place under archaic conditions. Gain sprang from booty and gifts, (whether voluntary or blackmailed), public honours and prizes, the golden crown and the land grant of prince or city, the arms and luxuries acquired - the _kerdos_ of the Odyssey. Between this and the local food market of the _polis_ there was no physical connection. The Phoenician emporos would display his treasures and trinkets at the prince's palace or the manorial hall, while the crew would settle down to grow their own food on foreign soil - a yearly turnover. Later forms of trade ran in administrative grooves, smoothed by the urbanity of port of trade officialdom. Customary and treaty prices loomed large. The trader, unless compensated from commission fees, would make his 'gain' from the proceeds of the imports that were the trophy of the venture.

Treaty prices were matters of negotiation, with much diplomatic higgling-haggling to precede them. Once a treaty was established, bargaining was at an end. For treaty meant a set price at which trading took its course. As there was no trade without treaty, so the existence of a treaty precluded the practices of the market. Trade and markets had not only different locations, status and personnel, they differed also in purpose, ethos and organization.

We can not yet tell for certain, when and in what form higgling-haggling and gain made on prices entered the realm of trade. In long distance trade price differentials were normal. There can, however, be no doubt that the sharp eye of the theoretician had discerned the links between the petty tricks of the huckster in the agora and the trading profits that were the talk of the day. But the gadget that established their kinship - the supply-demand-price mechanism - escaped Aristotle. The distribution of food in the market allowed as yet but scant room to the play of that mechanism; and long distance trade was directed not by individual competition, but by institutional factors. Nor were either local markets or long distance trade conspicuous for the fluctuation of prices. Not before the third century B. C., was the working of a supply-demand-price mechanism in international trade noticeable. This happened in regard to grain, and later, to slaves, in the open port of Delos. The Athenian agora preceded, therefore, by some two centuries the setting up of a market in the Aegean which could be said to embody a market mechanism. Aristotle, writing in the second half of this period, recognized the early instances of gain made on price differentials for the symptomatic development in the organization of trade which they actually were. Yet in the absence of price making markets he would have seen nothing but perversity in the expectation that the new urge for money making might conceivably serve a useful purpose. As to Hesiod, his commendation of peaceful strife had never transcended the prizes of the pre-market competition of the manorial level - praise for the potter, a joint for the lumberman, a gift to the singer who won.

III

This should dispose of the notion that Aristotle was offering in his Ethics a theory of prices. Such a theory is indeed central to the understanding of the market, the main function of which is to produce a price that balances supply and demand. None of these concepts, however, was familiar to him.

The postulate of self-sufficiency implied that such trade as was required to restore autarchy was natural and, therefore, right. Trade went with acts of exchange which again implied a definite rate at which the exchange was to take place. But how to fit acts of barter into a framework of community? And, if barter there was, at what rate should it be performed?

As to the origin of barter nothing could appeal less to the philosopher of gemeinschaft than the Smithsonian propensity allegedly inherent in the individual. Exchange, Aristotle said, sprang from the needs of the extended family the members of which originally used things in common which they owned in common. When their numbers increased and they were compelled to settle apart, they found themselves short of some of the things they formerly used in common and had therefore to acquire the needed things from amongst each other.[1] This

1. Arist. Pol. 1257 a 24.

amounted to a mutual sharing.[2] Briefly, the reciprocity in sharing

2. Ibid., 1257 a 19.

was accomplished through acts of barter.[3] Hence exchange.

3. Ibid., 1257 a 25.

The rate of exchange must be such as to maintain the community.[4]

4. Arist. EN. 1133 b 16, 1133 b 8.

Again, not the interests of the individuals, but those of the community are the acting principle. The skills of persons of different status have to be exchanged at a rate proportionate to their status: the builder's performance exchanges against many times the cobbler's performance; unless this be so, reciprocity was infringed and the community could not hold.[5]

5. Ibid., 133 b 29.

Aristotle offered a formula by which the equivalency is to be set:[1] the rate is given by the point at which two diagonals cross,

1. Ibid., 1133 a 8

each of them representing the status of one of the two parties.[2] This

2. Ibid., 1133 a 10.

point is determined by four quantities - two on each diagonal. Böhm-Bawerk represented this with somewhat greater precision by pointing out the pair of indices of the demand curve, and of the pair of supply indices, that are determinative of the price which clears the market. The crucial difference was that Böhm-Bawerk was aiming at a description of the formation of prices in a competitive market while such a thought was far from Aristotle's mind. He was busied with the quite different and essentially practical problem of providing a formula by which the equivalency was <u>to be set</u>.

Surprisingly enough, Aristotle seemed to see no other difference between set price and bargained price than a point of time, the former being there before the transaction took place, while the latter emerged only afterwards.[3] The bargained price, he insisted, would tend

3. Ibid., 1133 b 15.

to be excessive because it was agreed to when the demand was not yet satisfied. This in itself should be sufficient proof of Aristotle's naiveté concerning the working of the market. He apparently believed that the justly set price must be different from the bargained one.

The set price, besides its justness, also offered the advantage of setting natural trade apart from unnatural trade. Since the aim of natural trade is exclusively to restore self-sufficiency, the set price ensures this through its exclusion of gain. Equivalencies, as will presently be seen, serve therefore to safeguard 'natural' trade. The bargained price might yield a profit to one of the parties at the expense of the other, and thus undermine the coherence of the community instead of underpinning it.

To the modern market-adjusted mind the chain of thought here presented and ascribed to Aristotle must appear as a series of paradoxes:

It implies the ignoring of the market as a vehicle of trade; of price formation as a function of the market; of any other function of trade than that of contributing to self-sufficiency; of the reasons why set price might differ from market-formed price, and why market prices should be expected to fluctuate; finally, of competition as the device that produced a price unique in that it clears the market and can therefore be regarded as <u>the</u> natural rate of exchange.

Instead, market and trade are here thought of as separate and distinct institutions; prices, as produced by custom, law or proclamation; gainful trade, as 'unnatural'; the set-price, as 'natural'; fluctuation of prices, as undesirable; the natural price, far from being an impersonal appraisal of the goods exchanged expresses the mutual estimation of the statuses of the producers.

Obviously, Aristotle cannot be speaking of market prices. For us 'price' is associated with markets and their fluctuations. For Aristotle, on the contrary, the 'rate' was a set figure, the origin of which was not sought in the market. As the paradigm of 'natural' trade was the act of barter which restored self-sufficiency, so the 'rate' applied primarily to that amount of the necessaries which, in the case of need, was required by one of the parties.

For the resolution of the seeming contradictions the concept of equivalencies enters as crucial.

In the key passage on the origin of exchange (allagē) Aristotle gave perfect precision to that basic institution of archaic society - exchange of equivalencies. The increase in the size of the family spelt the end of their self-sufficiency. Lacking one thing or another they must rely on one another for supply. Some barbarian peoples, Aristotle said, still practice such exchange in kind "for such people are expected to give in exchange necessaries of life for other necessaries of life, for example, wine for corn, as much as required in the circumstances and no more, handing over the one and taking the other in return, and so with each of the staples of the sort. The practice of barter of this manner and type was not, therefore, contrary to nature, nor was it a branch of the art of wealth-getting, for it was instituted for the restoring of man's natural self-sufficiency."[1]

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1. Arist. Pol. 1257 a 24-31.

The institution of equivalency exchange was designed to ensure that all householders had a claim to share in the necessary staples at given rates, in exchange for such staples as they themselves happened to possess. It followed that barter derived from the institution of sharing of the necessities of life; the purpose of barter was to supply all householders with those necessities up to the level of sufficiency; it was institutionalized as an obligation of householders to give of their surplus to any other householder who happened to be short of a different kind of necessaries; at his request, and to the extent of his shortage, but only to that extent; the exchange was made at the established rates against other staples of which the householder happened to have a supply. In so far as legal terms are applicable to so primitive conditions, the obligation of the householder was directed towards a transaction in kind, limited in extent to the claimant's actual need, performed at equivalency rates by exclusion of credit, and comprising all staples.

In the Ethics, Aristotle stressed that in spite of the equivalency of the goods exchange, one of the parties is benefitted, namely the one which was compelled to suggest the transaction. For no one was expected to give away his goods receiving nothing in return; rather, the indigent who possessed no equivalent to offer in exchange had to work off his debt (hence the institution of debt bondage). Nevertheless the procedure amounts to a mutual sharing and not only on the everyday level of a mild compulsion to ensure one another's self-sufficiency, but also on the higher level of a willing mutuality, since at another time it is the other's turn to benefit by the chance. "The very existence of the state depends on such acts of proportionate reciprocity...failing which no sharing happens, and it is the sharing which binds us together. This is why we set up a shrine of the Graces in a public place to remind men to return a kindness; for that is a special characteristic of grace, since it is a duty not only to repay a service done one, but another time to take the initiative in doing a service oneself."[1] Nothing, I feel, could show better the meaning

1. Arist. EN. 1133 a 3-6.

of reciprocity than this elaboration. It might be called reciprocity on the square. Exchange is here viewed as part of reciprocity behavior in contrast to the marketing view which invested barter with the qualities which are the very reverse of the generosity and grace that accompanied the idea of reciprocity.

But for these strategic passages, we might still be unable to identify this vital institution of archaic society, in spite of the sheaves of documentary evidence unearthed by archaeologists within the last two or three generations. Figures representing mathematical rates between units of goods of different kinds were throughout translated by Orientalists as 'price.' For markets were assumed as a matter of course. Actually those figures connoted equivalencies quite unconnected with markets and market prices, their quality of fixedness being an inborn one, no ways implying any antecedent fluctuations brought to an end by some process of 'setting' or 'fixing' as the phrase seems to imply. Language and grammar itself betray us here.

IV

This is not the place to elaborate on the numerous points at which our presentation differs from previous ones. However, in brief we must refer back to the text itself. Almost inevitably an erroneous view had been formed of the subject-matter of Aristotle's discourse. Market trading, which was taken to be that subject was, as it now appears, just only beginning to be practiced in his time. Not Hammurabi's Babylonia, but the Greek speaking fringe of Western Asia together with Greece herself were responsible for that development - well over a thousand years later. Aristotle could not, therefore, have been describing the working of a developed market mechanism and discussing its effects on the ethics of trade. From this again it follows that some of his key terms, notably kapēlikē, metadosis and chrēmatistikē, were misinterpreted in translation. Kapēlikē was rendered as the art of retail trade instead of the art of 'commercial trade,' chrēmatistikē as the art of money-making instead of that of supply, i.e., the procuring of the necessaries of life in kind; metadosis as exchange or barter, for its opposite of 'contributing one's share.'

Briefly, in sequence:

Kapēlikē, grammatically denotes the art of the kapēlos. The meaning of kapēlos as used by Herodotus in the middle of the fifth century, is broadly established as some kind of retailer, especially of food, a keeper of a cook shop selling cooked food. The invention of coined money was linked by Herodotus with the fact that the Lydians had turned kapēloi. Herodotus also recounts that Darius was nicknamed kapēlos. Indeed, under his Persian military stores may have begun the practice of retailing food. Eventually kapēlos became synonymous with 'trickster, fraud, cheat.' Its pejorative meaning was congenital.

Unfortunately, this still leaves the Aristotelian meaning of kapelike wide open. Except in a single instance where it simply meant the business of retailing, the word as we said was non-existent. How then did Aristotle come to introduce it as the heading for a subject of the first magnitude in no sense restricted to retail trading, namely commercial trade? For that and no other is without any possible doubt the subject of his discourse.

The answer is not hard to find. In his passionate diatribe against gainful trading Aristotle was using kapelike with an ironical overtone. Commercial trade was of course, not huckstering; nor was it retail trading; and whatever it was, it deserved to be called some form or variant of emporia which was the regular name for commerce and seafaring together with any other form of large scale or wholesale trade. When Aristotle referred specifically to the various kinds of maritime trade, he fell back on emporia, in the usual sense. Why, then, did he not do so in the main theoretical analysis of the subject but used instead a newfangled word of pejorative connotation?

Aristotle enjoyed inventing words and his humor was Shavian. The figure of the kapelos was an unfailing hit of the comic stage. Aristophanes in his anti-war play had made his hero turn kapelos and in that guise earn the solemn praises of the chorus which lauded him as the philosopher of the day. Aristotle wished drastically to convey his unimpressedness with the new wealth, its owners and the allegedly esoteric problem of its sources. Commercial trade was no mystery. When all is said, it was huckstering written large.

Chrematistike was employed here in the literal sense of providing for the necessaries of life, instead of its usual meaning of 'money-making.' Laistner rendered it correctly as 'the art of supply,' and Ernest Barker in his commentary recalled the original sense of chremata, which, he warned, was not money, but the necessaries themselves, an interpretation also upheld by Defourny and M. I. Finley in an unpublished lecture. Indeed, with Aristotle the stress on the non-monetary meaning of chremata was logically unavoidable, since he held on to the autarchy postulate which was pointless outside of a naturalistic interpretation of wealth.

The erroneous rendering of metadosis as exchange in three critical passages of the Politics and the Ethics cut deeper still.[1]

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1. Arist. EN 1133a 2; Pol. 1257a 24; 1280b 20.

In the use of metadosis Aristotle kept to the common meaning of the word. It was the translators who brought in an arbitrary interpretation. In an archaic society of common feasts, raiding parties, and other acts of mutual help and practical reciprocity the term metadosis possessed a specific operational connotation - it signified 'giving a share,' especially to the common pool of food, whether a religious festivity, a ceremonial meal, or other public venture was in question. That is the accepted dictionary meaning of metadosis, the etymology of which underlines the unilateral character of the operation. Yet we are faced with the fact that in the translation of the passages in which Aristotle insisted on the derivation of exchange from metadosis, this term was rendered as exchange or barter, which turned it into its opposite. The practice was sanctioned by the leading dictionary which recorded s. v. metadosis those crucial three passages as exceptional. Such a deviation from the plain text may be understandable as an expression of the marketing bias of latter day translators who at this point were unable to follow the thought of the ancients. Exchange to them was a natural propensity of men and stood in no need of explanation. But even assuming it did, it certainly could not have sprung from <u>metadosis</u> in its accepted meaning of 'giving a share.' Accordingly, they rendered it by exchange, and turned Aristotle's statement into an empty truism. This endangered the whole edifice of Aristotle's economic thought at the pivotal point. His ~~having~~ deriv~~ed~~ing of exchange from 'giving one's share' was the logical link between his understanding of the economy in general and the practical questions at issue. Commercial trade, we recall, he regarded as an unnatural form of trade; natural trade was gainless and was designed merely to restore self-sufficiency. In support of this he could effectively appeal to the circumstance that, to the limited amount needed to maintain self-sufficiency, and only to that amount, exchange in kind was still widely practiced by some barbarian peoples in regard to the necessaries of life, at set equivalencies, benefiting at one time the one, at another time the other, as chance would have it. Thus the derivation of exchange from contributing one's share to the common pool of food was the lynch pin that held together the postulate of self-sufficiency of the community and the distinction between natural and unnatural trade. All this must have appeared so foreign to the modern mind that translators took refuge in turning the text upside down and eventually lost their hold of the argument. In this manner perhaps the most daring thesis of Aristotle which up to this day must stagger the thinking mind by sheer force of originality was reduced to a truism, which, if it carried any meaning at all, would have been rejected by him as a mistaken opinion concerning the ultimate forces on which the human community rested.

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INTERDISCIPLINARY PROJECT: ECONOMIC ASPECTS OF INSTITUTIONAL GROWTH

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RECIPROCITY AND REDISTRIBUTION IN INDIA

by

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There are many areas and many periods in which productive and distributive activities are not organized around buying and selling and the concept of economic efficiency. Such non-market organized activities can present themselves in bewildering complexity. There would be an obvious advantage in having some scheme for patterning these activities so that they may be compared and contrasted, and so that the student of economic history may bring some order out of the chaos of the complexities. There does appear to be such a scheme or system in Dr. Polanyi's concepts of Reciprocity and Redistribution. An effort will be made here to illustrate the usefulness of Dr. Polanyi's system by patterning the economic relationships of castes, families, villages, religion, political units, agriculturalists, and artisans in India before the advent of the British. (1. While most of the more general statements would seem to apply to most of the Indian subcontinent, the specific illustrations will be taken from the 18th century economy of the Kingdom of Oudh in the north-center of the Gangetic basin).

The Big Three of Indian social organization were the joint family consisting of many related members up to over a hundred in number, the village, essentially a grouping of families and not of individuals, and the castes. Generally the family was a self-sufficient unit under the direction of its head or senior members, but when special skills or certain specific services were required it could call on the village artisans or priest. The village was the basic political and social unit and was completely self-sufficient. Within its organization all economic needs were satisfied. The caste system was much wider than the village and its lines cut across the village. It was founded upon religious sanction. Above these basic units was the froth of political life. Sometimes political life was the life of great Empires such as the Gupta and Mughal Empires. More often it was organized in petty kingdoms varying in size from the area of New England to a few square miles. The economically significant activities of these units may be related in clear and concise fashion with the help of the concepts of Reciprocity and Redistribution.

In 18th century Oudh we find a society in which the cultivators are "independent of each other, but connected through village heads, and the villages also independent among themselves, but joined in allegiance to a common Raja; the basis of the whole society being the grain heap, in which each constituent rank had its definite interest." (2. W. C. Bennet <u>Final Settlement Report on District Gonda</u>, Govt. Press, Allahabad, 1878, pp. 48-9) The village did not hold its lands in common but it did have common officials and servants: watchman, headman, patwari (scribe), blacksmith, carpenter, herdsman, washerman, barber, priest, and potter. These officials and servants received their remuneration in a share of the grain heap.

Production of food, the main material item in Indian life, was the business of the joint agricultural family. The officials and servants saw to their jobs, doing the appropriate work as and where it was needed. Throughout the year there was not exchange or payment for services rendered. The herdsman watched the cows and the blacksmith made implements and repair any ploughs that broke. Each activity was carried on according to the custom of the village and within the family according to its tradition, station in life, and the judgment of its head.

It was at harvest time that the means of subsistence throughout the year were distributed. The watchman, blacksmith, carpenter, herdsman, and priest cut one twentieth of a bigha (variable measure of land) of the standing crop of each landholder. After the crop was cut the slave-ploughman took one seventh to one fifth of the landholder's heap plus one panserai (3.6 pounds), and each of the villagers who had helped in the reaping and threshing took one sixteenth of each landholder's heap of rice and the "fattest sheaf in thirty". The carpenter, blacksmith, barber, washerman, and watchman each took twelve penseris of grain from each cultivator for each four bullock plough owned by the cultivator. These payments could have borne only the smallest relationship to payment for services rendered. Only the herdsman's six pansera is for each bullock left in his care approached a quid pro quo payment. Next the heap was divided in two, half for the Raja and half for the cultivator. The latter then took back a sir in every maund from the Raja's heap (five percent); a tenth of the Raja's heap went to the village headman; and the blacksmith, carpenter, barber, and priest each received a bit more from the cultivator's heap.

Throughout the process there was no bargaining and it is impossible to account for the shares received on any grounds of economic contribution. But it is clear that a system underlay the process--a Redistributive system. The distribution of the village product was centered physically at the village granary.

Below and above the village level the same pattern obtained. The share remaining to the cultivator's joint family was managed and alloted by the family head in a way which can only be called Redistributive whatever the motivations and personal relationship within any particular family. Above the village level there might be one or a multiplicity of political authorities depending on the size of the kingdom and the degree of central control which the king could exercise. As the size of the kingdom grew the intermediate authorities multiplied, while the strong kings attempted to eliminate these intermediate powers. No essential economic function seems to have been performed by the political authorities above the village level, but the division of the grain heap was the essential foundation upon which political authority rested. The Raja's share was distributed among the military and political bureaucracy of the competing levels of the political hierarchy as their relative strengths dictated. In a large kingdom with a moderately powerful center, such as the Mughal Empire, there were a series of Redistributive centers with the village grain heap at the bottom and the king's storehouses at the top. In between the local powers and provincial governors maintained their storehouses retaining a share and sending a share on to the level above.

Inextricably mixed with the family-village-kingdom Redistributive system was the caste system. Its sanction was religious, its result social stratification, while its function was largely economic. Within somewhat loose limits each caste performed certain kinds of task because its members were born to perform those tasks. No contract, no bargaining will account for the structure, yet certainly the caste system reveals a pattern of Reciprocity. Rather than two groups, there were a very large number of groups. Each group performed its specific tasks for all the other groups, and was absolutely dependent upon the other groups performing their duties. The members of Indian society could survive only if each caste did its job, yet each caste was "a self-governing community" and "set up its own standards of life and conduct" (3. L.S.S.O'Malley, Modern India and the West, p. 5) The caste system cut across village and political lines and continued to function whatever the course of political life. The economic pattern of the caste system consisted of A supporting in part B...n, B supporting A, C...n, and so forth.

In fact, the Reciprocal caste system was an element in the Redistributive village system, for the function of priest, watchman, barber, carpenter were caste functions, and it was because the members of each caste within the village performed their religiously sanctioned duties that the grain heap could exist at harvest time.

In short, the variety of economic relations in pre- British India were patterned on two principles. The individual-family head, family-village, village-province, province-kingdom economic relations were distributive. The cultivator-artisan relationship were both reciprocal and redistributive, for they can be described either in terms of A, the artisan, supplying B, the cultivator, who in turn and regardless of what A has done for him, supplies A with agricultural products, or in terms of A and B contributing to the production of a village grain heap which in turn is Redistributed to the resident of the village. The inter-caste relationships were Reciprocal.

As it is to be noted in all cases the motivation seems to be a compound of a desire to achieve salvation, or progress on the road thereto, and fear of the physical consequences of defying higher authority.

It is not clear to what extent bargaining and market elements impinged on the system. Today in areas relatively untouched by the British system some things, especially milk, or sold, but the price is fixed and invariable. This activity is probably more accurately described as a variant of the Reciprocal distribution founded on the caste and cultivator-artisan system. In Mughal times there were merchants who dealt in grain and luxury items, "the relation between the grain dealers or shopkeepers and the rest of society were regulated by the ordinary principles of commerce, not differing essentially from those in force in Europe." (4. Bennett, op. cit., p. 44) However, these activities were peripheral to the main systems, scarcely impinging on the small rural villages, and to some extent the larger merchants in the centers appear to have been agents of the political authority in grain matters. Luxury items were for export and kings. Brass pots and ornamental jewelry sold by merchants were more widespread, but if the merchants and shopkeepers had been completely eliminated the life of caste and village would have been affected hardly at all.

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Directors: Professors K. Polanyi and C.M. Arensberg

THE INDIAN VILLAGE ECONOMY AND THE NATURE OF LAND REVENUE

by

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The Indian Village Economy and the Nature of Land Revenue.

by Walter Neale, Yale University

The discipline of economic history has to deal with many areas and many periods in which productive and destributive activities do not depend on buying and selling or the concept of economic efficiency. The economic activities of such non-market societies can present themselves in bewildering complexity unless we possess some broad exploratory approach as an alternative to the market theorem. In the case of the Indian village the need for such non-market alternatives has been recognized by a succession of students, but a satisfactory solution requires positive patterns of a non-market type. This paper will show how some of the intractable aspects of the village economy yield to the concepts of reciprocity and redistribution.

The Indian village has been described as 'pre-capitalistic,' as having a 'barter economy,' a 'subsistence' economy, or as being 'communistic' or 'collectivistic.' However, 'pre-capitalistic' tells us only that is is not capitalistic, and implies a sequence with teleological overtones. A 'barter economy' refers to the absence of money, and is, as we shall see, misleading. A 'subsistence economy' means only that the main occupation is agriculture, and usually implies poverty. As for 'communistic,' the term is vague. It is not used in the sense of modern variants of Marxism, but refers to a state of affairs in which both none and all are owners. While the term 'collectivistic' recognizes this difficulty by implying that public property requires some definite organization in order to function, it still does not tell us much about specific economic operations. In any case no explanations or descriptions starting from such concepts can develop a set of formal principles showing how the production of goods is organized and how the goods are distributed. All these terms serve merely to stress the absence of certain market institutions in the village system, and while the denial of the existence of the market is correct, no frame of reference for positive description or analysis is offered by them.

The problem of describing the Indian village economy was attacked chiefly by a succession of British administrators of India who had practical purposes in mind, and then by Sir Henry Maine.

From the beginning of the nineteenth century the village community and its economic structure has been a subject of serious consideration. In 1819 Holt Mackenzie, a revenue officer of the East India Company's Bengal administration, submitted a minute on the various forms of land tenure to be found in the newly acquired districts to the northwest of Bengal. His analysis was inspired by the practical desire for a simple, sure, and yet just way of assessing and collecting revenue. The administrators were faced with the task of raising the revenue and had to work out the technical means to that end. In order to develop an effective revenue system they had to place responsibility for payment on particular persons or groups, and a knowledge of the village structure was necessary in order to decide who these persons or groups should be.

There were two considerations. First, the Company had but few officers to administer a very large territory. Responsibility had to be placed where assessment and collection required least direct supervision and framed in such a way that enforcement would be easy, if not automatic. This consideration reinforced a natural bent to model India after the systems existing in the English countryside. Second, equity required that those who enjoyed rights in the land and its produce should be protected in those rights. Further, it required that those who were made responsible for payment of the revenue should have a chance to profit from their responsibilities so long as they did not do so at the expense of the customary privileges of those placed under them in the revenue hierarchy. This second consideration reinforced the tendency to regard Indian rural areas as counterparts to the hierarchical system in the English countryside, where it could be fairly said that the squirarchy did protect their tenants while profiting from their own position. In order to accomplish these aims the officers of the Company had to be certain of who controlled the produce of the village, and thus would be able to meet the demands of the revenue administration, and they also had to know what rights and obligations attached to other members of the community.

The scope of the problem was but slowly realized. In the latter part of the eighteenth and the first decade of the nineteenth century the Company had simply contracted with local personages of power, or revenue farmers, but unrest and dissatisfaction soon showed that stability of the revenue and economy of administration could only be achieved in the long run if the officers of the Company understood the true relationships obtaining among the native villagers. It was for these reasons that Holt Mackenzie set forth the traditional rights and duties of those living on the land in the North-Western Provinces.

In addition to the concerns governing the administration of the revenue, the British were faced with a policy decision of how to divide between the Company and other claimants the economic return attributable to land. Until this matter of principle was settled, a permanent system could not be devised. The problem was phrased in terms of 'ownership.' It was accepted as axiomatic that some person or group of persons 'owned' the land, and, equally, that whoever 'owned' the land had a right to the economic rent, or, as it was then called, the 'net assets' resulting from the productivity of the land. Thus a decision on a matter of policy -- how high the land revenue assessment should be -- came largely to rest on the answer to a question of law: whether the ruler and his heirs, the Company, or certain natives or groups of native owned the land.

The decision did not, however, rest on the legal question alone. It was no less important to keep consistently to some practical ideal of rural organization. A persistent aim of the British was to create a native landed gentry. That the Company's servants thought in terms of the English system of landlord, farmer, and agricultural laborer is shown by the Permanent Settlement of Bengal. The Permanent Settlement was a fixing in perpetuity of the amount of land revenue due from those whom the British recognized as owners. The belief was that these owners would use the profits of their privileged position to develop the countryside and bring prosperity to agriculture.

The ideas which the British brought to India were out of tune with the actual relationships of Indian cultivators and artisans. The British found themselves committing one error after another and thereby compounding their difficulties in administering a foreign land. Instead of finding landlords and tenants operating through a system of prices, bargaining, and contracts, the British found a maze of caste and custom regulating inter-family relationships. Where the British expected to find an 'owner' they found a profusion of overlapping claims.

These questions came to the attention of scholars with the publication of Sir Henry Maine's work.[1] His original interest lay in the history of Roman legal institutions. In examining the laws and customs of ancient Hindu society he wanted at first merely to illustrate the structure of early Roman law. He found support for his interpretation of Roman law as primarily inter-familial by analogy with Hindu law and custom, and argued that the Hindu village was the prototype of the family system of ancient Rome and early Europe. Reaching out from Roman law to Hindu law, Maine found his interests leading him into a comparative jurisprudence encompassing not only Roman and Hindu law, but also early Germanic law and the Brehon Code of ancient Ireland.

As Maine's interests spread over a wider geographical area, so also did they spread over a wider area of social thought. From an interest in the development of Western personal and property law the pursuit of origins brought him insights into the structure of the Eastern village community. The invaluable contribution to economic history came with his proof that the Indian village economy did not center on the market; that in fact some new frame of reference was needed in which to discuss its characteristics. Maine himself made the fundamental differentiation between status society and contract society -- a distinction which proved extraordinarily fruitful, yet still failed to indicate the variety of institutions of a status nature or to spell out the formal arrangements that status economies may use.

Maine recognized that the Hindu village was a closed unit with rights and obligations of its own. It was made up of extended or joint family groups and castes whose legal and economic relationships were inter-familial rather than interpersonal. Our conception of property rights, and consequently of alienability, sale, and market relationships was not applicable to a system organized on principles of a religio-legal nature.

The Hindu village as pictured by Maine has since been criticized as inaccurate in detail,[2] but the general direction of his argument is not open to question. The importance of his discoveries lay in their emphasis upon the corporate unity of the village economy, upon its system of collective responsibility, and above all on 'status' as a rationale of motivation, and as the principle on which the village economy was organized and integrated. The problem of the structure of the village community thus centered on the question of how precisely 'status' was used to organize its economy.

While the range of interests encompassed by the work of Sir Henry Maine and the work of British administrators extended from practical questions of establishing responsibility for the payment of revenue to comparative jurisprudence, they never engaged in a formal analysis of the principles of economic integration of the village economy. Maine and his successors were interested in law and rights, while the administrators did not feel called upon to move beyond solutions to their immediate concern with finding a workable system for collecting the revenue and of dividing the return from land between the ruler and the ruled. Once the impact of British administration itself had altered original native conditions the problems of administration were so deeply affected by past British actions that an analysis of the 'native state of affairs' must have appeared to the practical administrator as of academic interest only.

The intention of this paper is to show that the structure of the village economy and the nature of land revenue can be far better explained by the concepts of reciprocity and redistribution[3] than they can by the more usual terms of economic theory or by the vaguer terms referring to a 'pre-capitalistic,' 'barter,' or 'subsistence' economy.

Reciprocity means that members of one group act towards members of another group as members of that group or a second or third group act toward them. There is no implication of equality, justice, or the golden rule. Rather, reciprocity implies only that there is a two-way or round-the-circle flow of goods as exemplified in the Melanesian Kula ring or the Trobriand Islanders' fish and yams transfer between coastal and inland villages. The groups are mutually self-supporting in regard to the articles involved in the reciprocative relationship.

Redistribution means that the produce of the group is brought together, either physically or by appropriation, and then parcelled out again among the members. Again there is no implication of equality of treatment, 'fair shares,' or payment for value. The social pattern is characterized by centricity -- peripheral points all connected with the central point.

The symmetrical patterns of reciprocative relationships may merge with the centralized pattern of redistributive relationships, as with the Trobriand Islanders, where the king is the redistributive center of a large number of reciprocative relationships with the brothers of his many wives.

In putting these concepts to use in the patterning of empirical economies a note of warning must be sounded. Reciprocity and redistribution do not provide classifications for economies as a whole, for both kinds of relationships may be found in the same economy, either in regard to different goods or in regard to different groups of people. The different relationships of the various groups can be patterned on one or the other, or sometimes both principles. The strength of these concepts lies in their ability to reduce complex relationships to simple patterns. As shall appear, the maze of relationships in the Indian village economy can be set out in terms of reciprocity and redistribution applied to the groups that make up the village as well as to the main goods and services in question.

Two focal points in the workings of the village economy have so far resisted analysis. The one concerns the economic structure of the village; the other refers to the nature of land revenue, its source and its position in the village economy.

The three main bodies of Indian social organization were the joint family, made up of related members, numbering up to a hundred or over; the village, essentially a grouping of such families; and the castes. The family generally was a self-sufficient unit under the direction of its head or its senior members. Where special skills or certain specific services were required, it could call on the village artisans, servants or priests. The basic political and social unit was the village. Within its confines almost all economic needs were satisfied. The caste system was much wider than the village and its lines cut across village lines. It was founded upon religious sanction. Over these basic units ebbed and flowed the surf of political life. Sometimes it was the life of Empires such as the Gupta and Mughal Empires. More often it was organized in petty kingdoms varying in size from the area of a New England township to a very few square miles.

In 18th century Oudh[4] we find a society in which the cultivators are 'independent of each other, but connected through village heads, and the villages also independent among themselves, but joined in allegiance to a common Raja; the basis of the whole society being the grain heap, in which each constituent rank had its definite interest.'[5] The village did not hold its lands in common but it did have common officials and servants: watchman, headman, patwari (scribe), blacksmith, carpenter, herdsman, washerman, barber, priest, and potter. These officials and servants received their remuneration in a share of the grain heap.

Production of food, the main material item in Indian life, was the business of the joint agricultural family. The officials and servants saw to their jobs, doing the appropriate work as and where it was needed. Throughout the year there was no exchange or payment for services rendered. The herdsman watched the cows and the blacksmith made implements and repaired any ploughs that broke. Each activity was carried on according to the custom and tradition of the village and within the joint family according to its traditions, station in life, and the judgment of its head.

At harvest time the means of subsistence for the rest of the year were distributed. The system of allotting shares in the gross produce of the village was highly complex, yet it did not require any previous knowledge of total gross produce to be divided among the members of the community. While the exact arrangements in the division and distribution of the produce varied from place to place, we may take as a typical example the system recorded by W.C. Bennett.[6]

Distribution in Gonda took place in three stages: From the standing crop; from the undivided grain heap of each cultivator; and from the heaps after the cultivator had contributed to the Raja's heap.

From the standing crop of each cultivator the watchman, the blacksmith, the carpenter, the herdsman, the priest, and often the cultivator himself cut a twentieth of a bigha.[7] Next, the crop was harvested and threshed by the whole community, the grain from the fields of each cultivator being heaped in a separate pile on the community threshing floor. The 'slave-ploughman'[8] took a share varying from a fifth to a seventh of the heap of the cultivating family to which he was attached. To this share he added a <u>panseri</u>.[9] From each pile each person who had cut or threshed the crop (and this meant everyone) took a sixteenth of the rice and the 'fattest sheaf in thirty' of the other crops. Then the carpenter, blacksmith, barber, washerman, and watchman each took twelve <u>panseris</u> of threshed grain from each cultivator for each four-bullock plough he owned, and six <u>panseris</u> for each two-bullock plough. When these shares had been passed out the grain heaps were divided in half, the cultivator retaining one half and the other going to the Raja, subject however to further distributions. One <u>sir</u>[10] in every <u>maund</u> of the Raja's heap was returned to the cultivator, another <u>sir</u> was given to the scribe, a 'double handful' to the priest, and a tenth of the remainder was given to the village headman. From the cultivator's remaining heap the blacksmith and carpenter each received three more <u>panseris</u>, the herdsman one more, and a <u>sir</u> or two went to the scribe.

The matter is certainly intricate. Given all the data it would still be possible, of course, to compute the fraction of the total going to any cultivator or servant or to the raja, but it is not possible to express it in any formula shorter than several pages in length and utterly unmanageable in practice. The proportions vary with the number, size, and distribution of cultivators' holdings, the number, size and distribution of ploughs, the number of bullocks, the number and distribution of slave-ploughmen, as well as the amount of gross produce. Not only do the deductions depend upon variations among these factors but some of the deductions are stated in proportional and some in absolute terms. Besides the inordinate length and cumbersomeness of the formula, there is the fact that the fraction could still not be converted into actual figures since the total was unknown. But again, here lies the true strength of the system employed.

Despite the numberous factors involved and the unknown total, the system was not confusing to the participants. It was simple to operate precisely because no aggregate data were required. The operational device took care of the problem, and the device is described by the phrases used, such as: 'One sir in every maund,' 'one seventh of the heap.' Each step in the distribution was carried out separately. If the slave-ploughman was to get a seventh of the heap, six measures were ladled out to the cultivator, and a seventh to the slave until the heap disappeared. With each proportional division the same process was followed, so that at no point was it necessary to know how much grain there was in the heap. The only accurate measures needed were a container for a panseri of grain and one for a sir of grain. Any measure could be used for the other sharing processes, for all they did was to dispose of the heap, so many measures to this pile, so many to that. By such a simple device a great many claimants were served in a great many different ways without need for accounting. Furthermore, honesty was assured because the distribution was public, taking place under the eyes of the villagers and of the raja or his representative.

There were built-in devices which assured each villager a minimum income, and which also tended to equalize the incomes of all the villagers. The fixed quantities going to the village servants gave them a basic minimum even if the harvest was so small that their proportional shares would not support them. When the cultivator 'pre-harvested' a twentieth of a bigha of his own land the proportion of the revenue the small-holder was expected to carry was reduced in the same way that the personal exemption reduces the relative burden of the income tax on the man with a small income. The contribution of a sixteenth of the rice heap and a thirtieth of other crops to the common heap and then dividing the heap equally among all the villagers also tended to equalize incomes since the wealthier contributed more than the poor, while each shared equally.

There was but scant regard for rationality in the distribution. Some rough approximation to probably work rendered is indicated in the carpenters' and blacksmiths' shares based upon number and size of ploughs, and even the watchmens' shares, but this cannot be said of basing the washerman's and barber's shares, on analogous critioria. The only approach to payment based on service was that to the herdsman per bullock cared for.

Each villager participated in the division of the grain heap. There was no bargaining, and no payment for specific services rendered. There was no accounting, yet each contributor to the life of the village had a claim on its produce, and the whole produce was easily and successfully divided among the villagers. It was a redistributive system.

Below and above the village level the redistributive pattern continued to prevail. Below, the share remaining to the cultivator's joint family was managed by the head of the family and parcelled out to the members of the family. The handling of the family's share was a matter of administration on a small scale, the principle being redistributive, for the grain was held in common and its consumption was regulated by handing out from the family store.

Above the village level there might be only one or there might be a multiplicity of political authorities, depending on the size of the kingdom and the degree of central control which the king was able to exercise. Whether any economic function was or was not performed by the authorities, the division of the grain heap at the village level was <u>the</u> foundation upon which political authority rested. As the size of the kingdom grew the number of intermediate authorities multiplied, although strong kings may have attempted to eliminate some of them. The ruler's share was distributed among the competing levels of the military and political bureaucracy according to their relative strengths. In a large kingdom with a moderately powerful center, such as the Mughal Empire was at times, there was a hierarchy of redistributive centers with the village grain heap at the bottom and the king's storehouses at the top. In between, the local powers and provincial governors maintained their own storehouses, retaining a share and passing on the remainder to the level above. In regard to grain, the whole political and social structure was founded on redistribution.

Intertwined with the redistributive system of family-village-kingdom was the caste system through which crafts and their services were organized. No contract, no bargaining will account for its structure. It was founded on reciprocity. Every member of each caste contributed his services and skills to the support of every member of the other castes. Its sanction was religious, while its function was largely economic. Rather than a simple dual symmetry, a multiple symmetry underlay the caste system: a large number of groups were sharing out their services among each other (Although they moved and acted wholly on their own.). Each caste was economically entirely dependent upon the performance of their duties by the other groups. The members of the society could survive only if each caste did its job for the others, yet each caste remained a 'self-governing community' and 'set up its own standards of life and conduct.'[11] Territorially the castes cut across village and political boundaries and functioned whatever course political life was taking.

Briefly, it can be said that relationships were reciprocative in regard to services, and redistributive in regard to agricultural produce.

But the reciprocative caste system as a whole was itself an element within the compass of the redistributive system of the village. The functions of priest, watchman, barber and carpenter were caste functions and it was by virtue of each member of each caste within the village fulfilling his or her religiously sanctioned duties that the grain heap was there to be divided at harvest time. Cultivator-artisan relations might therefore be said to be both reciprocative and redistributive. The artisan was supplying the cultivator with his skills, and the cultivator in turn, and regardless of the specific services the artisan had performed for him, supplied the artisan with agricultural products. At the same time the artisan and the cultivator jointly contributed to the production of a village grain heap which was in turn redistributed to all the residents of the village.

This analysis of the pre-British Indian village shows that formal principles are available to us which are capable of describing a non-market economy. There is no reason why such an economy should be described with the help of either negative references or irrelevant ones. An economy is not analyzed by placing it before capitalism in an evolutionary sequence; nor by the mere statement that money is not used. Barter, as a classification, is, if anything, inaccurate, for neither inter-family nor inter-caste bargaining was practised. While there is no disputing the poverty of the Indian villager, the system under which he worked did not depend on the fact that he was at a 'subsistence level.' The same principles were as applicable to the well-to-do village as to the poorer ones, and as applicable to the wealthy rulers as to the peasant cultivators. To call the village economy 'communistic' puts the problem in the wrong light, for our present-day concepts of 'ownership' are here inapplicable. Things were not held in common in the Indian village. Rather, different families as well as other groups had different kinds of rights.

To say that the services in the village economy were patterned out by reciprocation and the grain by redistribution still leaves open for detailed description the particular procedures used and shares received by the participants. However it does acquaint us with the structure of the manifold village activities so that we perceive how it came about that these activities were made to mesh. More than that, we may also, within reasonable limits, compare the organization of the Indian village economy with the organization of other economies -- group by group, product by product and service by service.

II

The concepts of reciprocity and redistribution will also help to clarify the old problem of where and how land revenue fitted into the structure of the Indian economy. This was, and is, a problem of great practical importance, for the British Raj drew its resources from the land revenue, and today the Indian states still depend upon the same revenue for their development programs. Both ease of, and justice in, administration of the revenue depended upon an accurate appraisal of the nature and function of land revenue.

The question whether to regard land revenue as a rent or as a tax exercised the minds of British administrators for a century.[12] When the East India Company began to govern India in the last half of the eighteenth century land revenue was the major source of revenue for the native rulers. The Company perforce adopted their fiscal system, and set out to rationalize it. Having succeeded to the political position of the native rulers, the Company had also succeeded to their rights to land revenue. It naturally wished to determine the origin, source, and nature of land revenue so as to adjust the assessment and collection of the revenue correctly.

The officers of the East India Company, thinking in European terms, saw only two possibilities, and took the view that their administration of the revenue must depend upon the answer. Land revenue was either a tax on land or it was the rent of the land. If land revenue were in the nature of a tax, then it should be administered according to the canons of taxation, which required that the tax should be as low as possible after allowing for legitimate expenses of government. Any surplus from the land over the costs of management and cultivation would then be the property of the owner of the land and should go to him. Assessment of the revenue would then present the problem of an eqitable allotment of the gross revenue among the owners who were made responsible for payment of the revenue. On the other hand, if land revenue were the rent of the land, then there was no other limit to what the government could claim than what the traffic would bear. As the owner of the land the government could claim any surplus over the costs of production, and the rent of land would be a legitimate source or profit to the East India Company. Assessment would in principle be a problem of competitive renting of land holdings, and the government would not have to worry about the equity of each assessment.

While this was the underlying issue of principle in the discussion, three other considerations weighed heavily with the British. Until 1790 the first two of these had shaped policy. One was the absence of a staff of trustworthy civil servants. The other was the great need for revenue.

The absence of a staff made it impossible to attempt a just settlement of the revenue in individual cases, so that the Company had to settle for a rough and ready system requiring neither knowledge nor honesty on the part of those responsible for seeing that the revenue flowed into the Company's coffers.

The great need for revenue meant that the Company felt it had to charge as much as the traffic would bear, no matter what principle was applicable to the revenue. This amounted to the view that the legitimate expenses of government would absorb the whole of the economic rent, and more if that were possible.

Both considerations were met by the system adopted in the early years: the right to collect the revenue was sold by auction, the native tax-farmer being allowed a ten percent allowance for his labor and, in practice, whatever else he could extract from the cultivator. Thus the Company achieved a maximum extration rate [15] and needed few administrators. However, the system could be justified neither on grounds of equity, nor on those of efficiency, and certainly led to widespread dissatisfaction and disaffection.

The third consideration to modify a Company policy based on the solution to the rent v. revenue controversy was the belief that a stable landowning class could be created to govern the country-side; that this class would build up the agricultural and natural resources of the area; and that the stability and prosperity so achieved would lead to large trading profits for the Company. This meant taking a long view, anticipating ample future gains at the price of a somewhat reduced tax revenue for the present. It was this consideration, combined with the simplicity of the arrangement and the guarantee of a minimum revenue, that led to the introduction of 'permanent settlement' in 1790. Permanent settlement meant that the revenue assessment was fixed in perpetuity, the landowner retaining any future increase of income accruing to the land so long as he paid the assessment.

The policy of permanent settlement was dropped after 1795, but until the late eighteen-sixties it was constantly upheld by a sizeable number of Company officials and, later, government officials. Temporary settlements, in which the revenue was fixed for periods up to thirty years were made in the areas west of Bengal as they came under Company government, and the question whether land revenue was a rent or a tax came to the fore.

The specific issue of fact on which the debate over the nature of land revenue turned was whether the Emperor at Delhi was or was not the owner of the land at the time the Company succeeded to his powers. Such a question of absolute property, being one which can only be asked in a market economy, was in the nature of things insoluble. In dividing the grain heap between the raja, the cultivators, and the artisans there was no need to differentiate between rent and tax -- one only needed to know the operational devices by which the raja's share was determined. Nevertheless, the debate continued for years.

In practice, victory went to those who supported the view that land revenue was a tax. Certainly the permanent assessment of Bengal implied that answer, as did the progressive reductions in the share of rents taken as revenue in the districts to the northwest of Bengal.

Did choosing 'tax' instead of 'rent' make a difference? It is doubtful whether it did. Whatever it deemed to be the correct position, the Company had good reason to reduce the burden of revenue so as to keep the population moderately happy. What did made a difference was the attitude that prompted the question to be put in terms of 'rent' v. 'tax.'

The alternative of 'rent' v. 'tax' stemmed from a deep misunderstanding of the nature of the land revenue. The British administrators were treating land revenue as if it were part and parcel of a market system. Once that assumption is made land revenue must be either rent or tax. If it is rent, land revenue is a return to the inherent productive capacity of the soil and must be measured by the difference between the value of the product and the costs of production, for rent implies that the market evaluates the contribution of land to the productive process. But while in a speculative sense there is always a rent for land because land contributes to the productive process, it is impossible <u>to determine its amount</u> unless there is a market on which people express their judgment of that contribution by offering to pay for its use. They do so by paying a rent. When it became apparent to the British administrators that there was no market for the use of land they made efforts to calculate the amount of rent which would be paid if there were such a market. This is called 'imputing economic rent.' The effort of course proved unavailing. How can the value of a product be computed when so much of it is consumed by the producer and never reaches the market? What meaning can be attached to computations based on prices that vary widely within an area? How can one compute costs when virtually all the costs are implicit and there is no such thing as a standard wage for agricultural labor? Economic rent is a quantity that requires a market system, and could not therefore have meaning in the context of the Indian village economy.

A decision to regard land revenue as a tax also implied a market. Since government services must employ economic resources and since it may be impossible or undesirable to sell those services on a market, the government must extract a sum from the current income stream, either directly by a tax on payments made, or indirectly on values created by the market. These taxes are generally levied on income, on property, or on transactions. Taxes on income and property are levied as proportions of the value which is arrived at by the 'bid and ask' process of the market. Taxes on transactions are either a proportion of the price at which the goods change hands or a flat rate depending on the quantity of goods which change hands. While it is true that the government can raise money be a charge on transactions that are free of market elements, such as a poll-tax, or upon the mere existence of an item, such as 'windows in walls,' it is generally true that the British had market values and market transfers in mind when they considered taxes.

That the market was implicit in the concept of a tax is shown by the first attempts at assessing the land revenue. Assiduous efforts were made to compute the 'net assets' of estate in land. The 'net assets' were to be computed by deducting from the gross value of the produce the costs of production including wages of labor and profits on capital. Now, the remainder, the 'net assets,' is by definition economic rent. For the reasons outlined above the attempts to compute 'net assets' were never successful. Eventually, the British administration fell back on going by rule of thumb, and simply tried to find out how much the owner responsible for the payment of land revenue was collecting from his tenants, and then charging him with part of the rent.

That land revenue was not a straightforward tax was further illustrated by the problems associated with the various proposed methods of levying it. The main proposals were that land revenue be regarded as a share in the gross produce of the land, either in kind or in money value; a money share in the net produce of the land (i.e., the economic rent); or, finally, a money share in the rents actually collected by the proprietor.[14] All three met difficulties in administration and in a just application of the principle invoked.

A share in kind is difficult to collect, and for a modern government there is the added problem of converting the produce into money. These were not problems for the early native rulers. In the first place, the taking of a share in kind fitted neatly into the common village harvest and distribution. Secondly, it was evidence of the prerogatives and power of the ruler. Thirdly, the ruler did not need or wish to convert his share into money until well into the Mughal period. The British, on the other hand, did not desire to fit into the village distribution in the personal way in which the raja did, and furthermore were simultaneously engaged in market trading activities and did not want a share in kind. Eventually, as the concepts of British law and the produce of British industry entered the village, the redistributive system lost much of its relevance. The share of the grainheap, whether in kind or in money, did not accurately reflect ability to pay, and the British did not wish to be affected by the fluctuations in income which such a sharing system involved. If the share of gross produce were to be taken in money there would be the trouble of estimating the produce and arriving at a price for conversion into money values, in the absence of a market.

A tax based on economic rent could only prove impossible to assess. It is noteworthy that after nine years of effort in the North-Western Provinces, the Company's officers observed that it might take another half century to compute the economic rents for the rest of the provinces.

Land revenue based on the rents actually paid, which was the compromise the British finally adopted, was obviously inequitable. In addition, its computation was so burdensome that the assessments were revised only every thirty years. At best, the rents reflected values as of the time the leases were made, but as a rule the actual amounts charged in rent were affected by caste, local custom, and to no small degree, by favoritism. Unless these 'extraneous' considerations were eliminated, the actual rents would not reflect the ability of the various holdings to pay revenue. A complex set of rules came therefore into being to guide the officers in their attempts to adjust the recorded rents. These rules boiled down to a general rule that the officer assessing the revenue should try to adjust recorded rents to the rents at which a genuinely competitive market would arrive. However, a tax on economic rent or actual rents paid is not the same as an income tax, and the British system has been criticized on the grounds that taxes on rent are not taxes based on ability to pay, nor can it be shown that they are equitable according to any other generally accepted standard.

The fact of the matter is that land revenue cannot be levied in such a way as to satisfy the canons of taxation as understood in the modern world. It is not a tax on values created by the market nor is it a tax on transactions. The incidence of a tax should be foreseeable if it is to be just. Yet the indicence of land revenue is not foreseeable. Even under the original native system the revenue share of the raja lacked this characteristic. One could alter the shares in the grain heap so as to give certain participants more, but the ultimate effect of merely changing the raja's share was anything but obvious. Consequently the efforts to adapt the native system to British conceptions of taxation was fraught with difficulties.

These perpetual difficulties which beset the British had their roots in their misconception that land revenue was a tax like any other tax commonly levied where a market system obtains. The picture of the village economy as presented in the preceeding section shows the correct answer to be that land revenue formed part of a non-market system. Taxes are affected by, and in turn affect, the working of the price mechanism, but land revenue under the Mughals and before left unaffected the cultivator's choice of crops, his methods of cultivation, and his reciprocative and redistributive relationships with the village artisans. The cultivator's decisions were made prior to, and independently of, the assessment of land revenue. The solution was, then, that land revenue was the ruler's share in the produce of the land under a redistributive system. It is not a phenomenon of the market order and cannot be translated into market terms. To ask whether land revenue was a rent or a tax was to misconstrue the economic organization of pre-British India. It falsely assumed that the use of market terminology would prove revealing; actually any employment of such a terminology clouded the issue. To understand the nature of land revenue one must understand the original native system: here the patterning of the economy in terms of reciptocity and redistribution can alone provide a clear picture.

Sir Henry Maine first presented to western scholars a picture of the village economy. He characterized it as a 'status' as opposed to a 'contract' economy. While there can be nothing but admiration for this seminal insight, it left unanswered the question of the principles upon which some seemingly intractable problems of 'status' economies rested. Yet once a pattern of these status relationships is drawn, the concepts of reciprocity and redistribution reveal the comparatively simple devices for distributing services and their products.

These concepts also throw light on the underlying difficulties which have dogged the efforts of modern administrations to adopt and adapt the devices of a redistributive economy to the market system. The land revenue which was the raja's share in the village grain heap became the foundation stone of British fiscal resources in India, and is still today a major source of government revenue. Even in our time no generally satisfactory system for assessing and collecting this tax has been found.

A scheme for patterning non-market economic activities such as is suggested here is needed, if we are to understand institutions and devices which have their origin in non-market economies.

FOOTNOTES

1. Maine, Sir Henry Summer, Ancient Law, N.Y., Henry Holt, 1906 (first published in 1861), especially chapters I, V, and VIII; Village Communities in the East and West, London, John Murray, 1861; Dissertations on Early Law and Custom, N.Y., Henry Holt, 1886, especially chapters I through IV.

2. See B.H. Baden-Powell, The Origin and Growth of Village Communities in India, London, Swann Sonnenschein, 1899, especially in regard to geographical variations in the village hierarchy, and the impossibility of establishing an original or 'pure' village type.

3. Polanyi, Karl, Semantics of General Economic History (Revised), Columbia University (photo-offset), 1953.

4. Now part of Uttar Pradesh, in north-central India.

5. W.C. Bennet, Final Settlement Report on District Gonda, Govt. Press, Allahabad, 1878, pp. 48-9.

6. op. cit., pp. 43-8.

7. A bigha is a measure of land which varied from place to place, but was less than half an acre. The right to the standing crop was called biswa.

8. Apparently a typical debt-slave.

9. One twenty-second of a maund of eighty-two pounds.

10. A twentieth.

11. L.S.S. O'Malley, Modern India and the West, p. 5.

12. By the last quarter of the nineteenth century the problem had become, so far as the British officials were concerned, academic. The methods of assessing and collecting the revenue had been established and no new insight into the original state of affairs would have induced the British to alter their procedures. When Baden-Powell (op. cit.), writing in the 1890's, mentioned the history of the dispute over the nature of land revenue, but insisted most strongly that it was a matter of no importance because it was by then clear that land revenue was de facto and de jure a prior charge on the land, its produce being 'hypothecated' to the land revenue by virtue of British legislation.

13. There is evidence that optimistic tax farmers actually over-rated their capacity to collect, and that the revenue may have exceeded the maximum the Company should legitimately have expected.

14. By the nineteenth century something which we might as well call rents were paid. They grew out of the Mughal conversions of revenue shares into money payments in some districts, but mostly out of the legal concepts imposed by the British. The amounts paid and here called rents were a mixture of traditional payments of various sorts and of the market forces introduced by the British.