The New Economic Archaeology of Debt

by Dr. Michael Hudson, ISLET ©

Introduction to
Debt and Economic Renewal in the Ancient Near East
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Economists, anthropologists and assyriologists have discussed the origins of debt and the setting of interest rates from such different perspectives that there has been remarkably little overlap or mutual discussion. Indeed, when economic theorists have ventured to speculate on the origins of debt, they usually have based their reasoning on a priori market-oriented principles rather than looking at the historical record. One of the aims of this colloquium is therefore to establish a more historically grounded basis for tracing the course of commercial and agrarian debt in Bronze Age Mesopotamia, and the logic that underlay the Clean Slates that annulled agrarian and personal debts (while leaving commercial debts intact).

Economists are accustomed to discussing interest rates in terms of what the production process can afford to pay for capital (or loans that provide capital) that is employed profitably. Basing their deductive reasoning on lending for productive investment, economists have constructed heuristic exercises to illustrate how loans of cattle, seeds and tools might have enabled early hunters and cultivators to produce more, and hence to pay a fair rate of interest to the suppliers of such means of production. This approach seems so logical that few economists have found it necessary to seek historical verification. But when historians such as Moses Finley have searched through classical antiquity's records, they have found that the ancient world provides little empirical evidence of productive loans. From Mesopotamia through classical antiquity, lending occurred almost entirely in the spheres of commercial trade and agrarian usury.

This fact has not inspired economists over the past century to show much interest in the translation and interpretation of cuneiform records or subsequent ancient history. They have gone their own way, postulating how early civilization might have developed if it followed the lines of modern economic theorizing from the outset, and if interest-bearing debt had emerged out of the production process. Along these lines already a century ago the German historical economist Wilhelm Roscher (1878) attributed the decline of interest rates from Rome through medieval and modern times to factors to which few historians have found relevant, such as the Ricardian principle of diminishing productivity in agriculture squeezing profits. He also cited the patience of individuals choosing to defer consumption so as to use their resources to make tools to obtain higher yields ("interest"). But the Austrian economist Eugen von Böhm-Bawerk (1890) dismissed the conflation of interest with productivity and profit rates (that is, the idea of interest as reflecting payment for the use of "capital") as "naïve productivity" theorizing.

Theories based on owners lending out the means of production, or tool-makers abstaining from consumption, certainly are not much help in explaining interest rates for antiquity's rural usury and long-distance trade credit. Even in today's world, anthropological surveys of tribal practice find that although debtors pledge their cattle and other productive assets as collateral to creditors to provide "antichretic" interest, such assets almost never are lent to debtors to enable them to make a profit. (Giving shepherds a proportion of the growth of their flocks and herds is found among the Basque people for instance, but this is by no means the same thing as lending at formal rates of interest.) Rather, borrowers pay interest out of their existing income, or raise the money by selling assets or forfeiting they collateral they have been obliged to pledge for loans of food or other consumption goods or tax-money.

In The Gift (1925), Marcel Mauss believed the source of interest to lie in the customary overplus given by people reciprocating a gift. He described the potlatch ceremonies of the Kwakiutl on Canada's Pacific Coast as a proxy for supposedly natural and universal "Indo-European" customs that led directly to the charging of interest in classical Greece and Rome. The inference is that the source of interest in antiquity is to be found in such tribal customs rather than the more formal economic practices brought to the Aegean and Italy by Syrian and Phoenician traders toward the close of the 1200-750 Dark Age.

Anthropological writers who seek to ground the idea of interest-bearing debt in gift exchange tend to overlook what Benjamin Nelson (1949) pointed out half a century ago: The essence of usury is "otherhood," not brotherhood. Gifts typically are reciprocated among equals, often with degree of one-upmanship no doubt, but it traditionally has been deemed ungentlemanly to charge interest to one's social peers. Greek aristocrats, for instance, extended interest-free loans to each other via eranos societies. Interest in antiquity was charged most readily to outsiders, e.g. by travelling merchants such as Assyrians trading in central Turkey c. 1900 BC, and probably by Near Easterners to the local

Aegean and Etruscan chieftains they encountered in the eighth century BC, as well as by patrons to clients, by temples and palaces to their debtors.

Charging interest represented a quantum leap beyond tribal practice. The historian Tacitus (Germania 26) noted as late as the first century of our era that the Germans, whose debts were mainly of the wergild type for legal restitution of damages, were not acquainted with loans at interest. This probably can be taken (contra Mauss) as applying to European tribal communities generally. The communities familiar to anthropologists have webs of mutual obligations binding their members together, but the one-upmanship of, say, the competitive gift exchange of the Kwakiutl is behaviorally different from the formal interest-bearing debt first attested in Sumer in the third millennium BC.

Economically speaking, interest is a precise stipulated fraction (not simply a doubling) of the debt principal, accruing on a regular calendrical basis, duly contracted and witnessed. Failure to pay by a specific date may result in penalties or forfeiture of assets. This is something much more formal than the customary “overplus” found in gift exchange.

The ancient Near East did not enter Mauss’s analysis, nor has it had much influence on subsequent anthropological research. Precisely because gift exchange is so integral a feature of mutual aid, marriage ceremonies and other alliances, funerals and other rites of passage, the custom does not offer much concrete help in explaining how charging specific rates of interest first evolved in Mesopotamia. Despite the wide-ranging scope of anthropological studies of debt phenomena, no surviving tribal community matches the historically unique ancient Mesopotamia or possesses its outward-reaching commercial dynamics. And it is in Mesopotamia, after all, that the phenomenon of interest-bearing debt is first attested, along with royal amnesties to cope with the strains it caused. Civilization’s economic history developed in a particular way, with the temples and palaces of Sumer and Babylonia contributing key innovations.

It thus has been left to assyriologists to interpret the documentary record that alone can provide the foundation for explaining how interest-bearing debt emerged and the principles that shaped its evolution. The unique contribution of assyriology has been to free the discussion from anachronistic ideas of how modern individuals would organize things if they were sent back in a time machine to the Neolithic or Bronze Age. The Sumerians and Babylonians were not like Fred Flintstone’s comic-strip family behaving in a modern way only using an archaic technology. The cuneiform record reflects ways of handling debt obligations that imply a different way of thinking from that of the modern world. The New Economic Archaeology exemplified by the papers in this volume uses assyriology as a basis to overcome the anachronistic treatment that has plagued most economic and even anthropological discussion for the past century. It focuses on the developments of Sumer, Babylonia and their neighbors to determine what they added, under what conditions, and what can be inferred about the logic that led them to develop their economic practices that have been incorporated into the DNA structure of modern civilization.

What anthropologists have shown positively is the extent to which debt is an omnipresent phenomenon. As a byproduct of mutual aid and normal social interaction, webs of obligations must have developed even before the Neolithic. Wergild-type penalty debts to heal breaches of the peace caused by manslaughter and other personal injury probably extend back to the origins of civilization. Obligations also would have been owed on the occasion of rites of passage and other feasts, and by community members to institutions that evolved out of chieftainship, including temples and palaces. Such debts were not commercial in character, and there is not a clear basis for charging a specific rate of interest on them. They are the kind of debts that survive in our modern world as gift exchange among friends, family members and neighbors, or “debts to society” in the case of making restitution for having broken the law. Most such debts are readily payable, and serve to bind society together rather than to financially polarize it. One of the most important problems at hand is thus to explain how rural usury and other serious debt problems began.

The specialization of labor after the Neolithic agricultural revolution must have greatly increased the volume of debt. As families grew dependent on a regular flow of crops, interruptions in natural rhythms would have created a need to borrow to bridge shortfalls between income and outgo. The development of specialized craft professions required credit arrangements to cover the time it took craftsmen to fulfill orders for their customers (or else, these workmen had to be supported as members of public guilds within the context of temples and, in time, palaces). Similar practices had to be arranged for traders to carry consigned merchandise by boat and caravan over long distances. Such needs probably made debts more precisely quantitative both in amount and in their expected time of settlement.

In southern Mesopotamia such arrangements probably involved the large institutions. Indeed, what makes Mesopotamian debts distinctive is the extent to which they were owed to the large public institutions and their semi-official “merchants.” By contrast, the gift exchange with most anthropologists are familiar involves debts typically owed among individuals of similar status. Often, debts among individuals or families of different ranks reflect subordination and client status. In classical Greece, debts were owed to lenders acting as outsiders, a phenomenon later encountered widely throughout the Mediterranean world and Europe.

The papers presented in this volume show how many types of transaction in Mesopotamia were treated as debts but did not involve prior loans of money. Marc Van De Mieroop points out that such records may reflect “any arrangement between two parties that entailed a delivery at a later date.” When a craftsman was given materials to make into a finished product, for instance, he gave his customer a tablet recording his obligation. Most accruals of the fees owed to the temples and palaces likewise were treated as debts falling due. Michael Jursa explains how Neo-Babylonian temples advanced land to sharecroppers and (optimistically) estimated the anticipated yield to be turned over, in addition to charging standardized user fees for water and draught animals. These debts were to be paid out of the anticipated harvest. Textiles and other handicrafts consigned to merchants by temple and palace workshops also were debts, as was the beer provided by “ale women.” Cornelia Wunsch provides a list of such obligations as they appear in the Neo-Babylonian Egibi archive. In sum, what often have been called “loan documents” almost without thinking are more literally “debt records” or simply “notes of obligation.”

Commercial debts, usually denominated in silver, are first attested in conjunction with Mesopotamia’s long-distance trade. Interest on agrarian debts, typically denominated in barley, developed as part of the system by which public institutions advanced land to sharecroppers. Similar interest charges were levied on shortfalls in crop deliveries under sharecropping rental agreements, and on arrears of fees and other sums owed to palace collectors and, ultimately, on personal loans of necessities to the poor. Sumer’s temples and palaces played a key role in mediating the surplus generated by long-distance trade, handicraft industry and agriculture. Within these institutions interest-bearing debt appears as part of a cluster of breakthroughs that included (indeed, presupposed) standardized weights and measures, a public calendar, the designation of silver and barley as monetary commodities, and the centralized administration of (transfer) prices, rations and other rates of remuneration.

These innovations were associated with centralized resource allocation, which was essential to forward planning and its aim of accumulating monetary silver and gold. They signify a quantum leap beyond “anthropological” gift exchange to more impersonal, formally economic relationships replete with written contracts duly witnessed and notarized, account-keeping and audited annual reports by c. 3000 BC. The objective of this standardization was to administer the flow of resources within the temples and, after about 2750, the palaces that emerged out of their precincts.

What is most in need of explanation is how interest came to be charged on such obligations, and how early rates of interest were determined. Within Mesopotamia’s administered “redistributive” economy (to use Karl Polanyi’s term), interest-bearing debt became a wedge that disturbed and ultimately transformed traditional economic relations. The combination of charging interest and the pledging of family members and crop rights as collateral transformed debt relationships from an integrative to disintegrative phenomenon.

Long before obligations came to bear interest, foreclosure proceedings and kindred practices such as village pounds probably were created to enforce their collection. But what initially was forfeited was movable property (especially livestock and women), not land. Prior to the imposition of interest charges and the spread of sharecropping rental agreements by the large public institutions, transfers of crop rights were something out of the ordinary, to say nothing of outright land sales. Such alienations occurred naturally enough in cases where families shrank in size and transferred their land rights to distant relatives or neighbors. And of course, lands were appropriated when territories were invaded. But the most serious and socially disruptive transfers of land rights followed as a byproduct of rural usury. This became the great lever opening the way for subsistence lands to be alienated after about 2000 BC. It appears to have occurred gradually and partly by mutation, with new practices spreading from the large institutions to more widespread community practice.

As the basic means of subsistence, land typically was conveyed from one generation to the next within the families that occupied given territories. Subsistence land was not freely disposable outside of the family or neighborhood, and sanctions against alienating it to outsiders were widespread. The crop yield appears to have been pledged and relinquished relatively late, apparently as an alternative to breaking up family units by pledging children and spouses to the households of creditors.

The previous two volumes in this ISCANEE/ISLET series have traced how such forfeitures of rural self-support land (or at least its crop usufruct) developed as an alternative to outright debt bondage. Initially, debtor families were left on the land, but in time the new appropriators turned to less labor-intensive cash crops such as dates, and families were forced off the land to become bond-servants or other dependents or, in many cases, mercenaries and members of rootless bands. Gradually, rights to the crop came to be identified with rights to the land itself, and debtor-cultivators were expropriated from their holdings. At first the forfeited land rights were kept merely temporarily, being reversed by royal Economic Order edicts that restored the status quo ante. But by the first millennium BC (and probably already in the Old Babylonian period) such transfers became irreversible.

Widespread bondage of debtors to their creditors yielded antichretic interest in the form of work service. As noted above, such work is provided in some communities by livestock pledged to the creditor as collateral, in others by the debtor's family members. Piotr Steinkeller's paper traces how, before labor-for-hire came into being, work needed at harvest-time was obtained by extending loans whose interest was paid in the form of labor service. The amounts credited to labor as interest represented proto-wages (as distinct from the rations doled out by the public institutions for their own public dependents, such as the war widows and orphans put to work in the weaving workshops).

This subordination of land-tenure systems to the debt accrual process was a consequence of charging interest in the agricultural sphere, for natural disturbances sooner or later prevent cultivators from paying their stipulated crop-debts. The question therefore needs to be raised as to whether rural usury was a mutation of practices earlier developed in the sphere of commercial credit.

To place the phenomenon of interest-bearing debt in its historical context, this third volume in our ISCANEE/ISLET series traces the dynamics of interest-bearing debt from Sumer down through the neo-Babylonian and biblical epochs. It also examines how royal edicts dealt with the strains and imbalances caused by such debt, reversing the most adverse consequences of agrarian usury (while leaving commercial loans and investments intact). The prototype for such edicts is found in Lagash by its rulers Enmetena c. 2400, Urukagina c. 2350 and Gudea c. 2150. But it was mainly in the face of creditors reducing the poor to bondage and foreclosing on their lands in second-millennium Babylonia that royal proclamations annulled the overhang of barley debts, most of which were owed to the palace. These "restorations of order" became quite elaborate in, culminating in the lengthy Edict of Ammisaduqa in 1646. They liberated bondservants and restored to cultivators the rights to the crops on the subsistence lands on which creditors had foreclosed for debt arrears. Such clean slates are echoed down through the Jubilee Year of Leviticus, which took them out of the hands of kings and placed them at the center of religious law as part of the Mosaic Covenant. Kindred Egyptian policies are reflected in inscriptions as late as the Ptolemaic-era Rosetta Stone (196 BC).

It is the task of this colloquium to analyze the role played by interest-bearing debt in the process that was driving the Mesopotamian economies forward to create unprecedented surpluses in commerce and agriculture. At the broadest level, the topic of how interest evolved during the first thousand years of its existence raises the question of whether there more than one way in which civilization could have developed. Why did its debt practices develop in the way they did? How necessary were the specific innovations of the Sumerian takeoff for the subsequent development of civilization?

It is hard to break free of preconceptions as to how economic life should be organized. From everything that has been discovered to date, Mesopotamian social values and their institutional context were so different from those of our modern world that writing a history of the region's debt and other economic practices requires a conscious effort to clear away the ideology of modern political correctness. Such an effort may be helped by spelling out what did not occur in the early development of interest-bearing debt, and the ways in which its early development diverged strikingly from the practices familiar in our own modern world.

Although interest-bearing debts became the major destabilizing lever of Mesopotamian social relations, their dynamics have been discussed only incidentally in most surveys, and all too often in an anachronistic way. Indeed, Sumerian and Babylonian economic evolution in general has fallen through the cracks of today's social sciences. On the one hand the region's early history is deemed too lacking in records of personal deeds and explanations of the logic underlying the policies being followed to be included in the curricula of most history departments. On the other hand, the Mesopotamian economies appear too advanced and large-scale to fit into the usual categories used by anthropologists studying surviving tribal communities. Matters have not been helped by relinquishing investigation into the origins of economic practices to anthropologists, who tend to rely largely on what has been observed in the tribal communities that have survived into the modern world. The working assumption is that such communities have remained pristine rather than adopting practices that may have mutated over the centuries and indeed, millennia. In particular, such studies do not acknowledge the degree to which Mesopotamia played a unique role in pioneering civilization's commercial and economic practices.

As far as economic theory is concerned, Mesopotamian debt does not confirm modern ideas about the power of market supply and demand to determine prices and interest rates, to say nothing of the adjustment processes that are assumed automatically to ensure economic balance and stability. Market-oriented theorists find the idea that administered interest rates and prices might remain unchanged over decades, centuries and even millennia theoretically impossible. Such "socialist" practices are held to be inherently unstable and hence transitory in the face of shifting supply and demand.

This ideological bias has blocked a more widespread understanding of how Mesopotamia coped with its economic needs. Most disturbing to modern ideology is the fact that public rather than private enterprise was the early crucible of capital accumulation and corporate commercial innovation. Yet in retrospect one can see how matters had to be this way. It took a major catalyst to socially legitimize and promote the sustained accumulation of economic surpluses. The mutual aid ethic and conspicuous consumption characteristic of low-surplus economies is understandable where personal self-seeking tends to be at the expense of others. Such gains are a zero-sum activity for the community as a whole. But southern Mesopotamia had good reason to become an exception to this rule. It needed to create an export surplus to exchange for the foreign metals, stone and other raw materials not found in its own river-deposited soils.

The solution upon which the Sumerians hit was to mediate gain-seeking trade through the temples and palaces. The term "public institutions" is preferable to "the state" in describing their monetary role, for they existed autonomously alongside the community at large rather than controlling it from above. It should be noted that neither the temples nor palaces were supported by general taxes levied on their communities, but were endowed with their own designated land to provide food, and various privileges to enable them to be self-sustaining rather than needing to tax a "private sector" surplus. They also were endowed, for instance, with large herds of cattle, as well as sheep to provide wool for their workshops.

In return, the temples were charged with performing various social welfare functions, including the support of war orphans and widows, crippled and infirm individuals who could not make a go of things on the land. These dependent individuals were put to work in the handicraft workshops to weave textiles and make other products that were turned over to merchants. In an epoch when families were basically self-sufficient, it was the public institutions that produced most specialized handicrafts for market sale. (Households produced textiles and other handicrafts for their own self-use, to be sure.)

The merchants were members of (or at least interfaced with) the temple hierarchy and that of the palaces. The early organization of public-sector commerce and money thus was entrepreneurial. It was largely via the public institutions that southern Mesopotamia obtained the metals, stone, hardwood and other materials not available in its own rich alluvial soils. From this function emerged the monetary role of these institutions. By supplying export handicrafts to traders originally in the temple employ, for instance, the temples acted as early (the earliest?) creditors.

Economists who treat public enterprise as inherently inefficient are not well prepared to trace what happened in Sumer, Babylonia and their neighboring regions four or five thousand years ago. This is why, as noted earlier, it has been left to philologists to deal with the documentary record that provides the basis for reconstructing the early economic history of our civilization.

Yet translating what the terse records say is not sufficient to explain the social structures that produced them. The documents merely state what happened or what was supposed to happen, not why things were done in the way they were. Their close-up view lacks an overall explanatory context. Some degree of inference is needed to fill in the gaps where the written record is silent. And where there is inference, modernist preconceptions tend to raise their head.

Interest-bearing debt outside of Mesopotamia

A particular society's way of doing things may be just one of many possibilities, but may become built into civilization's continuum simply by virtue of having occurred when and where it did. The first road taken often becomes a model for subsequent society to follow. Many such innovations are first encountered in Mesopotamia as part of the remarkable complex of practices associated with temple economic arrangements late in the fourth millennium BC. Weights and measures, for instance, were standardized in ways that reflect prototypes that can be traced from southern Mesopotamia up the Euphrates and westward to the Mediterranean, along with a general economic vocabulary, largely via traders who appear initially to have been associated with the temples and palaces.

It is fairly easy to trace this westward diffusion of record-keeping practices, writing and the formats of account keeping on clay tablets, and even interest-bearing debt from Mesopotamia. Baruch Levine's oral summary to this colloquium (not included in this volume's papers) summarizes his 1989 and 1996 studies tracing the Hebrew word d'ror, used for the Jubilee Year of Leviticus 25, back to the Akkadian andurarum used for Clean Slates from the Old Babylonian through Neo-Assyrian epochs. Like its antecedents, the biblical variation annulled rural debts, liberated bondservants to return to their own families, and returned the land to families that had forfeited or sold it under economic duress.

Only recently has it begun to be suspected that the charging of interest is not a universally spontaneous phenomenon. This possibility raises a number of questions. First, can it can be traced specifically to southern Mesopotamian origins, to be added to the list of what Samuel Kramer called Sumerian "firsts"? If rural usury indeed diffused from Sumer, it is necessary to trace the decontextualization process by which the safety valve of royal debt cancellations was omitted in the more distant periphery. Even if no diffusion is recognized, it is necessary to explain why the consequences of interest-bearing debt were so much harsher in the Mediterranean lands in classical antiquity than they were in Bronze Age Mesopotamia.

This colloquium can only pose these questions for future study, as they go beyond the time frame that is covered here. But it is clear that the processes of adoption and adaptation (or alternatively, new spontaneous developments of interest-bearing debt) in less centralized contexts, without the large institutions that played so important a role in Sumer and Babylonia, transformed the social consequences of rural debt and land-ownership patterns. Personal liberty was eroded as the Roman Empire succumbed to debt bondage and outright slavery, and finally ossified into serfdom.

The charging of interest, and also the proclamation of Clean Slates to wipe out the rural debt overhead, is attested outside of Mesopotamia initially in its closest neighbors up the Euphrates and in the trade colonies in central Turkey to which Assyrian traders brought their debt practices early in the second millennium (Balkan 1974, Larsen 1976). Even in regions as nearby as Nuzi, however, the sparseness of the documentary evidence pose the problem of just how far the process of inference should be pushed in reconstructing this diffusion. Most of the colloquium members, for instance, believe that Nuzi's royal shudutu proclamations reflect debt cancellations of the sort found throughout the south, but Carlo Zaccagnini points out that there is no explicit statement that debts were cancelled. Specialists in southern Mesopotamia seem to be more convinced that the character of these royal edicts was transplanted than are Hurrian specialists who focus mainly on their own local evidence at hand. The purpose of such edicts probably was so obvious at the time that rulers felt no need to spell out its meaning explicitly. On the other hand, an earlier contributor to these colloquia (Maidman 1996) has pointed out that if the shudutu edicts did indeed annul debts and seek to return the land to the families of debtors who had lost it, they must have been much less effective than their southern counterparts, for lands acquired under economic duress are known to have remained in the hands of absentee landlords even after such edicts were proclaimed. To be sure, the Edict of Ammisaduqa took elaborate steps to counter attempts by creditors in the south to avoid complying with Babylonian misharum edicts. The outcome in all cases seemed to turn ultimately on the power of the palace over local magnates. But given the evident gap between intention and result, modern observers are obliged to rely on informed guesswork to fill in the gaps in the historical record to decide just what was intended and what actually ensued.

This is a difficult task, but the ground needs to be prepared for reaching a consensus on what is most likely to have occurred. The problem at hand is to determine which practices diffused and which ones developed spontaneously, and how they were transformed when transplanted into new, less institutionally centralized contexts. The limited scope of the documentary record leaves the issue so unsettled at present that the participants in this colloquium have reached no general agreement.

The puzzle is complicated by such discoveries as Alphonse Archi's finding of the earliest private debt records not in southern Mesopotamia but at Ebla to the north. Few people would jump to the conclusion that debt practices must have spread from this region to the south. Relevant southern documentation simply may not have been found, or perhaps there was a practical reason for debt records to have been preserved more thoroughly in the north. But it is clear that to draw a reasonably lifelike picture, it is necessary to begin filling in the gaps with plausible scenarios.

One would seem to be on safe ground in concluding that the role of interest-bearing debt appears to have been quite circumscribed outside of Mesopotamia and its commercial trading area throughout the Bronze Age. The absence of debt records in Mediterranean lands prior to the first millennium BC is highly suggestive of the absence of the institution itself. It is more than a mere argument from silence, as it would seem to be the very essence of interest-bearing commercial and agrarian debt to be formally documented. Even in commercial centers such as Ugarit, the city-state with the closest ties to the Aegean during 1400-1200 BC, lending at interest seems to have been restricted largely to foreign traders.

The sparseness of economic records makes it unclear when interest-bearing debt first appeared in Egypt. Edward Bleiberg points to a largely mutual-aid debts for Egyptian community members. This suggests that Egypt's palace and temples did not play the same early role that they did in southern Mesopotamia. Ogden Goulet's paper backs up this view by emphasizing that although Egypt's sed festivals proclaimed an amnesty for lawbreakers, they did not allude to debts. The fact that almost no early Egyptian debt records exist might possibly be the result of destruction of the papyrus writing medium, but regions that used clay tablets for public administration, such as Crete and Mycenaean Greece during 1600-1200 BC, likewise have left no hint of commercial credit or rural usury, nor has evidence been found in the Hittite kingdom. The debt cancellation edict of Tudhaliya IV (Westbrook and Woodard 1990 and Westbrook 1995:158f.) refers to wergild-type compensation debts owed for personal injury, not interest-bearing debts.

Anachronistic views of Mesopotamian debt and clean slates

The remaining papers in this colloquium aim to establish the foundation from which subsequent monetary and financial practices evolved. While these papers explain what happened financially and monetarily in the ancient Near East, the balance of this introduction will alert readers to what did not happen. My reason for discussing modern misinterpretations of early Near Eastern debt practices in a conference devoted to what the documentary record actually reveals is to alert the reader of the ways in which modernist preconceptions tend to bias one's perspective. The remaining pages of this introduction therefore aim to clear away some of the anachronistic underbrush that clouds much current speculation.

The ways of handling insolvency and property forfeitures are among the most important factors distinguishing Mesopotamian debt practices from those of subsequent regions. What emerges from a comparative study of debt in ancient societies is the absence of evidence that lending played a direct role in the production process, either in handicraft production, agriculture or animal husbandry. Rather, the charging of interest came to be imposed on the production process from without. The heuristic examples of "normal" lending at interest devised by modern economists rarely deal with the problems caused by such debt, above all in the agricultural sphere. Textbook examples refer exclusively to productive lending.

Another misleading approach has been to construct three-stage theories of economic development. Modern economies are viewed in terms of three or four major sectors: primary production (agriculture and mining), "secondary" manufacturing (along with power production and transport), and "tertiary" services, with the public sector sometimes classified as "quaternary" service. This sectoral classification has been projected historically as if each layer were added in sequence. In this "taxonomic" approach, origin stories depict interest as emerging in the sphere of productive agricultural or pastoral lending, on the logic that economies evolve from the agricultural and pastoral stages of development to the industrial stage, finally reaching the commercial stage.

In reality, of course, commerce is omnipresent in all stages, as are handicraft industry and agriculture. The presence of Atlantic seaboard artifacts in the Ukraine c. 18,000 BC attests to long-distance exchange as early as the Ice Age, followed by the flint and amber trade of the ninth and eighth millennia BC in the Near East. What Sumer added was commerce in bulk, in standardized units at uniform prices denominated in silver whose purity and weight were sanctified by the region's temples. What probably had been informal and interpersonal exchange, typically among chieftains acting on behalf of their communities (if anthropologists are right) became more formalized and impersonal. It appears to have been in this context that lending and investment at interest emerged in the commercial sphere. This necessitated a customary monetary vehicle in which to denominate the loan principal and its interest charges.

Perception of this development was deterred by the "three-stage" view of societies popularized by the German economist Bruno Hildebrand. He schematized development as evolving from barter (Naturalwirtschaft) via a money economy using metal coinage to a credit economy, as if these types of exchange developed sequentially rather than existing simultaneously. Like trade and commerce, debt is found from the outset as gift exchange, restitution fines for personal injury, and bridal or related marriage arrangements as well as the omnipresent mutual aid. Money developed initially as a means of paying debts. Related to such theorizing is the assumption that production and trade evolve smoothly from small, private individual scale to ever larger, ultimately public scale. But what appears to have occurred in the ancient Near East was just the reverse: a quantum leap in the scope of organizing economic relations. It was the Sumerian temples and palaces, typically much larger than the private oikos estates of classical antiquity – larger even than the classical epoch's palace and temple households – that developed standardized units of production, distribution and monetary measures that later were adopted by private individuals in smaller civilian contexts.

Contrary to the modern disparagement of planned economies, Mesopotamia's experience shows that administered pricing can indeed promote stable development in redistributive societies. Corporate enterprise and uniform pricing originated in the temples and palaces because these large institutions were able to provide what individuals could not: economic standardization. This explains why the temples developed and oversaw honest weights and measures for thousands of years before price-adjusting markets emerged. There was a market in the sense that goods and services were sold, labor hired and silver lent at uniform prices, while interest rates were kept stable century after century. It has taken over five thousand years for the character of markets – and the means of production – to become privatized to today's extent, that is, for public control of productive resources and their revenue to be stripped away to the degree seen today. What was sought was regularity and standardization, not fluctuating prices responding to shifts in supply and demand.

In sum, contrary to the most sanctified assumptions of modern economic ideology, an analysis of Mesopotamia's economic takeoff shows a line of development centered in the public sector's large institutions. The development appears to lead from a commercial to agricultural basis for charging interest, from productive mercantile lending to unproductive rural usury, and from holistic Near Eastern structures to fragmented ones in classical antiquity less able to cope with the economic polarization caused by interest-bearing debt. What narrowed in scope was the system of checks and balances that kept the early dynamics of debt within bounds. Greece and Rome did not adopt the Mesopotamian practice of debt cancellations, nor did they provide the financial escape valves that relieved rural debtors of their obligations when natural disasters (treated literally as "acts of god") interfered with their ability to pay. When economists pick up the thread of interest-bearing debt in classical antiquity, they start with a system whose scale had been shrinking and becoming more privatized and less "total" in its social scope as it had evolved and shifted its context already for thousands of years.

An individualistic myth of how lending at interest originated

Fritz Heichelheim's ambitiously titled Ancient Economic History, from the Paleolithic Age to the Migrations of the Germanic, Slavic and Arabic Nations, first published in the late 1930s and revised in 1958, remains an influential attempt to demonstrate the supposed timelessness of economic individualism. Linking early "food-money" to the origins of productive credit, he speculates (1958:54f.) that around 5000 BC, "Dates, olives, figs, nuts, or seeds of grain were probably lent out . . . to serfs, poorer farmers, and dependents, to be sown and planted, and naturally an increased portion of the harvest had to be returned in kind." Naturally! In addition to fruits and seeds, "animals could be borrowed too for a fixed time limit, the loan being repaid according to a fixed percentage from the young animals born subsequently."

Heichelheim notes that such credit was inherently productive, not usurious. "So here we have the first forms of money, that man could use as a capital for investment, in the narrower sense." In his scenario the rate of interest approximated what could be earned by investing the loan-capital directly. This was precisely what Böhm-Bawerk already had rejected as constituting a "naïve productivity" theory of interest! "Even as relatively early as this," Heichelheim explains, "rich owners must have given out their surplus stocks regularly to poorer farmers and herdsmen, and gained interest in kind." Clients borrowed livestock or seeds to obtain the surplus that was produced when more cattle were born or crops harvested than had to be repaid.

In making these suppositions Heichelheim followed the tendency for free-market economists to rationalize high rates of interest as representing the productive use of borrowed resources, with due compensation for risk. Lenders "had to demand a higher return in view of the possible losses from bad harvests or animal diseases," he claimed, depicting Neolithic creditors as actuarial calculators shrewdly adjusting their interest premiums to reflect the degree of risk (the "possible losses . . ."). Investors were held to seek a precise economic return reflecting such risk rather than being obliged to share in it. But Mesopotamian creditors bore much of the risk of non-payment, and indeed throughout antiquity backers of trade ventures lost their capital when ships were lost or robbed at sea or caravans robbed on the road. In the sphere of agricultural lending, Hammurapi's laws (§48) provide that if storms led to flooding and the crop was lost, the cultivator would not be obliged to pay his debt. On the other hand, with regard to the prospect of personal distress loans not being repaid, creditors demanded the opportunity to foreclose on collateral pledged by the debtor. The idea appears nowhere in the surveys of Heichelheim or other market-oriented economic theorist-historians.

Another anachronism in the picture drawn by Heichelheim is the idea that charging interest originated with well-to-do individuals. What is missing is the recognition that an institutional catalyst was needed to legitimize the charging of interest. In Mesopotamia's case the catalyst appeared in the form of gain-seeking nominally on behalf (or at least via) temples and palaces as public institutions.

The assumption that interest must have had a productive origin sounds reasonable enough. It is hard to imagine that whoever invented and first established a rate of interest had in mind its fateful consequence of polarizing societies between creditors and debtors. It hardly seems plausible to believe that the objective was to reduce much of the population to bondage and expropriate debtors from their self-support lands. But if these were unanticipated consequences of applying the idea of lending at interest to the agricultural sphere (that is, usury), it is necessary to explain how they came about – and why later economies stopped canceling such debts, leaving the resulting economic polarization to proceed irreversibly.

The practice of charging interest must have been seen as a solution to some problem. It must have been a solution that appeared equitable and reasonable, but which led to new problems that initially were unforeseen.

Large institutions as the primary Mesopotamian creditors

Already in Babylonian times and throughout classical antiquity usury was denounced as an exploitation of needy borrowers by the well to do, a violation of the traditional ethic of mutual aid. In nearly all communities studied by anthropologists, personal gain seeking is discouraged in order to socialize individuals to support group solidarity so as to survive in a hostile world. Exploitative "zero-sum" profiteering from other peoples' need would have impoverished communities, leaving them prone to external attack and internal collapse. The guiding spirit is one of social solidarity. As in Egypt, the first role of credit evidently was to be a part of such social self-support, not to undermine it. But to economists, this social objective is achieved at the cost of foregoing gain seeking, and hence is deemed to be "uneconomic" behavior.

There almost always has been one widely permitted exception to sanctions against gain seeking. This occurs when gains are sought on someone else's behalf, above all on behalf of institutions sanctified by the community to perform functions deemed socially necessary and cohesive. In Sumer and Babylonia the temples played this role, and in time the palaces. Their economic gains in fact became a matter of some urgency, as southern Mesopotamia needed to generate an export surplus to trade for the metals, stone and other raw materials not found in its own alluvial soils.

Gain seeking is a much broader category than charging interest, to be sure. The question naturally arises as to why gains took the particular form of interest-bearing debt in Mesopotamia. The answer is now being sought more in the realm of temple and palace activity than that of individuals acting on their own, for it was the public estates that lay the groundwork for practices subsequently adopted by private households.

The tendency to view communities as single-celled units has deterred modern social theorists from tracing the emergence of interest-bearing debt back to these large institutions. Anthropologists and political theorists tend to draw a line directly from chiefdoms to the state. Such bodies are controlled from the top as the scale of control expands from chiefdoms to urban aggregations, which ultimately become empires or are subdued by military empire-builders. In Egypt, the pharaoh controlled the entire society vertically, as did the Persian, Roman and subsequent emperors.

But early Sumerian communities were bifurcated horizontally. Their temples (and in time their palaces) were set corporately apart to support themselves autonomously, operating alongside their communities rather than standing over them. And rather than directly controlling or taxing their communities, these institutions were endowed with their own land and herds of cattle, which produced food and wool to supply their dependent labor (war widows and orphans, cripples and the infirm). This labor was put to work producing textiles and other products that were sold commercially.

Administrative officials ran the temples and rulers governed the palaces, but they were not yet "the state," nor did they initially seem to have power to tax the families that remained self-governing on the land. But they were able to charge user fees. They had economic power, above all in the sphere of handicraft production and long-distance trade, as well as rental lands.

Southern Mesopotamia needed to trade. As the major vehicles organizing such trade, the temples served to legitimize trading profits, and in time the interest charges that merchants paid to the temples as their primary backers. It was in these temples, and later in the palaces as well, that economic gain-seeking became legitimized. They became the natural vehicles to mobilize surpluses on behalf of their communities, above all with regard to the accumulation of monetary metal, which was sanctified by being placed in a public context, initially preserved from the ravages of military conflict.

What appears ironic in this reading is that "religion," which today extols the virtues of altruism as opposed to the pursuit of profit ("Mammon"), played the role of midwife in sanctifying Mesopotamia's commercial breakthrough. The shift from disparaging wealth-seeking to catalyzing it occurred most readily in the context of these temples, for their gains – or at least a conspicuous share of them – were obtained ostensibly for the benefit of the community. The well-placed families that dominated the temple and royal bureaucracies were able to clothe their gains in a sanctimonious hue.

It was this bifurcation of public institutions from the "communal" sector that seems to have played a key catalytic role in the evolution of interest-bearing debt. In time, religion would come to denounce the charging of interest, above all in the form of rural usury, but "in the beginning" the temples and palaces are likely to have been its major promoters and beneficiaries.

The logic of Mesopotamia's clean slates

Widespread practice from Mesopotamia to the Mediterranean ruled vital assets such as the cultivator's plow oxen and the smith's anvil exempt from foreclosure procedures in order to prevent creditors from disrupting the flow of economic life. In the laws of Hammurapi (§241) an ox is not to be distrained. Job 24:3 rules it iniquitous to "take the widow's ox for a pledge," while Deut. 24:6 commands that "No man shall take the nether or the upper millstone for a pledge: for he taketh a man's life to pledge." These sanctions prevented creditors from seizing assets needed as basic means of self-support by the population at large.

The ultimate means of self-support was the subsistence land held by citizens. Among the lands being liberated from debt were those of soldiers and other fighters. Hammurapi's laws (§§26-39) decreed that these must not be allowed to be forfeited to private creditors, as this obviously would have weakened the kingdom militarily.

Modern economic wisdom recommends that debtors who lack the means to pay should forfeit their property, euphemizing such transfers from the needy to the rich as being from weak to strong hands. Foreclosures and forced sales are held to drive economies forward in a Darwinian struggle for survival. According to this view, creditors who foreclosed on land and used it to produce cash crops by planting date trees in Mesopotamia, or olive groves in classical Greece and Rome, were pursuing higher economic uses that increased society's wealth. Reducing much of the hitherto free population to debt bondage helped squeeze out a larger surplus, generating yet more savings to be lent out in a self-expanding process.

No such reasoning was voiced in antiquity. Rather, the proliferation of rural debts was viewed in terms of their overall impact on social equity, fiscal revenue and the community's ability to support its armed forces so as to survive in a militarily hostile environment. Communalist values and the mutual-aid ethic blocked land sales, while rulers drew their sanctification from their commitment to promote social equity and justice. To have let debts accrue at interest and royal collectors and other well-to-do creditors foreclose on subsistence land would have led to unacceptable economic polarization. Rulers also opposed widespread forfeitures of land for the quite worldly reason that its loss would have deprived citizens of their status in the armed forces. Fiscal considerations also played a major role. When rulers "proclaimed justice" or decreed "economic order" and "righteousness," what they cancelled were not so much private advances of money (except for loans mainly by local royal officials), but accruals of fees (including debts owed to "ale-women"), most of which ultimately were owed to the palace.

Free-market orthodoxy depicts unregulated markets as being so inherently optimum as to emerge naturally and inevitably at all times and places. "Redistributive" economies are held to be self-defeating and transitory, incapable of stability. Approaches are belittled that describe temple and palace economies as having developed stable and productive antecedents to pricing systems responding to shifting supply and demand. Reviewing Trade and Markets in the Early Empires (1954) by Karl Polanyi and his working group at Columbia, for instance, Heichelheim decried the fact that the book had been published at all!

This political agenda does not exactly aim at viewing ancient economic history in its own terms. Especially disturbing to free-market ideologues is the success of economies that overruled market relations by royal and/or religious sanctions such as debt cancellations and related elements of economic renewal based on clean slates. Mesopotamian rulers for their part evidently recognized that the dynamics of interest-bearing debt were not self-stabilizing. There was no thought that an equitable balance could be restored automatically by letting "market forces" (in this case the buildup of debts) proceed unimpeded. The kind of "equilibrium" this would have created would have been one of irreversible forfeiture of the family members, crop rights and ultimately the land rights of rural debtors. This is what occurred in classical antiquity, but Mesopotamia created a system of royal checks to prevent it from occurring on more than a temporary basis. Rulers restored economic balance and social order by intervening to annul the overgrowth of unpayable debts. This gave the debt system much greater stability in Sumer and Babylonia than would be the case in subsequent economies.

The stabilizing character of clean slates has caused ideological discomfort for economists. So has the role played by public institutions in sponsoring civilization's commercial breakthrough, and the likelihood that interest-bearing debt was among their innovations rather than arising spontaneously by well-to-do lenders. It also has been hard for economists to acknowledge the degree to which lending at interest led to social polarization. Debt overheads never have been self-curing, but become a wedge forcing economic life further and further out of balance. Looking back over the broad sweep of history, what seems remarkable is that debt strains never since have been dealt with in as comprehensive a way as is found in Sumer and Babylonia. Today, a safety net is afforded by individual bankruptcies wiping out debts on a case by case basis, while financial crises do so on a more extended scale, but there is no society-wide clean slate. Market-oriented monetarist orthodoxy denies the logic that would underlie such a policy.

This having been said, the interpretation of Mesopotamian clean slates serves as a barometer of modern economic attitudes. Each national assyriological school seems to have its own reading of such key terms as Sumerian amargi and Akkadian andurarum and misharum. This makes translations of clean slate edicts, and evaluations of their effectiveness, somewhat of an ideological Rorshach test reflecting the translator's own beliefs.

Early in this century Thureau-Dangin (1905:86f.) related the Sumerian term amargi to Akkadian andurarum and saw it as a debt cancellation. Ten years later, Schorr (1915) referred to these acts in terms of Solon's seisachtheia, the "shedding of burdens" that annulled the debts of rural Athens in 594 BC. In England, George Barton (1929) translated Urukagina's and Gudea's use of the term amargi as "release," while the Jesuit Anton Deimel (1930:9) rendered it rather obscurely as "security." In 1956, Maurice Lambert interpreted Urukagina's amargi act as an "exemption from taxes," as most of the debts being annulled apparently were arrears owed to the palace. But his subsequent 1972 discovery of Enmetena's earlier act led him to broaden his view to seeing it as a general debt cancellation.

In America, however, Samuel Kramer (1959:49) continued to interpret these acts primarily as tax reductions. Indeed, in a letter to The New York Times the week President Ronald Reagan took office in 1981, he urged the president-elect to emulate Urukagina and cut taxes! The term amargi even became popular with American libertarians seeking to find an age-old precedent for tax protests. But although Sumer's public institutions did collect user fees, e.g. on lands they let out for sharecropping, taxes as such do not appear in the historical record until the epoch of imperial overlordship, as tribute. Kramer (1959:49) wrote that Urukagina's reforms were soon "gone with the wind" because they were "too little, too late." In a similar vein Stephen Lieberman (1989) deemed subsequent Babylonian debt cancellations ineffective, on the ground that they kept having to be repeated. "The need to repeat the enactment of identical provisions shows that the misharum provided relief, but did not eliminate the difficulties which made it necessary. . . . What seems to have been needed was reform which would have eliminated all need for such adjustments."

This value judgment misses the point. Usury was not banned, as it would be in the biblical Exodus Code, but when its effects distorted economic relations beyond a tolerable limit, they were annulled by rulers declaring a return to normalcy and wiping out the overhang of unpaid liabilities. What was aimed at was not a debt-free utopia. Rather, the Mesopotamians coped with the most adverse effects of rural debt. Unpaid balances are inherent and functionally necessary in the risks to which agrarian life always has been subject – the vicissitudes of drought, flooding, infestation and other natural phenomena, capped by warfare. The problem to be resolved was whether to give priority to the fortunes of particular creditors or to the social unit's integrity and survival as a whole. Would debt balances be permitted to snowball at interest, or would rulers restore order and self-sufficiency for the community's citizenry/fighting force?

Philological analysis provides a clue to how the Mesopotamians thought about such matters. At issue was the idea of social equity and "straight order." The idea of "straight" connoted the cognate idea of rectitude, with a certain egalitarian idea, at least in the sense of preserving the basic means of support for citizens and their families. (Speiser 1953:874 and Bottero 1992:182 analyze the Akkadian terminology of kittum and misharum.)

The parallel with the Levitical laws was duly perceived. The Hebrew word used in Lev. 25:10 is deror, but not until cuneiform texts could be read was it seen to be cognate to Akkadian andurarum and the early meaning clarified. The King James Version translated the relevant phrase as: "Proclaim liberty throughout all the land, and to all the inhabitants thereof." This is the passage inscribed on America's Liberty Bell in Philadelphia. It is as if the kind of liberty being referred to was that for which England's colonists in America were fighting. But the root meaning of both words is to move freely like running water or, in the case of human movement, like bondservants liberated to rejoin their families of origin. This was something more specific than "freedom" in the abstract. It connoted specifically liberty from debt bondage and from the permanent loss of one's subsistence landholding. The idea was at once technical and metaphoric, especially as Judaism elevated it to a central position in the Mosaic covenant. By the first millennium, kings had become representatives of aristocracies, prompting the authors of Judaism to take clean slates out of royal hands altogether and place them in the sphere of religion itself.

Focusing on the worldly economic consequences of royal edicts so as to demystify them, Igor Diakonoff (1991:234) has emphasized that "the word andurarum does not mean 'political liberation.' It is a translation of Sumerian ama-r-qi 'returning to mother,' that is, 'to the original situation.' It does not mean liberation from some supreme authority but the canceling of debts, duties, and the like. Also, 'cleaning' is a terminus technicus for 'release from payments.'" Dominique Charpin (1987:39) concurs that the word for "mother," ama, connotes "origin" and thus should be translated as "point of origin," so that amargi signifies a return to (or restoration of) the "mother situation." The implication is that economic order existed prior to the imbalances caused by debt. What was needed to restore such order was to wipe away the residue of debt bondage, land forfeitures and other symptoms of dependency brought about by the overgrowth of debt.

The technicalities of the more elaborate Babylonian andurarum and misharum acts bear out this interpretation. Whereas German assyriologists for some time viewed these clean slates essentially as freeing slaves by releasing the debts that held them in bondage, Charpin points out that household slaves that had been bought outright (typically mountain girls or women captured in war) were returned to the original families that owned them, along with the debtor's wife, daughters or sons that had been pledged as bond-servants.

In accordance with Diakonoff's reading, the Assyrian term "washing the tablets" seems to refer to dissolving them in water, akin to breaking or pulverizing them, as in the Babylonian term meaning "to kill the tablet." The idea was to destroy records of the debts being canceled, upon the proclamation of andurarum by Babylonian rulers. However, some assyriologists have interpreted that Assyria's andurarum proclamations as "free trade" acts. Julius Lewy (1958:99) believed that when the Assyrian ruler Ilushuma decreed that the copper of Akkadians should be "washed," this signifies a free movement of copper and other goods by exempting them from tariffs or other duties. Taking the phrasing literally, Mogens Larsen (1976:74ff.) believes that addurarum was a free-trade policy "to attract traders from the south to the market in Assur by giving them certain privileges," such as enabling raw copper to be refined. But Postgate (1992:196) warns against such free-trade interpretations, stressing that Ilushuma was doing just what Babylonian rulers did when they proclaimed andurarum: revoking enslavement for debt and annulling personal debts.

Along more abstract lines, Westbrook (1996) likens the idea of "washing" to a ritual cleansing of the population from economic inequities that would displease Sumerian and Babylonian patron deities. Urukagina's edict thus was held to have cleansed Lagash from the moral blemish of inequity.

The archaeological context in which Assyria's andurarum proclamations records have been unearthed show the city's rulers embedding their andurarum inscriptions in the walls of the city temple. This hardly would seem to be an appropriate setting for something so worldly as a free-trade edict. One of Ilushuma's andurarum acts was associated with building a temple for Assur's patron-goddess Ishtar, and another describes the façade and new wall for a temple he built (Grayson 1972:7 and 1987:15; see also CAD E321a.). Tellingly, one of his successor Erishum's texts concludes with the words, "May (justice) be established in my city," using the same word (misharum) familiar from Babylonian clean slates.

At the deepest level we are dealing with the idea of economic renewal restoring social balance. Amnesties for past offenses (and their fines) may well have preceded the forgiveness of monetary debts; at least this seems to have been the case in Egypt with its sed festival. When rural and other personal debts proliferated, such restorations of order seem to have been naturally extended to annul the carry-over of past inability to pay. These edicts appear to have recognized that for many families living on the edge of subsistence, such debts were likely to push them chronically below break-even levels.

The society-wide problems caused by usury could not have been hard to see. In classical antiquity the biblical prophets were followed by Livy, Pliny, Diodorus and Plutarch in describing usury as causing depopulation and impoverishment. Greek and Roman aristocracies based their power largely on interest-bearing debt, coupled with appropriation of the land. Such tendencies were constrained more readily in Sumer and Babylonia.

Assyriologists who apply free-market theory to Mesopotamia view its clean slate proclamations along lines similar to those of Heichelheim. Ben Foster (1995:167), speculates that risk considerations caused high interest rates for Mesopotamia's agricultural borrowers –a third to half the debt principal, compared to the 20 percent annualized rate normal for commercial loans. These rates are held to reflect the lender's fear that royal debt cancellations might annul such advances. "We need not be advanced economic theoreticians," he writes, "to suppose that there might be a relation between such high rates of interest and the possibility of an edict abolishing debt, although we may ask which was first, the risk or the rate." The implication is that royal clean slates were self-defeating. "We may well wonder if the edicts did not in fact favor moneylenders in the long term, even if unintentionally – and, thus, we may wonder whose benefit the edicts ultimately served."

This view does not acknowledge the extent to which rulers were annulling debts owed to themselves and their collectors – debts that were deemed practically uncollectable except at the cost of disrupting customary self-dependency patterns. The argument also fails to recognize the degree to which interest rates were administered centrally. Foster does not entertain the possibility that the barley-loan interest rate may have simply reflected the sharecropping rental rate. Rental contracts typically were drawn up as loan contracts, estimating the volume of crops to be delivered (along with various royal fees and charges for other inputs) and recording it as a debt. (This practice suggests that debt formalities provided the legal model for land-rent arrangements.) If land were advanced against a share of its crop, money could be lent out for a similar return. This would explain land prices typically of three years' yield or less.

Most rural debts accrued as arrears on obligations to royal collectors. There was no advance of money, but rather an absence of crop payments. When rulers cancelled these arrears and related distress debts in times of drought, military emergencies or other disruptions of the anticipated harvest, they were relinquishing payments owed to themselves – something that is of course much easier for a ruler to do than to annul debts owed to others.

The idea that debts stem mainly from prior loans (rather than accruing as unpaid fees) has led modern observers to reject the idea of debt cancellations as being impracticable, on the ground that they would have discouraged lenders from extending new loans. This view may be traced back at least to Rabbi Hillel at the end of antiquity, in an epoch when lending indeed had passed into private hands. He proposed to circumvent the Jubilee Year of Leviticus 25 by inserting the prosbul waiver in Jewish loan contracts, and his argument has been repeated ever since, in reference to early Mesopotamian clean slates as well as to early Jewish practice.

The history of Sumer, Babylonia and Judah thus has been made into an object lesson to project monetarist concepts backward in time to disparage regulatory policies in today's world. This political agenda is achieved by creating a kind of science fiction. The distant past appears as a parallel universe, a world much like our own, but one in which civilization was developed by individuals thinking in terms of modern free-market orthodoxy. It is the kind of world that might have evolved if interest rates were determined by supply and demand, duly qualified for risk, but it is not true history. Its anti-government agenda and related anachronisms have been largely responsible for assyriologists shunning economics in an effort to keep their field free of such subjective political bias.

Was it perhaps fortunate for their societies' survival that Babylonian rulers were not "advanced economic theoreticians" of the modern sort? In circumstances where rural obligations could not be paid, creditors would have reduced debtors to bondage and taken their lands. This would have deprived the palace of its future ability to collect its customary fees and other levies, which would have been kept by creditors.

In proclaiming such clean slates, Mesopotamian rulers simply acknowledged that debts could not be paid. The palace had taken all that it practically could. If it demanded more than cultivators could pay, they would have forfeited their family members and land rights to royal collectors. The palace would have lost their services in the armed forces, as well as their crop fees. This would have weakened the community's ability to resist foreign attack, and hence would have been a self-defeating policy in the broad scheme of things.

Nothing in modern legal philosophy corresponds to the Mesopotamian usage of "justice and equity." The Roman spirit has limited the scope of modern property-based law, leaving no system of social overrides to cancel debts across the board when they grow problematic on a society-wide level. The biblical setting for Leviticus, and the prefatory notes to the Babylonian acts and their Sumerian antecedents, explained that the ruler wished to serve the sun-god of justice and promote equity in the land. There also was a worldly rationale, which was spelled out at the end of antiquity by the historian Diodorus of Sicily. Describing how Egypt's pharaoh Bakenranef (720-715 BC) abolished debt bondage and cancelled undocumented debts, Diodorus (I.79) writes that his guiding logic was that "the bodies of citizens should belong to the state, to the end that it might avail itself of the services which its citizens owed it, in times of both war and peace. For he felt that it would be absurd for a soldier, perhaps at the moment when he was setting forth to fight for his fatherland, to be haled to prison by his creditor for an unpaid loan, and that the greed of private citizens should in this way endanger the safety of all."

I can think of no more logical explanation for how early Mesopotamian rulers must have reasoned in prohibiting soldiers from pledging their crops and land to creditors and then losing this basic means of self-support through foreclosure. If not reversed, such forfeitures would have expropriated the community's fighting force. Preventing or reversing this development was deemed a higher priority than retaining the overgrowth of debts on the books.

The 4th-century Greek military writer known as Tacticus recommended that a general attacking a town might promise to cancel the debts owed by its inhabitants if they defected to his side. By the same token, defenders of towns under siege could strengthen the resistance of their citizens by agreeing to annul their debts. Rome promised early in its history to liberate the debt bondsmen to fight against its enemies (and then went back on its word when victory had been won, prompting the Secession of the Plebs.) At the end of the 2nd century BC, Mithridates of Pontus promised to do this in Asia Minor in the uprising he led against Rome. But these emergency responses to over-indebtedness did not reflect any idea of royal duty to restore economic order by acting from outside the economic system.

The absence of clean slates in classical antiquity

By classical antiquity, halfway to today's world from Mesopotamia's Early Bronze Age takeoff more than two thousand years earlier, rulers were overthrown as the oligarchic epoch arrived. Missing are the safety valves of royal debt cancellations, for the overthrow of kings left no countervailing power to subordinate the economy's debt overhead to the common weal. Rural usury spread unchecked as the major creditors no longer were public institutions but private individuals expanding their property at the expense of the indebted population. Armies were ceasing to be composed of citizen-cultivators as mercenaries were recruited largely from the ranks of these men dispossessed from the land, who had little other ready means of support.

In view of how the social dynamics of usury ended up in antiquity, the historian is obliged to explain what saved Mesopotamia from experiencing such a fate. Part of the answer would seem to lie in what the complex of practices often referred to as "divine kingship" meant in its worldly economic context. Inasmuch as the region's debt amnesties were commemorated in the rulers' year-names and often with foundation deposits in temples or other civic buildings, they appear to have been great public affairs proclaimed at major calendrical festivals. The analysis of myth and ritual thus might offer a relevant dimension to the study of the social context and ideology of rural debt and its annulment. But to date there has been relatively little linkage between the study of myth and ritual on the one hand, and (as Ignace Gelb put it) the "onionology" of everyday life on the other. It is not even known when during the year rulers annulled crop-debts, or how these royal proclamations dovetailed into myth and ritual ceremonies such as the New Year or coronation festivals.

What were the Mesopotamians thinking of? They certainly had an economy, although it was not a modern type of economy. Their experience shows that it is possible for societies to organize themselves and survive in a more or less stable manner for thousands of years along quite different lines than the allegedly universal ones postulated by market-oriented theorists.

The Sumerians and Babylonians apparently recognized something that left to themselves, market forces lead to economic polarization. A growing overhead of debt-claims on wealth and income tend, inexorably, to exceed the ability of debtors to pay. This perception stands at odds with modern economic assumptions of equilibrium automatically being promoted by market forces. The Mesopotamians recognized that the growing burden of debts could be settled only by broad transfers of property and bondservants from debtors to creditors.

To save themselves from this fate, the Sumerians and Babylonians did something that perhaps is more "anthropological" than "economic." They maintained balance and restored the (idealized) status quo ante through an "eternal return" to a norm. A kind of circular time was at work, whereas economic practice since classical antiquity has been characterized by linear progress. Attempts to maintain the social whole intact with widespread economic self-dependency on the land have been abandoned, in favor of letting each part act by itself. The debt process thus has been removed from its broad economic and property context.

The Mesopotamians appear to have anticipated the classical distinction between productive and unproductive lending. Productive loans are those that provide the borrower with assets enabling him to earn enough to repay the creditor with interest and still keep a profit for himself. Silver-loans to merchants were employed to trade at a profit, and hence were "productive" (that is, productive of a profit). But the barley debts of cultivators represented consumer loans or tax liabilities, and hence had to be paid out of the debtor's other income or assets. The Babylonians, Sumerians and their neighbors annulled such barley debts, but not mercantile debts denominated in silver. Indeed, although the denunciations of usury by the biblical prophets find their counterpart in Babylonian "wisdom literature," there seem to have been no complaints about mercantile lending. Trade financing occurred with what seems to have been mutual benefit between debtor and creditor.

There is something almost timeless in this distinction between productive commercial debt and rural usury and related personal debts. In medieval Europe the Church lifted its ban on usury initially to permit the revival of lending in the sphere of foreign trade, in the form of the agio charged for converting payments from one currency to another. As in Bronze Age Mesopotamia, financial leadership was taken by large Church institutions, headed by the Templars and Hospitallers.

We thus may ask whether it sas inevitable that the focus of gain-seeking activity was in the large corporate institutions of Mesopotamia rather than in the private oikos-type households of ancient Greece and Rome. If so, was it also inevitable that the first prices and interest rates were administered rather than set by supply and demand?

With such questions we enter the sphere of futurology in reverse. To provide answers, it is necessary to create a working hypothesis of how interest-bearing debt originated in Mesopotamian society "in its own terms." Toward this end, the papers in this volume serve as mind-expanding exercises to frame some questions that remain unanswered largely because they have not even been asked, largely because of limitations on the extant documentation. In proceeding to a higher stage of analysis and inference, it is important to recognize is that alternative modes of organization to those of today are possible, and indeed were precedent. By their precedence, they created the context from which modern economies evolved. Via classical antiquity and its subsequent Dark Age, these roots still survive in the genetic structure of our civilization.

I have reviewed this period's grand economic generalities pertaining to the theory of interest in "Roscher's Victorian Views on Financial Development," Journal of Economic Studies 22 (Spring 1995):187-208, and "Karl Bücher's Role in the Evolution of Economic Anthropology," in Jürgen Backhaus (ed.), Karl Bücher. Theory, History, Anthropology, Non-Market Economies (Metropolis Verlag 1999).

The classic studies of these edicts are F. R. Kraus, Königliche Verfügungen in altbabylonischer Zeit (Leiden 1984), Dietz Otto Edzard, Die zweite Zwischenzeit Babyloniens (Wiesbaden 1957), Jean Bottèro, "Désordre économique et annulation des dettes en Mesopotamie à l'epoque paleo-babylonienne," JESHO 4 (1961):113-164, J. J. Finkelstein, "Ammisaduqa's Edict and the Babylonian 'Law Codes,'" JCS 15 (1961):91-104, "Some New misharum Material and its Implications," in AS 16 (1965), Studies in Honor of Benno Landsberger on his Seventy-Fifth Birthday:233-246, "The Edict of Ammisaduqa: A New Text," RA 63 (1969):45-64 and the works of Igor Diakonoff and Dominique Charpin.

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