

Debt Forgiveness In The Bronze Age



Michael Hudson - Source: michael-hudson.com

03-11-2024 ~ *Whether in the realms of trade or agriculture, the operative principle was that debtors should not lose their economic liberty by being held liable for “acts of God.”*

When interest-bearing commercial and agrarian debt came to be incorporated into civilization’s economic structure in the third millennium BC, it was accompanied by clean slates that liberated bondservants and restored to debtors the rights to the crops and land that creditors had taken. By the second millennium BC in Babylonia these royal “restorations of order” became customary proclamations rescuing debtors whose family members had been reduced to bondage or who had lost their land to foreclosing creditors.

Anthropologists have looked at surviving tribal enclaves for ideas of how the Bronze Age takeoff may have been managed. But no tribal communities in today’s world possess the outward-reaching dynamics of Mesopotamia during its commercial takeoff, which occurred in many ways that are alien to modern ways of thinking. The documentation describes an approach operating on different principles from those that most modern observers assume to have been primordial and universal.

The Character of Bronze Age Debt That Made Royal Clean Slates Necessary

The dynamics of interest-bearing debt are different from those of tribal gift

exchange and related reciprocity obligations. Monetary credit arrangements bear a specific interest rate, and the date of payment is specified in advance rather than left open-ended. That requires debts to be recorded in writing and formally witnessed. Creditors may take foreclosure measures for non-payment, leading to the debtor's bondage or the loss of land rights.

Civilization's earliest written records, from Sumer in the third millennium BC, provide the best evidence for civilization's monetized debt relations "in the beginning." Two categories of debt existed, each associated with its own designated monetary commodity. Business obligations owed by traders and entrepreneurial managers were denominated in silver, above all those associated with foreign trade. The agrarian economy operated on credit denominated in barley units, assigned a value equal to the silver shekel in order to strike a common measure.

Money Loans and Long-Distance Trade

Rules for money loans described in scribal training exercises are found almost exclusively in the commercial sphere, especially in connection with long-distance trade. These loans were denominated in silver at the equivalent of a 20 percent annual rate of interest, doubling the principal in five years. Under normal conditions merchants were able to pay this rate to their creditors and keep a profit for themselves. Lenders shared in the mercantile risk, taking what in effect was an equity position. If caravans were robbed or ships and their cargoes lost at sea through no fault of the merchant, the debt was voided. There is no indication that payment of such mercantile debts led to problems requiring royal intervention.

Interest-bearing debt had initially arisen in the commercial sphere, taking the form of advances of assets by the large public institutions to entrepreneurial recipients, enabling them to make an economic gain in commerce and land management. But throughout all antiquity the most problematic debts disrupting the economy's fiscal and social balance were in the agrarian sphere. The original objective of charging interest to sharecroppers and other cultivators, however, can hardly have been to reduce them to bondage or to expropriate them from their self-support land. Their labor was needed for the agrarian economy to function.

Agrarian Debt and Land-Rental Agreements

Rural usury and the consequent widespread forfeiture of lands seem to have derived from advances of land, animals, and tools to sharecroppers (or their manager intermediaries) by temples and palaces. Sharecropping land and agricultural inputs were advanced for a rent of one-third of the (optimistically) estimated normal crop yield [1]. Interest was charged on arrears of this rent and other agrarian obligations not settled at harvest-time. The interest rate charged on these carry-over debts was the same as the sharecropping rental rate: one-third. Even arrears for unpaid debts for food or credit for other needs, such as priestly social services, were charged interest at the rate of one-third of the sum owed, simply mirroring the sharecropping rental return for creditors.

Arrears on agrarian obligations must have been infrequent, given the ever-present risk of crop failure preventing anticipated crops payments from being paid. Researchers [Alfonso Archi](#) and [Piotr Steinkeller](#) show that agrarian interest rates denominated in barley are attested by the middle of the third millennium BC. Officials, collectors for the palaces and temples, and merchants often acted in their own private capacity to make interest-bearing loans to cultivators in arrears for arrears of fees owed to the large institutions.

Rural usury thus emerged as well-to-do “big men” charged for arrears owed to the palace and temples, also lending food and other necessities to distressed cultivators. But agrarian interest-bearing debt, especially usury charged to borrowers in need, was always denounced as socially unfair. The question therefore arises as to just how such charges originated in the first place.

Few types of barley debt involved actual loans of money. What often are called “loan documents” should more literally be termed “debt records” or simply “notes of obligation.” Even in the commercial sphere with its debts denominated in silver, textiles, and other handicrafts that temple and palace workshops consigned to merchants for trade were recorded as debts. And when contractual work was to be performed, craftsmen gave customers tablets of obligation when they were given materials to make into a finished product.

The basic contractual formulae were well established by the end of the third millennium BC. Debt tablets state the sum owed, the due date, and the names of witnesses, with the appropriate seals. Additional stipulations might include the pledges involved, guarantees by individuals who stood surety, and the interest rate to be charged (often to accrue only if the debt were not paid on time). Some

documents were given a title citing the reason why the debt was established.

Agrarian debts mostly arose on rental agreements on land advanced by public institutions to intermediaries, who then subleased it to sharecroppers. Near East researcher [Johannes Renger describes](#) how land and workshops were administered directly by palace officials in Ur III (2111-2004 BC), but by the Old Babylonian period (2000-1600 BC) the palace franchised the management of its fields and date orchards, herds of sheep, brick-making workshops, and other handicrafts to “entrepreneurs” as *Palastgeschäfte*, “royal enterprises.” These managers were entitled to keep whatever they could produce or collect above and beyond the amount stipulated by their contract with the palace, but if the sums they collected fell short, their arrears were recorded as a debt and they were obliged to pay the difference out of their own resources.

The rate of interest payable by cultivators on such debt arrears was, as described above, one-third, being the same as the rate charged for advances of sharecropping land. Cultivators were also charged this one-third rate of interest for unpaid arrears of charges for advances to buy food or beer or meet emergency needs on credit. If they lacked the means to pay out of whatever assets they had, they had to work off the debt charges in the form of their labor service or that of their family members (daughters, sons, wives, or house-slaves), and ultimately they had to pledge their land rights.

How Agrarian Debt Transformed Land Tenure

Barley debts had an annual character reflecting the crop cycle, falling due upon harvest. The accrual of such debts did not reflect a parallel growth in the cultivator’s ability to pay out of their harvest. Creditors obtained work at harvest-time by extending loans whose interest was paid in the form of labor service, as labor-for-hire was not generally available in this epoch.

In addition to their labor, debtors were obliged to pledge their family members as bondservants, followed by their land rights. Self-support land had traditionally been conveyed from one generation to the next within families, not being freely disposable outside of the family or neighborhood. Land transfers did occur when families shrank in size and transferred their cultivation rights to distant relatives or neighbors. But starting with rights to its crop usufruct, subsistence land was pledged and relinquished to outsiders after 2000 BC.

Debtor families initially were left on the land after they lost their crop rights, but were forced off the land as the new appropriators turned to less labor-intensive cash crops such as dates. Debtors often ended up as members of rootless bands or mercenaries after the middle of the second millennium BC. Instead of crop and land rights being lost only temporarily—being returned to their original owners by royal edicts that restored the *status quo ante* [2]—such forfeitures became irreversible by the first millennium BC, especially in Greece and Italy to the west.

The Logic of Canceling Rural Debts and Reversing Land Forfeitures

An inability to meet obligations was inherent in the risks to which agrarian life was subject throughout antiquity: drought, flooding, infestation, or an outbreak of disease, capped by military disruptions. The problem confronting rulers was how to prevent debts from mounting up to the point where they threatened to expropriate the community's corvée labor and fighting force, dooming debt-ridden realms to defeat by outsiders. If the indebted rural citizenry were to survive along customary lines, priority could not be given to creditors.

Mesopotamian rulers countered the rural debt problem not by banning interest outright, but by annulling barley debts. To restore the means of self-support, rulers issued edicts “proclaiming justice,” decreeing economic order and “righteousness.” These proclamations date from almost as early as interest-bearing debt is attested, starting in Sumer with Lagash's rulers Enmetena circa 2400 BC and Urukagina and 2350 BC. Much as commercial debts were forgiven when the merchandise was lost through no fault of the merchant, [Hammurabi's laws \(§48\)](#) provided that cultivators would not be obliged to pay their crop debts if the storm-god Adad flooded their field and the crop was lost. The operative principle was that debtors should not lose their economic liberty by being held liable for “acts of God.” And inasmuch as most barley debts were owed to the palace or royal officials, it was easy for rulers to cancel them. Letting officials and merchants keep the crops and labor of debtors would have deprived rulers of their ability to collect the customary royal fees and land rents for themselves and to obtain corvée labor and military service.

There was no modernist thought that the dynamics of interest-bearing debt might be self-stabilizing by letting “market forces” proceed unimpeded. There was no thought of [Adam Smith's Deist god](#) designing the world to run like clockwork, with checks and balances automatically maintaining equilibrium without any need for intervention by kings or priestly sanctions. Not even the wealthy voiced the

ideology of modern free-market fundamentalism arguing that society's wealth and revenue would be maximized by letting it pass into the hands of the richest and most aggressively self-serving individuals reducing hitherto free families to bondage.

Notes:

[1] Although not clear from the records, it seems likely that agricultural inputs were advanced as part of a "package" with the land for a total rental of one-third of the crop.

[2] The classic studies of these edicts are F.R. Kraus, *Königliche Verfügungen in altbabylonischer Zeit* (Leiden, 1984); Jean Bottéro, "Désordre économique et annulation des dettes en Mesopotamie à l'époque paléo-babylonienne," *Journal of the Economic and Social History of the Orient*, vol. 4 (1961): pp. 113-164; J.J. Finkelstein, "Ammisaduqa's Edict and the Babylonian 'Law Codes,'" *Journal of Cuneiform Studies*, vol. 15 (1961): pp. 91-104; "Some New *misharum* Material and Its Implications," in *Assyriological Studies*, no. 16 (1965); *Studies in Honor of Benno Landsberger on His Seventy-Fifth Birthday*: pp. 233-246; "The Edict of Ammisaduqa: A New Text," *Revue d'Assyriologie et d'Archéologie Orientale*, vol. 63 (1969): pp. 45-64; and the works of Igor Diakonoff and Dominique Charpin.

By Michael Hudson

Author Bio: Michael Hudson is an American economist, a professor of economics at the University of Missouri-Kansas City, and a researcher at the Levy Economics Institute at Bard College. He is a former Wall Street analyst, political consultant, commentator, and journalist. You can read more of Hudson's economic history [here](#).

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