Chapter 1

Entrepreneurs: From the Near Eastern Takeoff to the Roman Collapse

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A century ago economists could only speculate on the origins of enterprise. It seemed logical to assume that entrepreneurial individuals must have played a key role in archaic trade, motivated by what Adam Smith described as an instinct to "truck and barter." When a Mycenaean Greek site from 1200 BC was excavated and storerooms with accounting records found, the building accordingly was called "a merchant's house," not a public administrative center.[1]

There was little room for Max Weber's idea that a drive for social status might dominate economic motives. Materialist approaches to history both by Marxist and by business-oriented writers assumed that economic factors determined status and political power, not the other way around. The basic context for enterprise was deemed to consist of timeless constants: money, account-keeping to calculate gains, credit, and basic contractual formalities. To the extent that public institutions were recognized as economic actors, they were assumed to be an overhead, incurred at the expense of enterprise, not as means of promoting it. There was little idea of temples and palaces playing a catalytic role, much less a key one in production or providing money and provisioning commercial ventures. There was even less thought of rulers regulating markets, canceling personal debts, and reversing land transfers as a way to enhance prosperity.

Translation of cuneiform records over the past century has changed these attitudes. A veritable explosion of colloquia over the past decade has analyzed the emergence of enterprise in Mesopotamia and its neighbors (in particular Dercksen 1999; Bongenaar 2000; Zaccagnini 2003; Manning and Morris 2005; and, earlier, Archi 1984, in addition to the compendious *Civilizations of the Ancient Near East* [Sasson et al. 1995]). Our own working group, the International Scholars Conference on Ancient Near Eastern Economies, has held colloquia dealing with the public/private balance (Hudson and Levine 1996), the emergence of urban and rural land markets (Hudson and Levine 1999), debt practices and how societies handled the economic strains they caused (Hudson and Van De Mieroop 2002), account-keeping and the emergence of standardized prices and money (Hudson and Wunsch 2004). These conference volumes have been bolstered by many books and articles presenting a complex view of the emergence of commercial enterprise.

The vast supply of Near Eastern tablets and inscriptions dealing with economic affairs is being translated free of the past generation's ideological split over whether the economic organization of classical Greece was "ancient," "primitivist," and "anthropological" in character, as asserted by Karl Bücher, Karl Polanyi, and Moses Finley, or "modern," as asserted by Eduard Meyer and Mikhail Rostovtzeff. (The basic documents in the century-old debate are collected in Finley 1979. For a recent discussion see Manning and Morris 2005.) Half a century ago, Polanyi and Finley criticized "modernist" views of antiquity by claiming that it operated as part of a system more "traditional" and bureaucratic than entrepreneurial. The quasi-Marxist theory of Oriental despotism was even more extreme. But the past few decades of scholarship have seen the pendulum swing back away from such views, finding many innovative economic practices in the ancient world (Hudson 2005–6).

It is now recognized that most of the techniques that would become basic commercial practices in classical antiquity were already developed in the third millennium BC in the temples and palaces of the Bronze Age Near East—money, along with the uniform weights, measures, and prices needed for account-keeping and annual reports (Hudson and Wunsch 2004), the charging of interest (Van De Mieroop 2005; Hudson and Van De Mieroop 2002), and profit-sharing arrangements between public institutions and private merchants ranging from long-distance trade to leasing land, workshops, and retail beer-selling concessions (Renger 1984, 1994, 2002). Assyriologists now apply the term *entrepreneur* broadly to Assyrian and Babylonian *tamkarum* "merchants" from early in the second millennium BC down to the Egibi and Murashu families of Babylonia in the seventh through fifth centuries BC, who created novel commercial strategies to manage estates and provision the palace and its armed forces.

These practices initially were developed to create an export surplus of textiles, metalwork, and other labor-intensive products to obtain the stone, metal, and other raw materials lacking in southern Mesopotamia (what is now Iraq). During the second millennium these techniques diffused westward via Ugarit and Crete to Mycenaean Greece. After the long Dark Age that followed the collapse of Mycenae circa 1200 BC, seafaring merchants brought them to Greece and Italy, where they were adopted circa 750 BC in a context less conducive to enterprise and with fewer institutional checks and balances on debt, dependency, and economic polarization. Clientage came to be viewed as a natural state of affairs as economic attitudes changed from those in the Near East.

Wealthy Greek and Roman families controlled handicraft production, trade, and credit directly rather than coordinating these activities via the temples and palaces. Yet classical antiquity's aristocratic attitude viewed commercial enterprise as demeaning and corrupting. The details of trade and enterprise typically were left to outsiders or to slaves and other subordinates acting as on-the-spot managers, organizers, and middlemen for their backers. Most enterprising individuals were drawn from the bottom ranks of the social scale, typified by the fictional but paradigmatic freedman Trimalchio in Petronius's comedy dating from the time of Augustus. "The greater a man's *dignitas*," D'Arms (1981, 45) has pointed out, "the more likely that his involvement [in business] was indirect and discreet, camouflaged behind that of an undistinguished freedman,—client, partner, 'front man,' or 'friend,' " and leaving management of their affairs to slaves or other subordinates. When such lesser individuals were able to accumulate fortunes of their own, they aspired to high status and prestige by sinking their money into land and obtaining public office. The freedman Trimalchio "immediately ceased to trade after amassing a fortune, [and] invests in land and henceforth talks and acts like a caricature of a Roman senator" (D'Arms 1981, 15; see Dio Chrysostom, *Or.* 46.5).

Although we might expect Romans at the high end of the economic spectrum to have enormous personal fortunes corresponding to the city-state's great riches (parasitic as these may have been), Heichelheim (1958–70, 3:125) notes that its leading families spent beyond their means, running up catastrophic debts in their drive for status and power. This behavior "finds no analogy at the time of the Golden Age of Greece either among private individuals or among princes."

The history of enterprise in antiquity therefore falls naturally into two periods. First is the development of economic practices in Mesopotamia circa 3500–1200 BC. By the end of antiquity we find gain-seeking shifting away from productive enterprise to land acquisition, usury, profiteering from political office, and extraction of foreign tribute by force. To begin the story of enterprise in this later classical epoch thus would be to ignore the fact that most commercial practices already had a pedigree of thousands of years by the time Near Eastern traders brought them to the Mediterranean lands in the mid-eighth century BC.

What led communities to develop a commercial ethic in the first place? Who were the beneficiaries, and how were the benefits shared? Why did this ethic, which seems so natural to us today, take so long to emerge in the ancient world, only to be overwhelmed by less economically productive, more corrosive social values? To answer these questions it is necessary to address the transition from interpersonal gift exchange to bulk trade at standardized market prices, that is, from "anthropological" to "economic" exchange and production.

The Revolutionary Entrepreneurial Gain-Seeking Ethic

Trade extends back deep into the Paleolithic, but modern tribal experience and logic suggest that the most archaic trade probably occurred via reciprocal gift exchange, whose primary aim was to promote cohesion among the community's members, and peaceful relations among chiefs of neighboring tribes. (Mauss's *The Gift* [1925] is the paradigmatic study along these lines.) Anthropological studies have documented that the typical attitude in low-surplus communities living near subsistence levels is that self-seeking tends to achieve gains at the expense of others. Traditional social values therefore impose sanctions against the accumulation of personal wealth. The economic surplus is so small that making a profit or extracting interest would push families into dependency on patrons or bondage to creditors. The basic aim of survival requires that communities save their citizenry from falling below the break-even level more than temporarily. In antiquity, for example, losing land rights meant losing one's status as a citizen, and hence one's military standing, leaving the community prone to conquest by outsiders.

The result is that while low-surplus economies usually do produce surpluses, archaic political correctness dictated that they should be consumed, typically by public display and gift exchange, provisioning feasts at major rites of passage (entry into adulthood, marriage, or funerals), or burial with the dead. Status under such conditions is gained by giving away one's wealth, not hoarding or reinvesting it. It long remained most culturally acceptable to consume economic surpluses in public festivals, dedicate them to ancestors, and, in time, to supply provisions for the construction of temples and other monumental structures.

Concentration of the Economic Surplus at the Top of the Social Pyramid

When tribal communities mobilize surpluses (usually as much via warfare as by trade), they tend to be concentrated in the chief's household, to be used, at least ostensibly, on behalf of the community at large. And as part of their role as the community's "face" in its commercial or military relations with outsiders, this "household" tends to absorb runaways, exiles, or other unattached individuals. The ethic of mutual aid calls for chiefs, in turn, to act in an open-handed way.

Some surplus normally is needed for specialized nonagricultural production. In such cases either the chief or leading families may administer a sanctified, corporately distinct cult charged with capital-intensive production such as metalsmithing. Such occupations often involve a particular class of workers, who need to be supplied with raw materials, and either with their own self-support land or with food from the chief's household or from land leased out by the specialized group. Such groups tend to institutionalize themselves on the model of families, but to have an essentially public identity.

Profit-seeking "economic" exchange was so great a leap that initially it seems to have been conducted mainly in association with public institutions, at least nominally. The first documented "households" to be economically managed were those of Mesopotamia's temples. To be sure, Lamberg-Karlovsky (1996, 80ff.) has traced their evolution out of what began as the chief's household from the sixth through the third millennium, followed by palaces that emerged from temple precincts circa 2750 BC. These large institutional households developed a community-wide identity, especially as they absorbed dependent labor such as that of the war widows and orphans, the blind or infirm taken out of their family environment on the land, and also slaves captured in raiding. It is in them that the first standardized bulk production was organized to yield a commercial surplus.

Temples of Enterprise

Southern Mesopotamia was in a uniquely resource-dependent position. Its land consisted of rich alluvial soil deposited by rivers over the millennia, but lacked copper, tin, lapis and other stone, or even much hardwood. The region needed to obtain these materials from distant sites ranging from the Iranian plateau to central Anatolia. In the mid-fourth millennium BC the Sumerians created fortified outposts up the Euphrates to the north, but archaeologists have found that they had to be abandoned after a century or so. Military conquest was too expensive a means to obtain distant raw materials and transport them to the southern Mesopotamian economic core.

Sumerian cities fought among themselves in the fourth, third, and even second millennia BC, but acquisition of foreign materials in large quantity over long distances had to be organized on a reciprocal and voluntary basis with Anatolia and the Iranian plateau, while trade with the Indus Valley was conducted mainly on the island of Dilmun. Peaceful trade meant enterprise, requiring southern Mesopotamia—Sumer—to have exports to offer. Because of the large sums involved, city temples and palaces played the dominant role as producers and suppliers of goods. Ships and overland caravans were outfitted and provided with textiles and other products to exchange for the raw materials lacking in the Sumerian core.

In recent years, Assyriologists have reconstructed how this system worked, using as evidence royal inscriptions and the archives of palace officials and merchant-entrepreneurs. Imperial conquerors in time imposed the payment of tribute and taxes on defeated populations, but city-temples and palaces did not levy taxes as such. Rather, they supported themselves by their own workshops, large herds of animals and means of transport, and by leasing out fields and workshops, much as Athens later would do with its Laurion silver mines. Their dependent labor force produced textiles for export, and beer for domestic sale.

The absence of either export or local sales documents suggests that the temples and palaces advanced these commodities to merchants for later payment upon the return from a voyage, after a five-year period, or at harvest time for domestic sales for payment in crops. In the early stages of long-distance trade they were given rations or "salaries" and supplied with donkeys by the temples, a sure sign of their public role (Frankfort 1951, 67). In time these merchants accumulated capital of their own, which they used along with that of private backers (typically their relatives). Most of their archives have been excavated in temple or palace precincts, indicating that there was no idea of conflict of interest with regard to their position in the temple or palace bureaucracy, which seems to have remained mainly in the hands of leading families. Their personal business archives are found along with public administrative records. It is clear that the way to become an entrepreneur was to interface with these large institutions. That is what made Mesopotamian economies "mixed" rather than statist (run by public bureaucracies such as the "temple state" postulated in the 1920s) or strictly "private enterprise," as assumed by the older generation of economic modernists.

The public institutions established relationships with well-placed individuals, whose title—Sumerian *damgar*, Babylonian *tamkarum*—usually is translated as "merchant" or, by Babylonian times, "entrepreneur." Applying Israel Kirzner's (1979, 39) definition of the entrepreneur's role, Johannes Renger (2000, 155) points out that it is a seventeenth-century French term denoting "a person who entered into a contractual relationship with the government for the performance of a service or the supply of goods. The price at which the contract was valued was fixed and the entrepreneurs bore the risks of profit and loss from the bargain." An entrepreneur seeks economic gain either with his own money or, more often, operating with borrowed funds or managing the assets of others (including public institutions) to make something over for himself by cutting expenses or creating a business innovation. In Babylonia, the palace leased land and workshops at stipulated rents, and advanced textiles and other handicrafts to merchants engaged in long-distance trade. In the process of developing this enterprise, administrators and entrepreneurs created the managerial elements for large-scale production and market exchange to squeeze out an economic surplus and reinvest it to obtain further gains.

Debt Relationships

One sees traces of a tug of war between local magnates and the central palace, not unlike that between the barons and the kings of England in the twelfth century of the modern era. An important role of palace rulers, for instance, was to prevent interest-bearing debt—and subsequent foreclosure, especially by palace revenue collectors—from stripping away the citizenry's basic means of self-support. Royal "clean slates" preserved economic solvency by annulling agrarian "barley" debts (but not commercial "silver" debts), reversing land forfeitures, and freeing debt pledges from bondage. This meant that indebted citizens could lose their liberty and self-support lands only temporarily.

Ancient historians found the logic for these policies to be recognition that the infantry was drawn from the citizen body composed of landowning males. Hammurabi's laws, for example, assigned charioteers their own self-support lands, kept free from foreclosure. To have left these men to become prey to creditors expropriating their land and shifting to cash crops would have put Babylon in danger of conquest by outsiders.

The Near East thus managed to avert the debt problem that plagued classical antiquity. Although debt forced war widows and orphans into dependency and obliged the sick, infirm, or others to pledge and then lose their land's crop rights to creditors at the top of the economic pyramid, such forfeitures were limited to merely temporary duration (viz., the Jubilee Year of Leviticus 25 and its Babylonian antecedents). But they became permanent in Greece and Rome, reducing much of the population to the status of bondservants and unfree dependents. This is primarily what distinguishes the Greek and Roman oligarchies from the Near Eastern mixed economies. It proved much easier to cancel debts owed to the palace and its collectors in Mesopotamia than to annul debts owed to individual creditors acting on their own in classical times. (Even Roman emperors occasionally canceled tax arrears in order to alleviate widespread debt distress.)

Debt was the lever that made the land transferable in traditional societies, which usually had restrictions to prevent self-support land from being alienated outside of the family or clan. (Hudson and Levine 1999 gives examples.) By holding that the essence of private property is its ability to be sold or forfeited irreversibly, Roman law removed the archaic checks to foreclosure that prevented property from being concentrated in the hands of the few. In practice, this Roman concept of property is essentially creditor-oriented, and quickly became predatory. But as in the Near East, commercial law freed sea captains from debt liability in the case of shipwreck or piracy.

Documentation of Early Entrepreneurial Activity

Our sources oblige us to rely almost exclusively on archives and inscriptions from Babylonia, Assyria, and the neighboring lands for documentation regarding early economic organization. Little early primary data survive from Egypt, which in any event remained much more commercially self-contained than other parts of the Near East, save for its military incursions. We know from pictorial sources that there were markets, but according to Bleiberg (1995, 1382–83) the normal Egyptian state of affairs was a redistributive economy. The hints of entrepreneurial behavior are limited to "intermediate periods," transitions in which the pharaoh's power weakened and economic life became less centralized (as also occurred in Mesopotamia). "One recent exponent of the belief that there was a place for the private merchant in ancient Egypt is Morris Silver," comments Bleiberg. "Not surprisingly, the evidence that he adduces for private traders comes from the First Intermediate Period and the end of the Ramesside period, both times of weak or nonexistent central government. The existence of such traders is never attested in Egyptian sources from periods when the economic apparatus of the central government was functioning well."

No written records exist for the Indus Valley, although archaeological evidence shows that it traded with southern Mesopotamia via the island of Dilmun (modern Bahrain) in the third and second millennia BC. Phoenician society and its colonies to the west in Carthage and Spain in the first millennium are also undocumented. The syllabic record-keeping found in Crete and Mycenaean Greece from 1600 to 1200 BC pertains only to the collection and distribution of products, not enterprise as such.

The largest archives dealing with entrepreneurs are from Neo-Babylonian times. Nothing remotely as sophisticated is available in Greece or Rome even for the brief period in which economic magnitudes are recorded. "Since it was a part of upper-class etiquette for a rich man to pretend that he was not really well-to-do," D'Arms (1981, 154) points out, "the character and degree of senators' involvement in money-making ventures usually resist precise documentation." Andreau (1999, 17) notes that "when Brutus' money was loaned to the people of Salamis in Cyprus through the intermediaries Scaptius and Matinius, these two were the sole official creditors. Until Brutus revealed his hand in the affair, neither the people of Salamis nor Cicero knew that the sums loaned belonged to him." We would not know either, if not for the political exposés, lawsuits, and prosecutions that illuminate how predatory fortunes were made in Greece and Rome. (Matters may not be so different today. Former New York attorney general Eliot Spitzer's prosecutions and reports by congressional committees on investigations have done more to describe corporate and banking practices than a generation of management textbooks has done.)

Economic details are available only for about two centuries of Roman history, circa 150 BC to AD 50. Business archives are lacking, as the focus is mainly military and political. After Augustus, MacMullen (1974, 48) notes, "Among thousands of inscriptions that detail the gifts made by patrons to guilds, cities, or other groups, only a tiny number indicate where the donor got his money." For Greece, the window of economic visibility is several centuries earlier, with lawsuits here too being major sources of information. In any event, it was the Near Eastern forerunners of Greece and Rome that provided the models and literally the vocabulary of commerce and banking, contractual formalities, and other preconditions for market exchange and enterprise.

Productive versus Corrosive Enterprise

In light of this *longue durée*, the problem for economic historians is to explain why commerce and enterprise yielded to a Dark Age. What stifled enterprise thousands of years after the Near Eastern takeoff? For a century the culprit was assumed to be state regulation. But it was the temples and palaces of Sumer and Babylonia that first introduced most basic commercial innovations, including the first formal prices and markets. The collapse of antiquity can be traced more to oligarchies capturing the state and dismantling the checks and balances that had kept economies in the Near East from polarizing to so fatal an extent between creditors and debtors, patrons and their clients, free men and slaves. The ascent of Rome saw laws become more creditor-oriented and property appropriations more irreversible, while the tax burden was shifted increasingly onto the lower orders.

Hereditary landed wealth tends to gravitate toward corrosive forms of enterprise, and the Greek and Roman mode of gain seeking was more military than commercial. It was as if the privileged aristocrats who inherited favorable economic and political status felt embarrassed at having to try actively to gain wealth by commercial activity (especially retail trade with social inferiors) instead of producing it (and consuming or distributing it) on their own estates. Much like sex in Victorian England, everyone seemed to be doing it, but it did not add to one's prestige. That stemmed from autonomy, not commerce. The classical ideal was to remain self-sufficient and independent on large estates, not to dirty one's hands by engaging in trade and moneylending. It therefore seems somewhat ironic that, on an economy-wide scale, the oligarchy depleted the home market. Its members stripped away much of the land from the community through debt foreclosure, reduced the population to bondage, and brought commerce and even the money economy to an end, leading to western Europe's Dark Age.

The oligarchic ethic preferred seizing wealth abroad to creating it at home. The major ways to make fortunes were by conquest, raiding and piracy, slave capture and slave dealing, moneylending, tax farming, and kindred activities more predatory than entrepreneurial. Gaining wealth by extracting it from others was deemed to be at least as noble (if not more so) than doing so commercially, which was deemed to be equally exploitative without the exercise of personal bravery. "When I was young it was safe and dignified to be a rich man," complained Isocrates in Athens during that city-state's struggles between democracy and oligarchy; "now one has to defend oneself against the charge of being rich as if it were the worst of crimes" (*Antidosis* 159–60, quoted in Humphreys 1978, 297). The result of this disparaging attitude is that although entrepreneurs stood at the economy's fulcrum points—managing estates, organizing shipping and public construction, operating workshops, and provisioning armies—they worked in an environment less and less conducive to such activities over the course of antiquity, and sought to become more leisurely rentiers and philanthropists. The broad effect was to exhaust the regions absorbed into antiquity's empires.

The moral is that what is most important for society is the institutional set of rules and social values that govern how entrepreneurs gain wealth. The path does not always lead upward toward higher productivity, to say nothing of greater efficiency for social development or even survival. There are many ways to seek economic gain. "Indeed," observes Baumol (1990, 894), "at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy." By classical antiquity the three most lucrative areas of gain seeking were tax farming, public building contracts, and provisioning the palaces, temples, and army. Building a fortune involved interfacing with the state under conditions where the surplus took the form of tribute, usury, land grabbing, and profiteering from public administrative position. The domestic surplus, and ultimately the land itself, was obtained increasingly via interest-bearing debt (often via foreclosure or forced sale) and by conquest.

If enterprise is defined as part of an overall social system that sets its rules, one finds a shift occurring from the Bronze Age Near East to classical Greece and Rome from productive to unproductive enterprise. "If entrepreneurs are defined, simply, to be persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige," Baumol concludes (1990, 897–98), "then it is to be expected that not all of them will be overly concerned with whether an activity that achieves these goals adds much or little to the social product or, for that matter, even whether it is an actual impediment to production (this notion goes back, at least, to Veblen 1904)."[2]

Rome's wealthiest and most prominent families sought to make as many clients, debtors, and slaves as dependent as possible through force, usury, and control of the land. This predatory rentier spirit led to the century-long Social War (133–29 BC) that saw the Republic polarize economically, paving the way for the subsequent empire to give way to serfdom. One looks in vain for the idea that profit-seeking enterprise might drive society forward to achieve higher levels of production and living standards. No major minds set about developing a policy for society or even the oligarchy as a class to get rich by economic growth and development of an internal market.

Some Myths regarding the Genesis of Enterprise

If a colloquium on early entrepreneurs had been convened a century ago, most participants would have viewed traders as operating on their own, bartering at prices that settled at a market equilibrium established spontaneously, in response to fluctuating supply and demand. According to the Austrian economist Carl Menger, money emerged as individuals and merchants involved in barter came to prefer silver and copper as convenient means of payment, stores of value, and standards by which to measure other prices. But instead of supporting the Austrian School's individualistic scenario for how commercial practices developed—trade, money and credit, interest and pricing—history shows that they do not emerge spontaneously among individuals "trucking and bartering." Rather, investment for the purpose of creating profits, the charging of interest, creation of a property market and even a proto-bond market (for temple prebends) first emerged in the temples and palaces of Sumer and Babylonia.

It now has been established that from third-millennium Mesopotamia through classical antiquity the minting of precious metal of specified purity occurred under the aegis of temples or other public agencies, not private suppliers. The word *money* itself derives from Rome's temple of Juno Moneta, where it was coined in early times. Silver money was part of the pricing system, developed by the large institutions to establish stable ratios for their account-keeping and forward planning. Major price ratios (including the rate of interest) initially were administered in round numbers for ease of calculation (Renger 2000, 2002; Hudson and Wunsch 2004).

Rather than deterring enterprise, administered prices provided a stable context for it to flourish. The palace estimated a normal return for the fields and other properties it leased out, and left managers to make a profit—or suffer a loss when the weather was bad or other risks materialized. In such cases shortfalls became debts. However, when the losses became so great as to threaten this system, the palace let the arrears go, enabling entrepreneurs to start again with a clean slate (Renger 2002). The aim was to keep them in business, not to destroy them.

More flexible pricing seems to have occurred in the quay areas along the canals. Rather than a conflict existing between the large public institutions administering prices and mercantile enterprise, there was a symbiotic and complementary relationship. Liverani (2005, 53–54) points out that administered pricing by the temples and palaces vis-à-vis *tamkarum* merchants engaged in foreign trade "was limited to the starting move and the closing move: trade agents got silver and/or processed materials (that is, mainly metals and textiles) from the central agency and had to bring back after six months or a year the equivalent in exotic products or raw materials. The economic balance between central agency and trade agents could not but be regulated by fixed exchange values. But the merchants' activity once they left the palace was completely different: They could freely trade, playing on the different prices of the various items in various countries, even using their money in financial activities (such as loans) in the time span at their disposal, and making the maximum possible personal profit."

A century ago it would have been assumed that the state's economic role could only have taken the form of oppressive taxation and overregulation of markets, and hence would have thwarted commercial enterprise. This is how Rostovtzeff (1926) depicted the imperial Roman economy stifling the middle class. But Jones (1964) has pointed out that this was how antiquity ended, not how it began. Merchants and entrepreneurs first emerged in conjunction with the public temples and palaces of Mesopotamia. Rather than being despotic and economically oppressive, Mesopotamian religious values sanctioned the commercial takeoff that ended up being thwarted in Greece and Rome. Archaeology has confirmed that "modern" elements of enterprise were present and even dominant already in Mesopotamia in the third millennium BC, and that the institutional context was conducive to long-term growth. Commerce expanded and fortunes were made as populations grew and the material conditions of life rose. What has surprised many observers is how much more successful, fluid, and also stable these arrangements are seen to be as we move back in time.

What led many generalists to trace the origins of commercial practices less than halfway back from the modern era to Mesopotamia's takeoff two thousand years earlier was the idea of *Western* as a synonym for private sector. For a century, Near Eastern development was deemed to lie outside the Western continuum, which was defined as starting with classical Greece circa 750 BC. But what was novel and "fresh" in the Mediterranean lands was mainly the fact that the Bronze Age world fell apart in the devastation that occurred circa 1200 BC. The commercial and debt practices that Syrian and Phoenician traders brought to the Aegean and southern Italy around the eighth century BC were adopted in smaller local contexts that lacked the public institutions found throughout the Near East. Trade and usury enriched chieftains much more than temples or other public authority set corporately apart to mediate the economic surplus, and especially to provide credit.

Growing awareness of the fact that the character of gain-seeking became economically predatory has prompted the past generation to take a more sociological view of exchange and property in classical Greece and Rome (e.g., the French structuralists, Kurke 1999, and Reden 1995), but a more "economic" post-Polanyian view of earlier Mesopotamia and its Near Eastern neighbors.

Morris and Manning (2005) survey how the approach that long segregated Near Eastern from Mediterranean development has been replaced by a more integrated view (e.g., Braudel 1972 and Hudson 1992), in tandem with a panregional approach to myth and religion (Burkert 1984 and West 1997) and art (Kopcke and Takamaru 1992). The motto *ex oriente lux* now is seen to apply to commercial practices as well as to art, culture and religion.

Some Contrasts between Enterprise in Antiquity and Today

A number of differences between antiquity's economic practices and those of the modern world should be borne in mind with regard to the changing context for enterprise. Rather than being autonomous, handicraft workshops were located on basically self-sufficient landed estates, including those of the large public institutions. Such industry was self-financed rather than using credit, which was extended mainly for long-distance and bulk trade.

From Babylonian times down through imperial Rome, commercial earnings tended to be invested in land. Yet there was no land speculation based on rising prices. At most, subsistence land was shifted to growing cash crops, headed by olive oil and wine in the Mediterranean, and dates in the Near East, harvested increasingly by slaves working at lower cost.

We do not find banking intermediaries lending out people's savings to entrepreneurial borrowers. Throughout the Near East, what have been called "banking families" such as the Egibi (described by Wunsch in this volume) are best thought of as general entrepreneurs. They did hold deposits and made loans, but they paid the same rate of interest to depositors as they charged for their loans (normally 20 percent annually). There thus was no margin for arbitrage, and no credit superstructure to magnify the supply of monetary metal on hand. (See the discussion in Hudson and Van De Mieroop 2002, 345ff.) Promissory notes circulated only among closely knit groups of *tamkaru*, so a broad superstructure of credit was only incipient, and did not come to fruition until modern times with the development of fractional-reserve banking from the seventeenth century onward (see Wray 2004, especially the articles by Ingham and Gardiner). Most lending either was for commercial trade ventures—in which the creditor shared in the risk as well as the gain—or took the form of predatory agrarian loans or claims for arrears on taxes or other fees owed to royal or imperial collectors. Down to modern times, small-scale personal debt was viewed as the first step toward forfeiting one's property, a danger to be entered into only unwillingly. The dominant ethic was to keep assets free of debt, especially land. In any case, property almost never was bought or sold on credit in the modern sense, although sometimes a short delay in payment secured by an asset might be permitted.

Moneylending in classical Greece was mainly in the hands of outsiders, foreigners such as Pasion in Athens, and in Rome low-status individuals headed by freedmen and slaves. The Roman elite left banking in the hands of freedmen, ex-slaves who "confine[d] their activities to bridging loans and the provision of working capital," operating only "on the margins of trade and industry" (Jones 2006, 245).

Throughout antiquity entrepreneurs tended not to specialize but to pursue a broad range of activities organizing and managing voyages, fields, workshops, or other productive units. They rarely acted by themselves for just their own account but as part of a system. Traders and "merchants" tended to work via guilds, such as those organized by Assyrian traders early in the second millennium, and in the Syrian and "Phoenician" trade with Aegean and Mediterranean lands by the eighth century BC. Balmunamhe in Old Babylonian times, Assyrian traders in Asia Minor (Dercksen 1999, 86), the Egibi in Neo-Babylonia, Cato and other Romans spread their capital over numerous sectors—long-distance and local trade, provisioning the palace or temples with food and raw materials, leasing fields and workshops, moneylending and (often as an outgrowth) real estate.

Even as late as the second century BC when we begin to pick up reports of the Roman *publicani*, they had not yet begun to specialize. Despite the fact that collecting taxes and other public revenue must have required a different set of skills from furnishing supplies to the army and other public agencies, most *publicani* acted opportunistically on an ad hoc basis. "What the companies provided was capital and top management, based on general business experience," observes Badian (1972, 37), probably with a small permanent staff of assistants and subordinates. An entrepreneur might run a ceramic workshop, a metal workshop, or the like, as well as dealing in slaves or renting them out. As Jones (1974, 871) concludes: "The term *negotiator* was widely interpreted, including not only merchants, shopkeepers and craftsmen but moneylenders and prostitutes."

There was no such thing as patent protection or "intellectual property" rights, and little thought of what today would be called market development. Artistic styles and new techniques were copied freely. Finley (1973, 147) cites the story, "repeated by a number of Roman writers, that a man—characteristically unnamed—invented unbreakable glass and demonstrated it to Tiberius in anticipation of a great reward. The emperor asked the inventor whether anyone shared his secret and was assured that there was no one else; whereupon his head was promptly removed, lest, said Tiberius, gold be reduced to the value of mud . . . neither the elder Pliny nor Petronius nor the historian Dio Cassius was troubled by the point that the inventor turned to the emperor for a reward, instead of turning to an investor for capital with which to put his invention into production." Finley holds discouragement of an entrepreneurial ethic along these lines to be largely responsible for the fact that antiquity never embraced or even formulated the modern goal of achieving technological progress and economic growth. "What is missing in this picture," he concludes (1973, 158), "is commercial or capitalist exploitation. The ancient economy had its own form of cheap labour and therefore did not exploit provinces in that way. Nor did it have excess capital seeking the more profitable investment outlets we associate with colonialism."

As noted above, however, the most recent generation of economic historians has criticized Finley for being too extreme in doubting the existence of gain-seeking investment and "modern" economic motivation. There are many examples of Baumol's "productive enterprise," especially in the Near East. What remains accepted is that usury and slavery became increasingly predatory and corrosive practices, and that wars were fought mainly to strip the wealth of prosperous regions as booty to distribute at home.

Entrepreneurs, Predators, and Financiers

How many of these activities were truly entrepreneurial in the productive and innovative sense understood today? The key to defining productive entrepreneurs should be their contribution to generating an economic surplus, not merely transferring it or, even worse, stripping the economy. War making and piracy to seize booty and slaves were common predatory activities, and the largest fortunes known in antiquity were made by conquering or administering foreign lands and collecting taxes from defeated populations. So not all fortunes were amassed through enterprise, and not all managers were entrepreneurs.

Even when entrepreneurs played a nominally productive role, they worked in a war-oriented environment. A major source of fortunes was provisioning of the army, mainly with food but also with manufactured goods. Frank (1933, 291) notes that during 150–80 BC "we hear of only one man . . . who gained wealth by manufacturing, and that was in public contracts for weapons during the Social War (Cicero, *in Pis*. 87–89)." On the retail level, Polanyi's paradigmatic example of free price-making markets was the small-scale food-sellers who followed Greek armies. Provisioning food was indeed the main activity, but much more economically aggressive were the public contractors who supplied Roman armies on the wholesale level. Contracts were let out at auctions that became notoriously "fixed" by the first century BC.

Financial extraction is a form of enterprise very different from industrial investment. Evolving largely as a by-product of collecting public fees and taxes in Babylonia, moneylending grew from a side activity of the *tamkaru* to a major focus of the Roman *publicani*. Weber (1976, 316) refers to Rome's publican companies as enterprises, but most writers today depict them as predatory. MacMullen (1974, 51–52) notes the increasingly agrarian focus of moneylending, citing Rostovtzeff's calculation that mortgage loans yielded "either fields foreclosed or interest in the neighborhood of 6 to 8 per cent. The rate compared favorably with the 6 per cent (at least in Italy) that one might reasonably hope for from money invested in agriculture. At that, one's money doubled in a dozen years. Why take a chance in trade?" The effect was to divert capital to agriculture and usury.

There may be a fine line demarcating an investor from an entrepreneur, but the latter certainly must play a more active managerial role than rentiers such as the Old Babylonian *naditu* heiresses investing their inheritance by making loans and buying revenue-yielding properties (although Yoffee 1995 refers to these women as entrepreneurs and some no doubt acted in this way). Cato's treatise on agriculture acknowledged that trade and usury were more lucrative than farming, but warned that commerce was risky and moneylending was considered immoral. Landowners needed managerial talent, but are not usually deemed entrepreneurs. A rental levy or property foreclosure is not profit earned in production, except to the extent that land use is upgraded (which did indeed occur, to date palms in the Near East and to olive growing in Italy).

The key to whether engaging in a trade was entrepreneurial depends on the degree to which one worked for oneself or as an agent or employee sharing directly in the profits of buying and selling. And furthermore, although self-employed craftsmen often doubled as sellers of their wares, they would not qualify as entrepreneurs unless they also acted as managers and organizers of a complex system. Humphreys (1978, 153) points out the problem of deeming craftsmen entrepreneurial:

> To run a workshop in an "entrepreneurial" spirit would have required supervision by the owner. Instead, the workshops of which we know details were managed by slaves or freedman, and the owner drew a fixed income from them. There was no interest in expansion.... Demosthenes' father owned two workshops, one making beds and the other knives: there was no connection between them. Pasion's bank and shield-factory were equally unconnected and it is significant that while Pasion, an ex-slave, evidently devoted considerable energy and personal attention to the bank, his son Apollodorus (who received Athenian citizenship with his father) acquired three estates, preferred the shield-factory to the bank as his share of the inheritance, and devoted his energies to politics and the showy performance of liturgies, in the style of an Athenian gentleman. As metic traders and bankers became more important to the prosperity and food-supply of the city, the most successful of them were rewarded with citizen privileges, came under pressure for gifts and contributions to the *demos*, and tended to adopt the ethos of the rich citizens rather than encourage the latter to venture into new fields of investment.

There was a basic conflict between social ambition for high status and the aristocratic antipathy to engaging directly in business ventures. "Although Aristotle asserted that 'unnatural' *chrematistike* (money-making) knew no bounds," Humphreys concludes, "the general impression given by our sources is that the majority of Athenians were quite ready to give up the effort to make money as soon as they could afford a comfortable *rentier* existence, and that even the few who continued to expand their operations could not pass on the same spirit to their sons. The result was small-scale, disconnected business ventures, assessed by the security of their returns rather than their potentiality for expansion."

The most typical form of enterprise remained long-distance trade. Its organizational pattern changed little from the epoch when Mesopotamia's temples and palaces provided merchants with commodities or money. Drawing a parallel with the medieval Italian *commenda* and *compagnia*, as well as the Arabic *muqarada* practice, Larsen (1974, 470) views such entrepreneurs as administering advances of money or inventories from their backers.

Opportunities for making money evolved as a by-product of this mercantile role. In Old-Sumerian documents, Leemans (1950, 11) notes, "damkara are only found as traders. But when private business began to flourish after the beginning of the third dynasty of Ur [2112–2004 BC], the *tamkarum* was the obvious person to assume the function of giver of credit." By the time of Hammurabi's Babylonian laws, in many cases "*tamkarum* cannot denote a traveling trader, but must be a money-lender." Leemans concludes (22): "The development from merchant into banker [that is, a moneylender or investor backing voyages and similar partnerships] is a natural one, and there is no essential difference between these two professions—surely not in Babylonia where in principle no distinction was made between silver (money in modern terms) and other marketable stuffs. In a society whose commerce is little developed, trade is only carried on by merchants, who buy and sell. But when commerce increases, the business of a merchant assumes larger proportions."

As merchants rose to the position of being able to supply money to agents and subordinates, after the model of the early temples, these varied functions were telescoped into the word *tamkarum*. But none of them involved banking in the modern sense of the term. *Tamkarum* merchants did not lend out deposits, but worked with their own funds. By the same token, individuals who accumulated savings had to invest these personally or participate in partnerships. Although merchants formed guilds to coordinate their trading activities in foreign regions, there were no formal money managers outside of families.

Over time, financial backers gained ascendancy over on-the-spot traders, largely because trade was a risky and speculative business in which wrecks or piracy ate up much of the gain. By the late Roman Empire, explains Jones (1964, 867–68), "so much depended on an intimate knowledge of shippers and their ships [that it] did not appeal to the ordinary investor and was usually conducted by men, often retired sea captains, who specialised in the work." A specialization of functions developed, although nothing like the large trading companies found in England and Holland in the seventeenth century, for instance (the Russia Company, the East India Company, and so forth). "In maritime commerce a distinction must be drawn between the shipper (*navicularius*), the captain (*magister*) and the merchant (*mercator*, *negotiator*) or his agent. All these roles might be, and very commonly were, filled by one man, the owner of a vessel which he navigated himself and which he loaded with cargoes which he bought and sold. There were, however, shipowners who did not navigate their own ships."

Reflecting the disdain in which active participation in money-seeking commerce was held by antiquity's aristocratic ethic, most of the shippers engaged in Rome's maritime trade were foreigners or ex-slaves owning one or two small sailing vessels. Whether the shipper was wealthy or a petty tradesman, explains Jones (1964, 868), he "rarely depended on his own capital, exclusively, preferring to raise nautical loans, which would partially cover him against loss by storm. For such loans, since the creditor stood the risk of losing his money if the ship were wrecked or the cargo jettisoned, the rate of interest was subject to no legal limit, until Justinian in 528 fixed the maximum at 12 per cent. per annum, as against 8 per cent. for ordinary commercial loans and 6 per cent. for private loans."

Undertaking risk does not in itself make an activity entrepreneurial. Nearly everyone was subject to risk, and laws took a pragmatic approach in recognizing this fact. Cultivators and sharecroppers faced the possibility of drought, flooding, and military hostilities. At least in the Near East, rents and fees owed to the large institutions and other creditors were annulled in such circumstances. In the commercial sphere, when ships were lost at sea or their caravans were robbed, commercial laws from Babylonia down through Roman times freed traveling merchants from the obligation to repay their backers.

The well-to-do accordingly spread their risk by taking partial investment shares in many ventures, much as Lloyd's insurance does in modern times. Plutarch describes Cato as "requir[ing] his borrowers to form a large company (*epi koinonia*)," summarizes D'Arms (1981, 39), "and then when there were fifty partners, and as many ships for security, he took one share in the company himself and was represented by Quintio, a freedman of his, who accompanied his clients in all of their ventures. In this way his entire security was not imperiled, but only a small part of it, and his profits were large."

Plutarch describes Cato as anticipating what Weber would call the Protestant ethic. He was a stingy and self-abnegating man who did not enjoy the riches he made, refusing to buy expensive clothes or food for himself, preferring to drink the same lowly wine as his workmen, and turning out old and worn-out slaves when they no longer could do enough work to justify their support. In his public role he cut costs, opposed corruption, and increased the price that Rome received for farming out its taxes while minimizing the prices given out in public contracts. "To incline his son to be of his kind of temper, he used to tell him that it was not like a man, but rather like a widow to lessen an estate. But the strongest indication of Cato's avaricious humor was when he took the boldness to affirm that he was a most wonderful, nay, a godlike man, who left more behind him than he had received." The emphasis that Plutarch gives to his behavior suggests that such economic calculation was exceptional.

To sum up, entrepreneurs either headed wealthy families or sought fortunes by managing other people's money, which typically was provided subject to a stipulated return. Regardless of the source of their capital, they coordinated a complex set of relationships whose institutional structure evolved throughout the second and first millennia BC.

Social Status of Merchants and Entrepreneurs

In Babylonia after about 1800 BC, Renger explains (2000, 155; see also 1984, 64), the entrepreneurs to whom the palace leased fields, herds, and workshops tended to be "members of the elite or upper classes." The title of *damgar* or *tamkarum* merchant presupposed social status and connections to the palace or temple bureaucracy, administering franchises in "a form of economic management termed by F. R. Kraus as 'Palastgeschäft.'" Some managers worked in the palace bureaucracy, but others worked entirely on their own account. Renger (2000, 178) notes that the prominent Balmunamhe was a private *tamkarum* merchant, not a palace functionary. (Van De Mieroop 1987 surveys the archive recording his activities.)

By contrast, the absence of public entrepreneurial institutions and indeed, the less trade-oriented aristocratic ethic prevalent from Greece through Rome, led foreigners to play a leading commercial role throughout most of the Mediterranean. It was Syrian and Phoenician traders who brought Near Eastern commercial and economic practices to Greece and Italy in the ninth and eighth centuries BC, and by the end of the Roman Empire only Near Eastern traders were left, as commerce in the West shrank to a small scale. During the interim, the westward shift of antiquity's military and political center was associated with a lower status for commercial enterprise, mainly because its association with aliens and low-status individuals deterred high-status individuals from taking a direct role. Apart from the Near Easterners, slaves and freedmen played the leading role in Greece and Rome. Humphreys (1978, 148) describes them as becoming "foremen, managers of shops and workshops, captains of trading vessels and bailiffs of estates; slaves acquired legal capacity in lawsuits concerning banking and trade; they increasingly often lived and worked independently, paying a fixed sum to their masters and accumulating surplus earnings, if they could, toward the purchase of their freedom; . . . in banking, where success depended heavily on experience and goodwill, a slave could rise to citizenship and the highest level of wealth," gaining status by acting as a philanthropist or public official.

Commenting on the link between the scale of business and social prestige, Cicero expressed the prevalent attitude of his time (*De officiis* I, 150–51): "Public opinion divides the trades and professions into the liberal and the vulgar. We condemn the odious occupation of the collector of customs and the usurer, and the base and menial work of unskilled laborers; for the very wages the laborer receives are a badge of slavery. Equally contemptible is the business of the retail dealer; for he cannot succeed unless he is dishonest, and dishonesty is the most shameful thing in the world. The work of the mechanic is also degrading; there is nothing noble about a workshop. The least respectable of all trades are those which minister to pleasure." He seems to be representative of his time and place in explaining that "business on a small scale is despicable; but if it is extensive and imports commodities in large quantities from all over the world and distributes them honestly, it is not so very discreditable; nay, if the merchant, satiated, or rather, satisfied, with the fortune he has made, retires from the harbor and steps into an estate, as once he returned to harbor from the sea, he deserves, I think, the highest respect. But of all the sources of wealth, farming is the best, the most able, the most profitable, the most noble."

It helped to be born rich and with much land. And when one was rich enough to purchase a governorship, it was reputable and almost a source of pride to squeeze as much as one could out of the provinces. In modern terms, the Roman ethic preferred "bad" or unproductive enterprise, asset stripping, and hoarding over more economically productive modes of gain-seeking.

This set of economic values went hand in hand with highly stratified Roman commercial roles with respect to nationality and political and economic status. Entrepreneurs played a subordinate role, as the aristocracy preferred dealing with high finance on the public plane and involving itself with commerce only as rentiers. Emphasizing the linkage between landownership and the financing of commerce, Weber (1976, 316) points out that the publican companies "were the largest capitalist enterprises in Antiquity. . . . Participation in these enterprises was limited to men with vast capital holdings in slaves and cash. They also needed to have extensive landed possessions, preferably with Italic status (which was privileged and therefore at an economic advantage), since they had to offer land as security when bidding for contracts. This last condition, by which only land enjoying full privileges under Roman land law could be offered as security, had the effect of giving the capitalist class in the Roman state a distinctively national character. It was much more so than had any similar class been in the Near East. Under the Ptolemies, for example, the publicans seem to have been mainly foreigners, and in Greece the smaller states actually encouraged foreign capitalists to make bids in order to have more competition."

What made Rome unusual, continues Weber (1976, 317), was that despite the fact that "exclusion of aristocrats from direct involvement in industry was common throughout Antiquity," in Rome "this exclusion was extended to include tax farming and shipping; a senator might possess ships only of a capacity just sufficient to transport the products of his own estates. As a result, senators could gain wealth only from political office, from the rents paid by their tenants, from mortgages assumed through the agency of freedmen (though this was forbidden, it was commonly done as early as Cato), and from indirect investment in commerce and shipping. On the other side was the class of capitalists [the publican class of equestrian knights], the men who participated directly in capitalist enterprise. They were excluded from the Senate.... From the time of Gaius Gracchus they formed a legally constituted order," increasingly detested for profiteering at society's expense. A widening divide emerged between the various ways to make fortunes.

The Public Context in Which Entrepreneurs Operated

By the time Assyria developed far-flung trade relations with Asia Minor in the nineteenth century BC, private merchants had come to play a much larger role than in the south, in Sumer and Babylonia. Larsen (1974, 469) describes the Assyrian trade as "venturing, *i.e.* all shipments were sent abroad without the sender being guaranteed a certain price for them in advance." He adds: "The economically decisive element in the Assyrian society is not found on the 'state level,' even though the role played by the temples is still somewhat obscure. Instead, the trade is clearly organized via a great number of large kinship-based groups, called 'houses,' which we may provisionally describe as 'firms.' " Mercantile guilds functioned as trade associations representing merchants vis-à-vis local authorities, reducing the risks involved by creating an "underlying pattern of permanent representation, partnerships, and 'factories.' "

Moving westward from the Near East to the Mediterranean we find more predatory and corrosive economic strategies as society became more "individualistic," that is, oligarchic. Yet even in Rome, where the links between positive commercial enterprise and the state were looser than elsewhere (Weber 1976, 316), the most successful entrepreneurial path was to work in conjunction with public institutions. Contracts for public works and services have been traced back to the fourth century BC, first to provide supplies for religious rituals, public building, and similar civic projects, and then for the operation of public enterprises (from fields to mines and workshops) and collection of public fees and revenues. Provisioning the army soon became the largest category of contracts, along with collecting taxes from defeated lands.

Lacking a permanent public or royal bureaucracy such as characterized the Near Eastern mixed economies, the government needed private suppliers for services it could not perform itself and relied on private individuals to collect its taxes and administer its domains. Rome's absence of civic oversight or even significant taxation of business enabled businessmen to profiteer at public expense. "The publican's chief profits came from the *ultro tributa* (contracts for goods and services, especially army supplies)," summarizes Badian (1972, 24). In view of the scale involved, even a small rate of profit could produce a large fortune. But Rome's financial knights were most notorious for their predatory behavior. Livy (XLV 18, 4) complained famously that "where there was a *publicanus*, there was no effective public law and no freedom for the subjects." Describing how publican tax collectors enslaved debtors, selling many in the market on Delos, Badian (1972, 33) cites the report of Diodorus (V 38) regarding Spain's fabulously rich iron and silver mines, where publican managers "literally worked [slaves] to death as quickly as possible, to produce the maximum of profit in the shortest possible time." The resulting economic polarization was aggravated as mines passed into private hands during the Republic, many into those of Crassus (Frank 1933, 374).

A comparison of antiquity's leading families with the Forbes lists of today's richest individuals in many countries shows a common basis of well-placed families taking control of the land, mineral rights, and other enterprises from the state, and leasing them for a stipulated rent to be paid to the civic authority. State monopolies for salt, mining, and even the postal service were farmed out down through medieval European times. In due course rent-seeking individuals took direct possession of these assets, especially in lands that were conquered. In Egypt, Johnson (1946, v) finds: "The Romans apparently surrendered the Ptolemaic monopolies to private enterprise, and Alexandria developed as one of the most important centres of trade and industry in the empire." The Romans themselves sought not so much to gain via workshops and industry (Frank 1933, 291) as to profiteer from the state and the provinces it conquered. The time frame of merchants and financial rentiers always has been notoriously short—and shortened further as debt bondage, asset stripping, and economic polarization dried up domestic markets.

Financing Enterprise

Many economic historians (e.g., Andreau 1999, 151–51, and earlier Humphreys 1978, 151, and Larsen 1974, 470) have cited the terms of commercial lending in Babylonian times as prototypes not only for classical antiquity but for the Italian *commenda* loans of medieval Europe. Such loans combined interest-bearing debt with a profit-sharing partnership agreement. And often the senior partner was the palace or a temple—or, in classical times, the relevant civic authority.

Hammurabi's laws spell out how creditors shared in the debtor's risk under such contracts. Paragraphs 98–107 show the typical Babylonian arrangements governing trade. Merchants were to split their profit fifty-fifty with their backers, keeping strict books recording their activities. Paragraph 100 explains the normal procedure: "If a merchant gives silver to a trading agent for conducting business transactions and sends him off on a business trip . . . [and] if he should realize [a profit] where he went, he shall calculate the total interest, per transaction and time elapsed, on as much silver as he took, and he shall satisfy his merchant" (translation Roth 1995). If he reports no profit, he must give his backer(s) double the original advance (par. 101). If he makes a loss, he still has to return the original capital sum (par. 102). However, paragraph 103 stipulates that he shall be free of debt if he is robbed or if a ship sinks and its cargo is lost. But a merchant is liable for triple damages if witnesses claim he has testified falsely about how much he has been advanced (par. 106).

Most commercial loans throughout antiquity took the form of such shipping loans. They paid a high return (20 percent in the Near East, plus a share of the trading profits) because of the risk that the ship might not reach port safely. From Sumer down through Rome, the merchant's debt was canceled if his ship was lost at sea or raided by pirates, or if a caravan was robbed. This gave such borrowing the character of marine insurance to the shipper, while limiting such backing to experienced professionals down through Roman times.

Veenhof (1999, 55) describes the drive for financial gain by Assyrian caravans bringing "tin and woollen textiles into Anatolia in order to convert them, directly or indirectly, into silver, which was invariably shipped back to Assur. After necessary payments had been made (expenses, taxes, debts, interest, dividend), much of what remained was again used for commercial purposes, either directly, by contributing to or equipping a new caravan, or indirectly, by investing it in a firm or issuing a loan to a trader." This trade developed such modern credit innovations as "promissory notes which do not mention the creditor by name, but refer to him as *tamkarum*, 'the merchant/creditor.' In a few cases such notes add at the end the phrase 'the bearer of this tablet is *tamkarum*.' This clause suggests the possibility of a transfer of debt-notes and of ceding claims, which would make it a precursor of later 'bearer cheques' " (Veenhof 1999, 83).

Most agrarian debts were owed to royal collectors of rents, fees, and taxes or managers of public enterprises (including "ale women" who sold beer apparently advanced by the temples or palaces). Royal clean slates alleviated the risk that they might not be able to pay their debts as a result of natural disaster or warfare. Hammurabi's laws prescribed that if lands were flooded, the cultivator was freed from the obligation to pay rent. Annulling these debts also canceled those which royal agents and leaseholders owed to the palace. In times of weak rulers, it seems that these individuals were able to keep the rents and other fees in any event.

With respect to the situation in classical antiquity, Finley (1973, 141) cited three characteristics making the Greek and Roman economies premodern. First was the absence of productive loans—a view that subsequent economic historians have found extreme, to be sure, especially when the spread of Near Eastern models is recognized. Second was the fact that although "there was endless moneylending among both Greeks and Romans . . . all lenders were rigidly bound by the actual amount of cash on hand; there was not, in other words, any machinery for the *creation of credit* through negotiable instruments. . . . In Greek law sales were not legal and binding until the sale price had been paid in full; credit sales took the form of fictitious loans." Finally, most loans were short-term, mainly to finance voyages or overland trading expeditions.

There has been a tendency to assume that what Finley is describing must have been the "primitive" case from the outset. But as noted above, these generalities do not well apply to the Near East, especially for the complex financial arrangements found in Neo-Babylonian practice. The Egibi archive in particular stands in sharp contrast to the view by the past generation of economic historians of classical Greece and Rome, who find almost no productive lending for tangible capital investment. The Egibi took out antichretic loans—that is, advances where the collateral that secured the loan generated the interest being charged. This is the same strategy used by many real estate investors today, as expressed in the motto, "Rent is for paying interest." The family also pledged urban property (the "House of the Crown Prince") to obtain a commercial line of credit. Finally, their partnerships sometimes extended over more than one generation, as described by Wunsch in this volume.

The inability of historians of Greece and Rome to find anything so sophisticated makes the classical economies appear as the end-result of decay into more rudimentary financial arrangements. As Finley (1973, 108) famously noted in the most extreme statement of this view:

> There was no clear conception of the distinction between capital costs and labor costs, no planned ploughing back of profits, no long-term loans for productive purposes. The import in this context of the short-term loan (like the short-term tenancy) cannot be exaggerated. From one end of antiquity to another, one can easily count the known

> examples of borrowing on property for purposes of purchase or improvement. The mortgage was a disaster ("mortgaging the old homestead"), a short-term personal loan designed to "cover deficiencies in the supply of necessities occasioned generally by some emergency which has made unexpected demands upon the resources of the borrower," not a deliberate device for raising money at a low rate in order to invest at a higher rate, [which is] the main function of the modern business mortgage.

Andreau (1999, 147–48) finds a few scattered examples of Roman businessmen borrowing to tide their operations over or making delayed payment of a final balance owed to buy a business. However, he sums up: "Did Roman financiers direct most of their efforts towards economic life in order to create an effective instrument for investments? Did any financial establishments specialize in the promotion of productive loans? The answer to both questions must definitely be no."

One deterrent was the fact that Greek and Roman enterprises were organized as partnerships, as would characterize most trading companies throughout Europe down to the seventeenth century. "Every partner was held liable for the full amount of any debt and . . . the partnership came to an end at the death of any partner," Frank explains (1940, 217). "Under such strict limitations large business enterprises were not apt to prosper." Walbank (1969, 48) likewise cites the absence of permanent joint-stock corporations as discouraging enterprise: "Because of the risks entailed, it was always costly to raise capital for a trading venture; interest rates were high because the risk run was personal." Roman law did recognize that the large sums involved in public building projects required corporate organization, and on much the same logic the *publicani* knights also were empowered to organized companies to conduct public enterprise (including tax farming), above all that associated with military provisioning and other imperial spending. (Nicollet 1966 and Badian 1972 describe these activities.) However, notes Frank (1933, 350), "Roman law persisted in discouraging joint stock companies with limited liability in business not directly serving the state," and "firms dealing in state contracts were given business for only five-year terms." (See also D'Arms 1981, 41.)[3]

Also limiting the potential takeoff was the absence of paper credit. There was no public debt to manage. Budget deficits prompted the Roman emperors to adulterate the coinage, not to monetize their spending by creating public credit as national Treasuries and central banks do today.

These institutional constraints limited the buildup of capital reserves in mercantile undertakings and gave them an ad hoc character. The result, summarizes Frank (1940, 28), was that "partnerships based on the full liability of each member could hardly grow to great size." Under the empire, "We hear of no bankers of importance. . . . In the houses of the nobles the old custom still prevailed of trusting financial matters to personal slaves and freedmen, so that there was little room for investment banking; and in Rome's economic structure there was no place for corporation banking." This "led to business success not being held in any esteem . . . the only occupations befitting senators were agriculture, and civil or military office. Lucrative business in shipping, industry, and banking rested almost entirely in the hands of foreigners and freedmen. And to such people social position did not come, whatever the scale of their profits."

Freedmen played a key role in Roman enterprise and became some of Rome's most successful entrepreneurs when elite families provided them with a *peculium*, observes David Jones (2006, 244–45), but "did not produce a 'middle class' of businessmen." After getting their start, "non-economic values held sway." The sole upward mobility that ex-slaves enjoyed was to ape the landed aristocracy as best they could. "Trimalchio made a seamless transition from trading in mixed cargoes ('wine, bacon, beans, perfumes and slaves') to settling down on a country estate and providing finance for another generation of ex-slave entrepreneurs." This simply emulated what the philosopher Seneca "described [as] the characteristics of the 'fortunate man': a handsome family, a fine house, plenty of land under cultivation and plenty of money out on loan (*familiam formosam habet et domum pulchram, multum serit, multum fenerat*). Elsewhere he says that the rich man 'has gold furniture . . . a large book of loans (*magnus kalendarii liber*) . . . plenty of suburban property . . .' [Sen., *Epist*. 41.7; 87.7, cited in Jones 2006, 173.] And it was land and money out on loan that made up Seneca's own wealth."

Describing the freedmen who became bankers in Puteoli, the grain and export emporium on the Bay of Naples, 170 miles south of Rome, Jones (2006, 165) finds: "The business of the Sulpicii was built around the provision of small, short-term secured loans. There is no evidence in the Murecine archive to suggest that the Sulpicii or their depositors made medium- or long-term loans for capital projects such as the construction of ships, buildings or workshops. Nor is there any sign that the Sulpicii or their depositors lent money for high-risk, high-reward maritime ventures. Furthermore the bank operated on a local basis." Their loan market was local, despite the fact that they took in deposits and lent cash to members of the imperial household. "There is no suggestion that the acquisition of additional funds by the elite furthered, or could have furthered, the expansion of trade and industry," he concludes (2006, 174). "It was taken for granted by Roman commentators and their audiences that the Roman elite took no interest in commercial activities and did not consider investment in trade and industry as an appropriate use of their capital." It was a rather thoughtless extractive spirit with little concept of economic growth. This explains the feature of ancient enterprise noted by Baumol: the failure to commercialize technology, which began only in medieval times.

Entrepreneurs, Debt Abuses, and Shifting Property Relations

"Stretching the envelope" of what is deemed legal always has been most pronounced in the financial sphere. It was debt foreclosure that first turned family self-support land into absentee-owned property. Plutarch's melodramatic depiction of a Spartan father disinheriting his son and bequeathing his land to an acquaintance finds its counterpart over a thousand years earlier in Babylonia. To circumvent the traditional sanctions that prevented (and indeed, protected) citizens from alienating their subsistence land outside of their families, Babylonian creditors (and also those of Nuzi to the northwest) hit upon the tactic of getting their debtors to adopt them as "sons" and hence legitimate heirs to their land in payment for debt. These "fake adoptions" enabled creditors to start monopolizing the land, disenfranchising citizens and hence the community's fighting force.

The laws of Hammurabi (1750 BC) and his dynasty's "economic order" (*misharum* or *andurarum*) proclamations, culminating in that of Ammisaduqa (1648 BC), sought to preserve stability and a strong military capability by annulling agrarian and personal debts, preventing creditors from reducing citizens permanently to debt bondage. No equally broad context for the law is found in Greece or Rome. Without "divine rulership" or other central authority to check narrow self-interest, Rome in particular became harshly creditor-oriented and oligarchic.

Retail trade always has been notorious for cheating, and crooked practices such as using false weights and measures are rife from Babylonian "wisdom literature" down through biblical proverbs. But what is most noteworthy in classical times is large-scale fraud. The earliest description of the Roman *publicani* appears in a senatorial prosecution. When the Treasury was strapped during Rome's war with Carthage, suppliers obtained a government agreement to insure all supplies once they were loaded onto ships. Two eminent Etrurian contractors, T. Pomponious and M. Postumius, loaded "worthless goods on board unseaworthy ships and [claimed] the insurance sum for army supplies when the ships sank." Badian (1972, 17–18) remarks that "the incident . . . shows the *publicani*, on practically their first explicit appearance in our record, already organized as an extra-legal pressure group, already putting private profit above the public interest, and willing to defend a member of their class, no matter how bad his case." Cicero's surviving defense pleadings show the *publicani* continuing to stick together in a tacit compact of mutual support. There thus was little peer pressure to behave better—and if anything, mutual support for the most rapacious practices.

Rome's major attempt to prevent commercial abuses occurred in 133 BC, when Gaius Gracchus established a system of checks and balances whereby the Senate and the *publicani* knights were to act as mutual checks by prosecuting each other's misdeeds. But instead of the financial class turning into the "jury" class, the knights colluded with provincial administrators for mutual gain. The case of Verres in Sicily showed how crooked governors and businessmen made corrupt deals together. Cicero depicted him as a bad apple, and a time-honored strategy of businessmen has been to single out an individual as a scapegoat to be punished conspicuously so that the others can go about their business as usual. Verres became the sacrificial lamb, immortalized by Cicero's eloquent Verrines speeches. But the system itself had gone bad, culminating in the excesses of Brutus, Caesar, and other patricians looting Rome's provinces by levying extortionate taxes and tribute and then charging exorbitant interest on payment arrears. Badian (1972, 107) describes publican companies forming a cartel that "must have included the whole upper order of society and of the State, except for a few traditional aristocrats." The money was spent mainly on buying domestic Roman political support, as public administration and the right to loot ended up being a lucrative source of wealth—the antithesis of productive enterprise. It was said that a provincial governor "had to make three fortunes during his year's administration, one to pay his debts, another on which to retire, and a third to bribe the jurors in the inevitable trial for extortion" (Walbank 1969, 7). The Senate proved too weak and indifferent to stop such abuses. And inasmuch as the richest sources of loot were the most productive regions, the effect was to strip their capital and stifle economic growth wherever the empire reached.

From Commercial Entrepreneurship to Oligarchy

What is widely described as the individualistic spirit of Greece and Rome was primarily a military and increasingly oligarchic ethic of status and prestige. It relied on conquest and moneylending as the main sources of gain, disdaining profit-seeking commerce. The Theognid poetry of Greece in the seventh and sixth centuries BC reflects the conservative aristocratic ethic:

> . . . this city is still a city, but truly the people are different.
> Those who, in the past, knew neither justice nor laws
> but wore out the goatskins which covered their sides
> and grazed like deer on the outskirts of the city,
> now these men are the nobles (*agathoi*) . . .
> and those who before were of the nobility (*esthloi*)
> now they are inferiors (*deiloi*).
> (Theognis 53–58, in Figueira and Nagy 1985, 16)

Commerce seemed akin to money-grubbing, a violation of the aristocratic ethic reflected in Aristotle's attitude finding "natural" self-sufficient householding more socially acceptable than commerce (*kapelike*). Humphreys (1978, 144) finds this spirit reflected in "the Theban law that anyone who had traded in the market within the last ten years could not hold political office [and] in the hostility against traders as foreigners callously exploiting the hardship of others which flared up in Athens when corn prices rose. A type of interaction in which each party was expected to consider only his own immediate economic advantage was a flagrant contradiction of every conception of social life: the man who lived by such transactions could only be an 'outsider.' " The irony is that a major factor stifling the Greco-Roman economic takeoff was the aristocratic disdain for enterprise, productive as well as predatory.

The Romans are credited with a genius for organization, but they devoted it mainly to organizing their army. The city's historians described its founders, Romulus and Remus, as feral children nurtured by a wolf, establishing a city of refuge between its two hills to attract exiles, refugees, and criminals who in due course became the basis of its citizen army. By the sixth century BC the city had built substantial defensive walls and the largest temple in Italy. The preconditions for a commercial takeoff were present, but a patrician oligarchy gained dominance through usury and land acquisition, with little thought that reducing much of the population to bondage would destroy the home market needed to grow.

Roman affluence—literally a "flowing in"—stemmed largely from slave capture and booty hunting, usury, and tribute from defeated realms. Military to the end, as Frank (1933, 399) summarized, "the larger fortunes during the last fifty corrupt years of the Republic [80–30 BC] came, not from business, but from military returns, from dealing in confiscated goods, and from various abuses of power. To these sources are traceable the wealth of Lucullus, Caesar, Pompey, and Crassus, who were the richest Romans of the period."

In today's economic terminology this was classic rent-seeking behavior. Instead of having a commercial strategy, "The aristocracy that directed Roman policy during the Republic was almost wholly agrarian-militaristic," Frank concluded (1940, 295). "Clearly, it was not less moved by an economic drive, by self-seeking, and by greed than the commercial societies of today. But the gain sought was of a different kind. The trade and commerce of the Mediterranean were then largely controlled by old seafaring peoples with whom the Roman nobles, wedded to agriculture, could not compete with success, or by ex-slaves accustomed to trade, who had no influence in shaping the politics of government. By the Augustan day the important men of the state had placed their investments in provincial real estate and mortgages, not in industry or commerce."

The Decline of Enterprise

"Before Caesar's death Rome was probably the financial center of the Roman world," remarks Frank (1933, 350). "Yet no dominating banking firm grew up." Andreau (1999, 137) attributes this striking fact to the shortcomings of the oligarchy. Most moneylending was predatory. Rome's *publicani* lent abroad to appropriate the wealth of others, not to finance enterprise. "The generation that came to maturity under the Julio-Claudian emperors provides one of the best examples known to history of an upstart aristocracy that abused the benefits of prosperity," Frank (1940, 29) sums up. Without much productive investment from the second century BC onward, Rome could consume only by taking booty from foreign lands—tribute and usury from Asia Minor, Spanish mine output (dug out largely by slaves), and the looting of Egypt that continued even long after the tribute demands of Mark Anthony and Caesar.

Replacing the *publicani* knights with an imperial bureaucracy hardly helped matters. By the time of Septimius Severus (AD 193–211), regional armies were fighting among themselves for the Roman throne, plunging the empire into economic as well as military instability. "With the exception of a few military 'houses' who still succeeded in recouping their fortunes abroad, few families managed to remain in the wealthiest group for long," writes Humphreys (1978, 146). Rostovtzeff (1926, 399) quotes the *History* by Herodian (VII 3, 3–6) (AD 180–250) as using similar words to those used by Theognis at the outset of the Greek takeoff: "Every day one could see the wealthiest men of yesterday beggars today. Such was the greed of the tyranny which used the pretext that it needed a constant supply of money to pay the soldiers." The resulting military state stifled enterprise while shifting the tax burden onto the lower orders, paving the way toward the Dark Age to come.

In contrast to Near Eastern policies such as clean slates to restore a balance between debt and liberty by freeing bondservants (and other unfree labor throughout the Roman Empire), Diocletian tried to save matters by imposing price controls and a "totalitarian economics" (Frank 1940, 303), to which Herodian added a distinctly Roman coda: "When Maximinus [235–38], after reducing most of the distinguished houses to penury, found that the spoils were few and paltry and by no means sufficient for his purposes, he attacked public property. All the money belonging to the cities that was collected for the victualling of the populace or for distribution among them, or was devoted to theaters or to religious festivals, he diverted to his own use; and the votive offerings set up in the temples, the statues of the gods, the tributes to heroes, all the adornments of the public buildings, everything that served to beautify the cities, even the metal out of which money could be coined, all were melted down."

"Commerce was at a standstill, and consequently industry was much reduced," concludes Broughton (1948, 912) in describing the third and fourth centuries AD; "all fortunes dependent upon loans, notes, mortgages, and such forms of investment were practically wiped out. Those dependent upon real estate, urban and nonurban, although reduced in number and amount by imperial collections and confiscations, probably retained some proportion of their value but for a time provided no income at all, or only a small one in kind. A tendency in the country to revert to a form of feudalism was an almost inevitable result. Thus the reign of Gallienus [253–68] brought to a climax all the miseries of the century," debasing the silver content of the coinage from about 15 percent to less than 2 percent in the final eight years of his rule.

By the late Roman Empire, industry ended much as it had begun, concentrated in public-sector potteries, mints, textile production, iron foundries, and armor workshops to supply the army's needs. "For some time," summarizes Walbank (1969, 78ff.), "the State (or Emperor) had been the largest landowner; now it became the largest owner of mines and quarries and the greatest industrialist." But in the empire's shrinking economy these state enterprises could only afford to pay their workers in kind, and ended up tying them to their professions on a hereditary basis.

Fortunes dried up as the economy was stripped of money. Most of it flowed eastward, increasingly to India. Handicrafts and industry moved from the cities to the villages and self-sufficient country estates, partly to escape the fiscally predatory militarized state. "By making everything on the spot," explains Walbank (1969, 56–57), "the late Roman precursor of the feudal baron would eliminate the most costly item in his bill of expenses," transportation. Large estates became "the symbol of the decline of urban civilization, and both the result of the general decay and a factor in hastening it . . . each estate, in proportion as it became self-sufficing, meant so many more individuals subtracted from the classical economic system, so many less potential consumers for those commodities which still circulated in the old markets."

The largest landowners were able to obtain exemption from imperial taxes, shifting the fiscal burden onto mercantile activity (Hudson 1997). "Influential people could wangle immunity either as individuals or as a class," summarizes MacMullen (1988, 42): " 'the registrars of the municipalities through collusion are transferring the burden of the taxes of *potentiores* to *inferiores*,' Constantine angrily declares in 313; or again, in 384, the entire body of senators in Thrace and Macedonia are excused from paying anything at all on their lands."

The empire expanded by economically slashing and burning an ever-widening area, stripping populations of their potential to serve as a market. It took four centuries to exhaust the supply of booty and slaves. Rome's richest province, Asia Minor, failed by the end of the third century as the temples spent their resources on charity under permanent emergency conditions (Broughton 1938, 912). Piracy became prevalent again, and almost the only documented building was for walls to protect against robbers. The best that can be said is that in the West the epoch of Roman conquest was ended by the barbarian invasions. The northerners always were there, of course, but the imperial economy had become too weak to resist.

Conclusion

Past events make us pay particular attention to the future, if we really make thorough enquiry in each case into the past.

—Polybius (XII 25e, 6)

Mesopotamia's lack of basic raw materials prompted even military rulers such as Sargon of Akkad to boast that they had extended long-distance commerce. By contrast, the Mediterranean aristocracies sought local self-sufficiency. This became the condition into which the western Roman Empire sank as economic life retreated to landed estates, while prosperity lasted longer in Egypt and the eastern half of the Roman Empire ruled from Constantinople.

The fact that Near Easterners were the first to develop the basic repertory of business practices poses the question of what is distinctly Western. Classical Greece and Rome have long been depicted as representing a fresh start, in contrast to the allegedly stagnant Near Eastern economies. Yet the Near East enjoyed superior prosperity from the beginning to the end of antiquity, as well as better economic balance and stability. What has long been viewed as a fresh spirit of individualism turns out to be a product of the breakdown following the devastation that swept the eastern Mediterranean after 1200 BC. The ensuing interregnum brought a free-for-all that never developed an ethic of steering gain-seeking along productive rather than predatory and extractive lines.

When Syrian and Phoenician merchants organized Mediterranean trade in the eighth century BC, they brought standardized weights and measures, money, a financial vocabulary, and interest-bearing debt to Greek and Italian communities. Local chieftains applied these practices in a smaller, more localized context that lacked the checks and balances found in the Near East to save economies from polarizing between creditors and debtors. Apart from Solon's *seisachtheia*, Greece and Rome had no tradition of annulling debts to prevent creditors from foreclosing on the land and reducing much of the citizenry to debt bondage. Just the opposite: Greece and Rome measured success by the ability of creditors to achieve social status through landownership with its patronage power over tenants and clients. There was no attempt to justify wealth and property by attributing it to the labor expended by its owners. Land was obtained by inheritance or through foreclosure on the impecunious, or taken from the public domain by military conquest or insider dealing. Bondage became harsher and more inexorable, with more than a quarter of the Roman population falling into servitude by the fourth century AD, increasingly on large slave-stocked estates.

Rome's economic history provides a leading example of Arnold Toynbee's conclusion in *A Study of History* that the cause of imperial collapse invariably is "suicidal statecraft." It is the same contrast that Baumol has drawn between productive and unproductive enterprise. Foreign relations *in particular* aimed at extorting tribute and indebting local populations. The short time frame of Roman imperial administrators did not allow replenishment of the resources stripped from the provinces. And instead of promoting domestic market demand at home, Rome let debt service and taxes siphon off purchasing power and dry up commercial enterprise, debasing the coinage to deal with the fiscal crisis that culminated in feudalism.

In these respects classical antiquity must be viewed as an unsuccessful mode of exploitation. Nobody voiced a program of raising general living standards, labor productivity, or technology by developing a home market. Charity by the wealthy seemed the best that could be hoped for. It remained for John Locke and other Enlightenment political economists to justify property morally by the labor that went into its acquisition (an idea that, Locke acknowledged, applied only on the small scale of self-sufficient holdings). But for this labor theory of property value to apply, the political and fiscal context for enterprise had to be transformed.

And indeed, a new world did emerge out of Rome's collapse into a Dark Age. The transition from slave labor via serfdom to free labor transformed the social character of enterprise. Commerce began to revive with the Arab and Moorish trade across southern Europe to Spain. In 1225 the looting of Constantinople by the Crusaders, financed by the Venetians as a paying venture for a quarter of the loot, drew vast sums of monetary bullion into western Europe. It was enough to provide the basis for an expansion of credit. The Schoolmen permitted loopholes for bankers to charge interest in the form of *agio* on foreign payments, mainly to finance trade—along with royal war debts.

It was in the late medieval period, and more so during the Renaissance and Enlightenment, that economic gain-seeking took the form of expanding production. Trade became the means of obtaining the monetary metals, and credit came to be monetized on the basis of national treasuries and central banks. Bankruptcy laws became more humanitarian and debtor-oriented, at least until quite recently.

And yet the history of antiquity shows that evolution is not inevitably carried upward by economic or technological potential automatically realizing itself. Entrepreneurs have obtained surpluses through the ages, but often in ways that injure society as a whole. Predatory loans mounting up to strip capital, and economies living in the short run by asset stripping are universal deterrents to long-term investment. Many vestiges of the rentier ethic that culminated in the post-Roman feudal period are still with us, weighing on the present like a dead hand (lit. *mort-gage*). Much as classical antiquity plowed its commercial gains and the extraction of interest into the land, many enterprises today find land (along with financial speculation and corporate takeovers) more attractive than new capital formation.

Modern observers have criticized Rome's legal framework for not replacing commercial partnerships with permanent limited-liability joint-stock companies. Trading profits had to be paid out each time a partner died or a new one joined, and often paying out profits at the end of each voyage. But today's stock-market raiders appear to be reverting to the short-term perspective that historians have blamed for blocking Rome's economic takeoff. The economic environment that most effectively contributes to prosperity is one that induces entrepreneurs to gain by investing in new means of production, not by rent-seeking, redistributive property expropriation, debt foreclosure, and insider dealing. Successful enterprise helps economies grow by contributing to output, or adding to efficiency by innovations that minimize costs, not by a proliferation of debt and property claims. The moral is that the race is not always to the strong or economic victory to the most productive. The economic course of civilization has not always been uphill, as historians who focus more on technology than on the institutions of credit and property tend to imply. That is the main lesson taught by a review of the history of enterprise, positive and negative, over the course of antiquity.

Notes

[1] I discuss the public and private role of merchants and enterprise in Hudson 1996a and 1996b.

[2] In fact, Livy, Diodorus, and Plutarch blamed the decline and fall of the Roman Republic on usury and related oligarchic greed, and on the use of political violence against populist leaders such as the Gracchi brothers, whose murder initiated Rome's Social War.

[3] The commercial activities for which corporations could be organized remained limited to state projects, including the exploitation of subsoil resources in the public domain. "At some point," notes Jones (2006,

208), "the *societas vectigalis* was granted a form of corporate entity, according to the jurist Gaius in the second century (Digest 3.4.1): 'Partners in tax farming, gold mines, silver mines, and saltworks are allowed to form corporations.... Those permitted to form a corporate body consisting of a *collegiium* or partnership...have the right, on the pattern of the state (*ad exemplum rei publicae*), to have common property, a common treasury and an attorney or legal counsel through whom, as in a state, what should be transacted and done in common is transacted and done.' "

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