



Debt and the Collapse of Antiquity - Michael Hudson (pt 1/2)

This transcript may not be 100% accurate due to audio quality or other factors.

Colin Bruce Anthes (CBA): Welcome to *theAnalysis*. I'm Colin Bruce Anthes. In a minute, we'll be taking a first look at Michael Hudson's new book, *The Collapse of Antiquity*.

Michael Hudson (MH): When the emperors cancelled the debts, it was largely cancelling the debts of the wealthy. Sort of like the recent bank bailouts of Silicon Valley Bank and the banks in the United States. The wealthy don't have to pay the debts, but if you're not wealthy, you do have to pay the debts. That's the basic Roman principle, and that is what America calls democracy.

CBA: Please remember to like, subscribe, ring the bell for notifications, consider hitting the donate button to support our work, and stay tuned.

Dr. Michael Hudson has long brought historical clarity to political economy. In his books like *J Is for Junk Economics* and *Killing the Host*, he showed how neoclassical economists morphed the terms of classical political economy into their opposite, creating markets that were free for rentiers rather than free from them. His research into the early practices of creating and forgiving debt was central to David Graeber's runaway hit, *Debt: The First 5,000 Years*.

Now Dr. Hudson is about to release a new book entitled *The Collapse of Antiquity*, looking at how practices that became problematic in the ancient Greek Empire and accelerated in the ancient Roman Empire led the Roman Empire to devolving into a rentier state and collapsing from within. It's a compelling trajectory that includes the ancient Greek philosophers and

reformers, the assassination of Julius Caesar, the rise of Jesus, the inversion of Christianity and the rewriting of the Lord's Prayer. But Dr. Hudson is not merely giving a historical account, he is also attacking a disturbing trend among contemporary classicists to sidestep the historical record on the battle between creditors and debtors following neoclassical economists as the same problems accelerate today.

Dr. Hudson has been a professor in both the United States and China. He has advised governments, including in my own country of Canada. He has both worked on Wall Street and exposed the practices of Wall Street in great detail. We are privileged to have a first look at his new book today. Michael Hudson, welcome back to *theAnalysis*.

MH: Well, it's good to be back. Thanks for having me.

CBA: I thought a good way to begin would be to take a look at a couple of quotes that you cite in the book that are contrasting quotes from ancient sources, one from Cicero and one from Plutarch. Cicero was very opposed to debt forgiveness, and Plutarch was very opposed to those who were collecting on debts. I thought I'd have you comment on how this is a trend that echoes through the ages. So here's Cicero first: "The men who administer public affairs must, first of all, see that everyone holds on to what is his and that private men are never deprived of their goods by public acts for political communities, and citizenships were constituted especially so that men could hold on to what was theirs."

Sounds a lot like the political establishment today.

Here's Plutarch: "The greed of creditors brings neither enjoyment nor profit to them and ruins those whom they wrong. They do not till the fields which they take from their debtors, nor do they live in their houses after evicting them."

So do you want to comment on how those quotes reflect a battle that's been going on for several thousand years?

MH: Well, what Rome bequeathed to the West was creditor-oriented law. That really means the financial claims of the oligarchy, the 1% on the rest of the economy, instead of protecting the economy at large, which is very largely composed of debtors. So when you say you're supporting the rights of creditors, that means their rights to deprive the rest of the economy, their debtors, of their liberty. That's celebrated today as if it's individualism. But individualism, certainly Roman style is not egalitarian; it's oligarchic. The Roman idea of liberty was the privilege of the oligarchy to indebt, expropriate, and deprive the bulk of the population of its liberty, of its means of support, of its access to the land. That's what made classical antiquity so different from the 3,000 years that had gone before in the ancient Near East, where there was the takeoff.

In all the rest of the ancient Near East, you had rulers restoring access to the land, cancelling the debts, and liberating the debt slaves. While Greece and Rome were developing from the 7th century BC to the 1st century BC, even in contemporary Babylonia, you had very little

debt bondage. You did have slavery, largely girls who were captured in the mountains. The Sumerian and Babylonian word for slave is 'mountain girl,' but you didn't have debtors, citizens falling into bondage for their debtors irreversibly.

What Rome did was make this loss of liberty, this dependency, this bondage, irreversible and permanent. And that really is what made Western civilization different from everything that went before, and we're still in that period.

CBA: Can we go back a little bit before that and go into some of that stuff about Sumerian and Babylonian leaders regularly forgiving debt? There were even attempts to systemize that practice that we have records of.

MH: Well, the Jewish Jubilee year of Leviticus 25 is word-for-word from the debt cancellations that Hammurabi's dynasty proclaimed early in the second millennium BC. It was normal for Sumerian, Babylonian, and even Assyrian rulers of the 7th century BC. At around the time that trade was revived with Greece and Italy, even they would cancel the debts, liberate the bondservants, and restore the lands that had been turned over to creditors. Rulers saw that if they did not proclaim this debt cancellation and restoration of normal economic relationships, then the debtors would owe their labor to the creditors. They'd have to work on the creditors' land and the creditors' estate, and finally, they'd lose the land of the creditors. Well, if they did that, they wouldn't be able to work on infrastructure projects and corvée labor, and they wouldn't be able to serve in the army. So they had to keep restoring normal citizenship rights. The citizenship rights before Greece and Rome included guaranteed access to the land and self-support.

So if you're looking at it, say, in terms of Karl Polanyi, the land was not commodified, labor was not commodified, and money and debt really were not commodified beyond a temporary transfer. You had continual economic renewal and growth in the Near East. Rome and Greece stopped that process of economic renewal, and more and more of the population fell into bondage. The economy polarized, and the result was the Roman Empire. We all know where that led.

CBA: Right, and so with that, you're saying there is both this element of fairness citizenship that comes into debt forgiveness but also pure pragmatics. The real economy cannot flourish unless you have these periods in which the question of debt is addressed.

MH: Yes, that's exactly right. Modern ideology thinks that, well, you have Western democracy, Greece, Rome, and today, the United States, as opposed to other countries, and they're called autocracies, meaning just single rulers. There was one virtue that kingship had in the ancient Near East, and that was the ability to prevent a domestic oligarchy from developing.

When Greece and Rome were opened up to trade in the 8th century BC, they had chieftains, but they didn't have any independent rulers. There was no independent palace, no independent temples. The chieftains became the oligarchs, basically without any external check on their aggrandizement. Very quickly, you had, certainly both in Greece and the Italian cities, you had mafia-like local city-states taking over. In Italy, the situation was so bad that there was a lot of flight from the land. People didn't want a mafia-type state taking over, and a lot of them went to Rome because Rome wanted to attract immigrants. Labor was still the short supply factor in the 8th, 7th, and 6th century BC. Everybody wanted labor. In order to attract labor to your land, you had to give it some degree of freedom, not bondage.

In Greece, you had reformers overthrow the mafia states, and they were called tyrants. Tyrant wasn't originally a bad word. It was, I think, taken over from the Persians and just meant the person in control. The people in control, the so-called tyrants, paved the way for democracy by getting rid of the sort of autocratic leaders, cancelling debts, and redistributing the land. That was basically what tyrants did. It seems to be, according to Roman historians, what the early Roman kings did. They'd support the debtors. In other words, the population at large. They didn't want a takeover by a small group of people.

CBA: So this is very interesting because the term tyrant comes to mean something, of course, with a very negative connotation. But really, what we're talking about are people who had appeals to the population and could therefore challenge the system.

MH: Well, the word and the linguistics are very much like today. When President Biden says that the world is dividing in the next 20 years between democracy and autocracy, what he means by democracy is what Aristotle called oligarchy. Aristotle said democracies turn into oligarchies. So Biden is really saying it's oligarchy versus autocracy. What he means by autocracy is what the Romans meant by kingship, and the Greeks meant by tyranny. That means a strong government, strong enough to prevent a creditor oligarchy from emerging and taking over the land and expropriating the economy and reducing it to serfdom. You need a mixed economy. You need a public sector and a private sector to act together. The role of the government is to prevent the private sector from polarizing society in a way that imposes austerity. Well, that's exactly the usage that you found in Greek and Roman rhetoric against kingship and tyranny. It is exactly what you find today in the speeches of the American State Department.

CBA: As we get into Rome, we're going to look at how the way they set up the Senate was very class-oriented. It was basically a class dictatorship. Or did you want to comment on that before?

MH: Right. Voting was weighted according to how much wealth and land you had and later how much wealth. Each room was— the voting classes were divided into wealth groups. The wealthiest, the small wealthy classes, were given such a heavy voting weight that the three or

four wealthiest classes, still, maybe 1-3%, could outvote the whole population at large. Today, we do it through campaign contributions. We've also privatized the electoral system, but we don't let the wealthy people's votes count more than the votes of anyone else. We just let the wealthy people contribute more money to anyone else, to the political campaign. So we're doing our best to emulate the Roman constitution.

CBA: Let's take a little bit more of a look at the rise of tyrants and the way that this reflected that kind of conflict. You say that interest-bearing debt did not really take hold in Greece until about the 8th century BC. Then we have this series of tyrants who continuously challenge the system. Their reforms were almost always centered around at least some form of debt cancellation and land redistribution. Those are the common elements, correct?

MH: Yes. That also was exactly the same program that the Jubilee had under Judaism. You can imagine the problem that modern civilization has and that Rome had. Once Constantine made Christianity the official Roman religion, how are you going to make the official Roman religion what Jesus was talking about in his first sermon? He said he had come to restore the Jubilee year. Well, obviously, it was all changed. I guess we'll get to that later at the end of the discussion.

CBA: All of these dots are going to connect. But of course, this was, as you write in this book, this was a lot of the push towards— as much as we think of tyranny today, because of the way these terms have changed over time as the opposite of democracy— this was really the driving force towards the development of democratic systems in ancient Greece.

MH: Yes. The question is, what is democracy? Aristotle put forth the whole idea that there was a circular, triangular flow eternally. He said originally people were under autocracy, and then some of the wealthy families emerged, usually the minor aristocracy, as it was in the early Greek city-states. They broke, and they took the people into their camp. That's what Cleisthenes did in Athens in 506 BC. Then they established democracy, but within a democracy, some people get richer than others, and democracy evolves into an oligarchy. Aristotle said that there are many constitutions that call themselves a democracy, but they're really oligarchies. He didn't mention the American Constitution because it wasn't written yet, but I think the same principle applies. Then he said then the oligarchy makes itself hereditary into an aristocracy. Life polarizes until, finally, some members of the hereditary aristocracy say, we're killing the whole economy, and we're going to never be able to fight and win wars if we don't lighten up, and they have a democratic revolution and restore democracy. You have the same cycle again and again and again. That was his view of history.

CBA: As we go into these ancient Greek philosophers and we see those warnings from Aristotle and his particular concerns about democracy and about oligarchy, and we also see Plato and the *Republic*, and Socrates was his mouthpiece, his character in those writings. Still, perhaps this could be traced back to Socrates' own visions. These were not people who

were necessarily revolutionaries. They were affiliated with the aristocratic classes themselves in many ways. But they saw the pursuit of an addiction to wealth as being the main corruptor and the destroyer of society.

MH: Well, that's right. That was the common denominator in the plays of Aristophanes, in Socrates, and in Plato's dialogues. It was sort of the politically correct thing to do, to say greed is bad and we don't want to have wealth addiction. Yet society was wealth addicted. There was a basic hypocrisy in the ideology of the ruling class that was very egalitarian among each other, but the fact is that they were all addicted. So what you had was a much more sophisticated economic theory in antiquity than you have today.

All of today's economic models are based on diminishing marginal utility. If you have a banana, then the next banana you eat is going to be worse. By the time you have your 10th banana in a row, you're really sick of bananas. Supposedly the more you have, the less you want.

CBA: It doesn't look that way.

MH: What Aristotle and Aristophanes said was that wealth is addictive. Again and again, in Aristophanes' plays, and I quote them in the book, the more money you have, the more you want. Money is addictive in contrast to food and other things. Somehow that wealth addiction does not play a role in the utility theory that is taught to economic students as the basic premise on which economic models are based. There's no idea that you can have wealthy people come in and try to take over the economy out of a rising egoism.

Even before that, to bring back Babylonia, the Babylonians had a mathematical model that was far superior to any mathematical model that is used anywhere in the United States or the Western world. It was a very simple model. On the one hand— and we know what it was because we have the textbooks that scribes were taught around 1800 BC. The first mathematical exercise of Babylonian scribes was how long does it take a debt to double. Any debt, interest-bearing debt, is a doubling time. They found that's exponential growth. Doubling, doubling, doubling, doubling. That's the S-curve. It's an exponential upsweep curve.

They also had quotes or studies that calculated the growth of a herd that was sort of a proxy for the economy. The growth of a herd sort of tapered off in an S-curve like you have today. So what the Babylonians realized and the whole Near Eastern realized is that the mathematics of debt is different from the mathematics that describes the economy of production and consumption. Debt grows exponentially and inexorably in excess of the real economy's ability to grow. The job of a ruler is to restore order by bringing debts back in line with the ability to pay. Nothing like this occurred in Greece and Rome. When people couldn't pay,

they lost their land and they lost their liberty. They fell into bondage to their creditors. That's what made Western civilization so different from the rest of the world up to that time.

CBA: That's absolutely fascinating because it's not only saying that debt has a problematic character to it or that sometimes you have a crisis; it's actually saying that this is something that has to recurringly be taken care of. This is going to be a recurring issue. Debt is going to eat the real economy if we do not have regular intervention.

MH: That's exactly right.

CBA: I would actually like to go a little further into what Plato was talking about with Socrates because Socrates, the character of Socrates in the *Republic*, is very kind of antagonistic towards democracy in some ways. He sees a sort of slippery slope with democracy, which you've talked a little bit or hinted towards already. But he believes that basically you need politicians who are kind of without— without really funding, in a way, or without being other than a basic income. They shouldn't be really in the world of trying to accumulate wealth.

MH: Well, the whole setting for Plato's *Republic* has been pretty much misrepresented. I went to the University of Chicago as an undergraduate, and much of our— my favorite course was Organizations, Methods, and Principles of Knowledge, OMP, and we all had to study the *Republic*. I was about 17 years old at the time, and the talk at that time, they acted as if Socrates was talking about a noble king, a noble despotism, or his guiders. Well, that really misrepresents what Socrates was saying.

The whole *Republic* begins with Socrates asking someone, "Should you repay the debts that you owe somebody?" Socrates says, "Well, what if somebody borrows a weapon from a very destructive, aggressive person, and you borrowed it? Should you give your sword or your weapon back to the person that you've borrowed it from? Because if you do, he's a violent person, and he's going to do something with the weapon, maybe, is it really right to repay him?" He said, "Well, no." The person he's talking to says no. Then Socrates said, "Well, what if you borrow money from him and you pay your debt to him, and he uses this debt just like an egotistical, violent person will use a weapon? He uses the debt to take away your freedom, to take away your land, to essentially do to you what he would do with a weapon. And, in fact, there have been a lot of political assassinations, is that right?" The student he's talking to gets a little confused. Socrates said, "Well, here's the problem. Most of the rulers today are creditors. The rulers, the politicians who get elected and who run most cities, are from the leading families. They're the richest families. They're the creditors. Being creditors, they're going to act in their own self-interest, and they're going to promote a creditor-oriented law, and this is going to destroy society. So is this really right?" Then he comes up with what seems to be an impossibility. He said, "Well, I guess what we need would be the guardians." This was the noble despot. The guardians of the state would be

people who didn't have property of their own and who didn't have a lot of money of their own. Not having money and property, they're not wealth addicted. By not being wealth addicted, they're willing to try to develop society as a whole and what's good for the overall society growing, instead of what's good for me in getting my power by taking away your liberty and monopolizing all the wealth in my own hands and those of my fellow oligarchs who are running society.

So that is really what the *Republic* is all about. Socrates made it just as clear as he could, and so did Aristophanes in the plays that he was writing at this time. Somehow, none of that got into the curriculum that I learned as an undergraduate at the University of Chicago, hardly by surprise.

CBA: Well, I have to say that, unfortunately, the way that that text was introduced to me was in much the same way that it was introduced to you. I wish that that had changed more over the years than it has, but maybe people watching this video will change that moving forward. You mentioned assassinations. I suppose that's a good place to segue into Rome. So let's go into ancient Rome and let's talk about this foundation of pro-creditor laws that really plagued it for about a millennia until it really finally collapsed without much resistance. Can you talk a little bit about what that foundation was going around in 500 BC?

MH: In 506 BC, you had the oligarchy getting together and overthrowing the kingship. There's sort of not that good documentation from this period, but it seems that most of the Roman historians said that while Rome was letting people come from other cities to join Rome, not only did cultivators and peasants come to Rome, but also some aristocrats came to Rome. Especially some aristocrats who couldn't take over their own cities and came to Rome. They tried to get all the aristocrats together, and they said, "Kings are not letting us make money off the rest of the economy." So they overthrew the kings and said, "We're restoring kingship." This was the whole myth of the Rape of Lucretia. The last king of Rome was accused of raping the daughter of one of his friends. The aristocrats got so upset at this overreaching sexual aggression of kings that they overthrew them and restored liberty. Well, what they restored was the ability of the aristocrats to reduce clients to slavery and rape their wives and daughters. Just the opposite of what happened. Well, they took over, and immediately the aristocracy reversed everything the kings had tried to do and ruled with an iron hand. The Romans had enough class consciousness that they withdrew from the city. They said, "Well, okay, these are not the rules of the Rome that we joined." They had a secession of the plebs around 490 BC. They just walked out until, finally, there was a negotiation of what kind of political structure Rome would have. They created officials who were supposed to at least protect the plebs, the plebeians.

But it really wasn't a very good deal because 50 years later, there was still so much abuse by the aristocracy, the oligarchy, yet, not quite an aristocracy yet, that the judges were all basically the wealthy people. And so the Romans insisted the laws be written down, not led to

the judges. It had to be the rule of law, not just the autocratic rule of the wealthy people who controlled the judgeship. So these were the twelve tables that were written down that set a maximum interest rate and various rules. Almost immediately, the oligarchy simply refused to obey them and said, “Okay, these are the rules. What are you going to do about it?” It’s sort of like the United States saying, “We want the rules-based order, not the rule of law.” That could have been the slogan of the oligarchy, but they didn’t have President Biden, to put it quite that way.

The result was, for the next five centuries, again and again, you would have leading patricians, the wealthy people, and then leading plebeians. Many official plebeian families also became very wealthy. You’d have political leaders who tried to protect the economic role of debtors, to prevent people from falling into bondage, and in fact, to ban debt slavery when there were particular abusive examples that got the population riled up. So basically, you just had what seemed to be a nice paper constitution and paper laws just being autocratically administered, sort of like trying to apply the law in New York City courts. Good luck. It didn’t get very far.

All of this basically began to polarize after about 200 BC when Rome conquered the Greek world and absorbed Greece and went on in around 150 BC to destroy Carthage and conquer Greece all over again. And you had, at that point, already in the second century BC, you had Rome developing into an empire. It really began in the second century. And because it was impoverishing its own population, the character of the army changed, and it became more or less a mercenary army that was loyal to its Generals. You had the usual kind of infighting between right-wing oligarchs and more populist oligarchs, and each of them became Generals commanding opposing armies. You had a civil war, really, from, you could say, from 133 BC on to the eruption with the Catiline organizing an army of debtors to try to cancel debts. He lost. He’d been sponsored somewhat by Julius Caesar. Finally, Julius Caesar came back. Even though his first act was to cancel the debts of the rich people, but not of his class, but not of the people as a whole, there was general fear by the oligarchy that Caesar was actually going to cancel the debts of the poor people as well, not just other rich people, and they killed him. There was a long fight for succession, and you had the empire really taking over under Octavian, Caesar’s adopted nephew, who became Augustus.

CBA: Right. You write in this book— something that’s very clear in this book is that Rome was different in character in a few different ways. One was that it was based on a kind of war economy and the appropriation of land continuously because it was not rooted in supporting a domestic economy.

MH: Yes, it basically made its money by conquering other regions and looting them. It would impose tribute. The wealthiest part of the Roman Empire for many years was Asia Minor, what is now Turkey. You had decade after decade of war by the leader from Pontus on the Black Sea, Mithridates waged a war against the Romans, who collected by— their tax

collectors, were called publicans or publicani, the agents. Things got so bad that around 88 BC, there were the Vespers of Ephesus, the Near East, all over the Ephesus and Near Eastern cities. The Near Easterns rose up, and they killed almost every Roman they could find and every Italian who came with them, except for the few Romans who'd supported local rights and went native, as it were, such as Lucellas, who was a very good guy. Rome just came back and essentially looted the temples. There was no rule of law at all. The phrase was, where the publicans go, the rule of law ends. Very much like the United States when it went and took over Russia in the 1990s. It was looted.

By the first century AD, one-third of all of the Roman Empire's revenues came from tariffs imposed on trade with Egypt. So Egypt, along with Asia Minor, remained a large part of the Roman Empire that was essentially using its revenue just to hire mercenaries. Increasingly, it moved into Europe, North of the Alps, and began to hire Germanic tribes as fighters for it. Usually, the Generals began to fight against each other, and each of them wanted to be emperor, and they would hire the tribes, and finally, by about the fifth century, the empire simply dissolved.

There was already, in the third century, which was supposed to be the golden age of emperorship; the taxation of the areas controlled by Rome was so great that you had the emperors finally doing what seemed to be what the Near Eastern rulers were doing. They'd cancelled the debts. Well, the debts they cancelled were mainly tax debts because the economy was so heavily indebted that people couldn't afford to borrow anymore. The only people who could afford to borrow were wealthy people from each other. The main cause of borrowing was to pay the taxes that Rome insisted upon. So when the emperors cancelled the debts, it was largely cancelling the debts of the wealthy, sort of like the recent bank bailouts of the Silicon Valley Bank and other banks in the United States. The wealthy don't have to pay the debts, but if you're not wealthy, you do have to pay the debts. That's the basic room in principle, and that is what America calls democracy.

CBA: Yeah, that looks a lot like on a massive scale, and we're seeing it on a massive scale, what Socrates said about giving a weapon back to someone who's become a lunatic.

MH: Indeed.

CBA: We'll be right back with part two of our conversation with Dr. Michael Hudson on the fall of the Roman Empire and its implications for contemporary political economy. Thanks for watching. We'll see you soon.

END